

**Brand Equity Trends among Top 100 Global Brands  
(Region wise Analysis)**

**Dr Kamran Siddiqui**

Assistant Professor

**Institute of Business Administration**

University Road, 75270

Karachi,

PAKISTAN

e-mail: [ksiddiqui@iba.edu.pk](mailto:ksiddiqui@iba.edu.pk)

Tel: +92 21 111 422 422

Fax: +92 21 99261508

## **Brand Equity Trends Among Top 100 Global Brands (Region wise Analysis)**

### **Abstract**

**Purpose** – This paper aims to present the region-wise brand equity trends among top 100 global brands during last decade.

**Design/methodology/approach** – The research uses the data published by Interbrand. During 2001-2010, a total of 148 brands from 18 countries (classified into three regions i.e., America, Asia and Europe) appeared in the top 100 global brands list issued by Interbrand.

**Analyses** - Analyses were made on the basis of cumulative brand equity, average brand equity and growth patterns for different industrial sectors with respect to their region of origin.

**Findings** – Some major trends presented in this paper are; (a) Declining dominance of American brands; (b) Growing cheaper European brands; (c) Fewer but solid Asian brands; (d) Dominance of European brands in Apparel, Sporting goods and Luxury categories; (e) Relegation of American brands in automotive sector leaving stiff competition among Asian and European brands; (f) Sectors like Electronics, Computer Hardware, Computer Software, Internet Services, Fast Foods, Transportation, Hospitality Aerospace, Motor Cycles, Rent-A-Car, Telecom, Tobacco and Toy Manufacturing industries reflect a true dominance of American Brands.

**Limitations** - Firstly, objective of this research is predominantly to provide trend analysis, which prevents the presentation of various reasons beyond the specific trends found in this analysis. Secondly, this investigation uses Interbrand's brand equity valuation data and Interbrand excludes several brands from its list for not being sufficiently global or being privately held.

**Further Research Needed** - This study relied only on quantitative techniques to present the trends in global brand equity management. Some other classical research techniques like interviews with brand experts or observations might also be employed to improve/support the results.

**Originality/value** – After examining the literature, the researcher could not identify meaningful research on trends in brand equity and more specifically among top 100 global brands. To fill the

gap this research presents major trends. Secondly, this research has initiated a new dimension of brand association i.e. region of origin as compared to the country of origin brand association. With emergence of EU as a single market this research would be remembered as first paper towards understanding “Region of Origin in Brand Associations”.

**Practical implications** – Based on their interests, users of this study have been classified into two distinct categories, i.e., academics and corporate users. Academics may find this research instrumental in their teachings and research activities. The corporate users may act as mentors for this research by sharing their relevant experience and may note lessons for their corporate practices.

**Keywords** – Brand Equity, Trend Analysis, Top 100 Global Brands, Interbrand

**Paper type** – Descriptive Research

## **INTRODUCTION**

The primary motivation for this study is the desire to fill the gap in knowledge about the major trends in brand equity management among top 100 global brands. Traditional research has not been significantly successful in presenting the above mentioned trends. Most of the studies conducted earlier were directed towards brand valuation methods (Simon & Sullivan, 1993; Perrier, 1997) or generating ranking of the world's top brands (Chu & Keh, 2006). This paper aims to present the region-wise brand equity trends among top 100 global brands during last decade.

## **LITERATURE REVIEW**

Brand equity is a key concept in contemporary brand literature (Davis, 2000); emphasized as “marketing asset” (Ambler, 2003); and defined as “the differential effect that brand knowledge has on consumer response to the marketing of that brand (Keller, 1993); and provide bases for future revenues (Keller, 2003)”. In another short definition it is defined as value of brand accrued by various marketing activities (Kapferer, 2005).

Brand equity measurement has been identified as one of the significant topic for future research in brand management (Keller & Lehman, 2006). Much has been written about brand equity measurement but most of literature on this issue is still evolving and it might evolve further (Berthon, Capon, Hulbert, Murgolo-Poore, Pitt, & Keating, 2001)

Over the past two decades various methods for brand valuation were proposed, two most prominent methods are Simon and Sullivan's Brand Equity Valuation and Interbrand's Brand Valuation Methodology. Simon and Sullivan's method is based on financial perspectives and recommends including only financial performance indicators such as sales, profits and operating margin to Brand Equity (Simon & Sullivan, 1993). Interbrand proposed brand equity estimates on the basis of projected branded earnings / profits discounted to a present value amount (Perrier, 1997). Based on their valuation they have generated the annual ranking of the world's top brands in conjunction with Business Week (Chu & Keh, 2006). This annual brand equity ranking is well accepted by both academicians and corporate users and emerged as a reliable benchmark for brand equity measurements.

Interbrand's ranking list for top 100 global brands requires four major criteria to be met. Firstly, a brand has to be solely global with at least one-third of earnings comes from outside of its country-of-origin. Secondly, the brand must be a market-facing brand and must not have a purely

monopsonic condition with no wider awareness. Thirdly, the firm must be a publicly held and there must be substantial publicly available financial data. Finally and probably most importantly the Economic Value Added (EVA) must be positive and overall brand value must be greater than US \$ 1 billion (Interbrand, 2010).

Interbrand estimates brand value on the basis of projected branded earnings / profits discounted to a present value. Multiple criteria are applied to obtain the discount rate include risk profile, market leadership, stability and global reach of the brand (Interbrand, 2010). Although the criteria to obtain discount rate has been subject to severe criticism due to its subjectivity (Chu, & Keh, 2006) but it has been increasingly referred in academic research along with the corporate brand management exercises (Ambler, 1995; Arvidsson, 2006; Yeung, & Ramasamy, 2008; Ille, 2009; Kapferer, & Bastien, 2009; Keller, & Lehmann, 2009; Raggio, & Leone, 2009; Wang, 2010; Liu, & Hu, 2011). Interbrand's valuation methodology for brand equity has been endorsed by the London Stock Exchange (LSE) as well as majority of accounting and auditing giants (Ward, & Perrier, 1998).

After examining the literature, the researcher could not identify meaningful research on trends in brand equity and more specifically among top 100 global brands. To fill the gap this research presents major trends. Secondly, this research has initiated a new dimension of brand association i.e. “region of origin” as compared to the “country of origin” brand association. With emergence of EU as a single market this research would be considered as pioneering work towards understanding “Region of Origin in Brand Associations”.

### **Methodology**

The data has been taken from the top 100 global brands list published by Interbrand from 2001 to 2010 (Interbrand, 2010). During 2001-2010, a total of 148 brands from 17 countries appeared in the top 100 global brands list belonged to only three sub-continent i.e., America, Europe and Asia; no brand from Australia and Africa was qualified in the list.

For this research countries were grouped into their respective sub-continent/regions (i.e., America, Asia and Europe). American region include USA, Canada, Mexico and Bermuda. European region include Germany, France, Switzerland, UK, Italy, Netherlands, Sweden, Spain, Finland, Denmark and Ireland. Asian region – the smallest region in terms of numbers of brands and number of countries include only two countries i.e. Japan and Korea.

## **ANALYSES**

Analyses were made on the basis of Cumulative Brand Equity (CBE), number of brands, Average Brand Equity (ABE) and Growth Patterns in Cumulative Brand Equity for three regions. Cumulative Brand Equity (CBE) represents summation of brand equities for all brands in a particular region while ABE represents CBE divided by number of brands in a particular region. The most distinctive part of this research is its usage of sub-continent (region) as origin of brand rather than traditional method of using countries as origin of brands.

## **FINDINGS**

Interbrand's 10-year longitudinal data provides enormous opportunities for researchers to analyze short and long trends in it. Three major regional trends are as follows:

### ***American Brand's Trend Analysis:***

During 2001-2010 period 58 brands were consistent and successful in making their place among top 100 global brands with a major chunk of American brands (36) trailing by European (15) and Asian (7) brands (Interbrand, 2010). Computer Hardware, Computer Software, Internet Services, Fast Foods, Transportation, Hospitality Aerospace, Motor Cycles, Rent-A-Car, Telecom, Tobacco and Toy Manufacturing industries reflect a true dominance of American Brands. These industry sectors have 100 % American brands in the Interbrand's top 100 global brand list (Interbrand, 2010). The American brands form the major portion of the global brand list (Figure - 1). However, over a period of time (2001-10), this supremacy of American brands dominating the global scenario is at a declining edge (Figure - 1). American brand numbers dropped from 63 in 2001 to 53 in 2010 among the top 100 list but still fills up half of the list. Total CBE for American brands is more than US \$ 780 billion in 2010; more than double to European brand's CBE and more than seven times to Asian brand's CBE (Exhibit-2). On an average American brands worth more than European and Asian brands; American brand's ABE is much higher than European and Asian brand's ABE (Figure - 3). Although average growth in American brand's CBE is not more than 1% per year for 2001-2010 period but growth in American brand's CBE raised from -5% in 2009 to 6% in 2010 (Exhibit-4). This growth may be attributed as recovery from 2008-2009 global recessions and shows a stronger confidence on American brands by consumers across the globe. In automotive sector American brand's CBE was dropped from US \$ 35 billion to US \$ 10 billion (Figure 7). While in Electronic sector American brand's CBE was dropped from US \$ 112 billion to US \$ 101 billion during the same period (Figure 8).

### ***European Brand's Trend Analysis***

During 10-year period (i.e., 2001-2010) 11 European brands appear only once in top 100 global brands list that reflects lack of consistency in their brand equity management practices (Interbrand, 2010). European brands appear in 12 industry sectors out of total 14 (Interbrand, 2010) they have outclassed their American and Asian counterparts in four industry sectors namely Luxury items, Apparel, Sporting goods and Automotive sectors (Figure 9 -10). European brands are gaining momentum, numbers increased from 30 in 2001 to 39 in 2010 (Figure 2). Although European brands are increasing in number (Figure 2) but they value less than Asian and American brands (Figure 3). European brand's ABE is above US \$ 8.1 billion far less than their Asian and American competitors. Total CBE for European brands is more than US \$ 316 billion in 2010; more than double to their Asian brand's CBE and far less than the American brand's CBE (Exhibit-2). European brands have seen a hyper-growth period during 2003-2008 (Exhibit-4). During this period they have reached a growth of 7 - 18% in their CBE. In 2008 – 2009 they have seen a decline in their BE due to global recession but during 2010 again they have attained annual growth of 3% in their CBE. Among the three regions European brands have the highest growth rate over the period 2001-2010 in their CBE i.e., 7.2% (Figure 5). For Luxury sector European brands CBE has clear edge over their American counterpart's CBE (Figure 9) and for Apparel and Sports Goods sector European brands have shown a tremendous growth in CBE during last five years and taken over the sector leadership from stagnant American brands CBE (Figure 10). Relegation of American brands in Automotive sector leaving stiff competition among Asian and European brands (Figure 7). European brand's CBE was increased from US \$ 42.9 billion to US \$ 67.8 billion made them the industry leader. In Electronic sector European brand's CBE was dropped from US \$ 47 billion in 2001 to US \$ 38.1 billion in 2010 (Figure 8).

### ***Asian Brand's Trend Analysis***

During 2001-2010 a total of 11 Asian brands appeared in Interbrand's list and 7 were consistent by making their appearance in the list each year (Interbrand, 2010). These 7 brands show consistency in their brand equity management and strengths of brands. Asian brands are clustered in only two industrial sectors i.e. Automotive and Electronics (Figure 7 & 8). Mainly attributed to Japan or Korea these brands have shown tremendous growth in their brand equity and they have consolidated their position in their respective industry sector over period of time

(Interbrand, 2010). Asian brands are also gaining momentum despite being smaller in numbers of brands appearing in top 100 brand list (Figure 2). Asian brand's CBE is lowest among three regions and it stands at US \$ 100 billion but small number of brands appearing in this list justify this BE level. Asian brands also had growth period during 2004-2006. During this period they have reached a growth of 12 - 13% in their CBE. In 2008 – 2009 they have seen a decline in their CBE growth due to global recession but and in 2010 these brands could not attain a growth pattern in their CBE (Exhibit-4). Asian brands included in this list worth more than European brands in terms of their ABE (Figure 6). Their ABE is US \$ 13.1 billion just short of American brand's ABE of US \$ 14.7 billion and far above of European Brand's ABE of US \$ 8.1 billion. Asian brand's CBE was increased from US \$ 33.2 billion in 2001 to US \$49.77 billion in 2010. During this period they have seen an all time high US \$ 61.56 billion in 2007 but these brands are still facing the after effects of global recession. In Electronic sector Asian brand's CBE was increased from US \$ 41 billion in 2001 to US \$ 55 billion in 2010 (Figure 8).

## **CONCLUSIONS**

Brand Equity ranking is an important element in contemporary marketing literature. Different brand equity models provide bases to develop marketing strategies. Analyses mentioned above have the potential to offer new and important insights concerning Brand Equity with respect to their region-of-origin. Following conclusions were made based on the various trends in equity of top 100 global brands; (a) Declining dominance of American brands; (b) Growing cheaper European brands; (c) Fewer but solid Asian brands; (d) Dominance of European brands in Apparel, Sporting goods and Luxury categories; (e) Relegation of American brands in automotive sector leaving stiff competition among Asian and European brands; (f) Sectors like Electronics, Computer Hardware, Computer Software, Internet Services, Fast Foods, Transportation, Hospitality Aerospace, Motor Cycles, Rent-A-Car, Telecom, Tobacco and Toy Manufacturing industries reflect a true dominance of American Brands.

## **LIMITATIONS**

The results obtained from this empirical work must be interpreted in the light of the study's limitations. These arose because of the exploratory nature of the research and its restriction in scope, and they are summarized as follows. This investigation uses Interbrands brand equity valuation data. Interbrand uses various criteria to be met to include any brand in the list. These criteria exclude brands such as Mars, which is privately held, or Walmart, which is not



sufficiently global (it does business in some international markets but not under the Walmart brand). Another limitation of the study is its objective i.e., trend analysis, which prevents the analysis of reasons for specific trends found in the analyses phases. Additionally, this study relied on quantitative techniques to present the trends observed in global brand equity management. Some other classical research techniques like interviews with experts from the field or observations might also be employed to improve/support the results.

#### **FURTHER RESEARCH NEEDED**

This study relied only on quantitative techniques to present the trends in global brand equity management. Some other classical research techniques like interviews with brand experts or observations might also be employed to improve/support the results.

#### **PRACTICAL IMPLICATIONS**

Based on their interests, users of this study have been classified into two distinct categories, i.e., academics and corporate users. Academics may find this research instrumental in their teachings and research activities. The corporate users may act as mentors for this research by sharing their relevant experience and may note lessons for their corporate practices.

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Figure - 1 Region-wise Brand Equity Trends – Number of brands

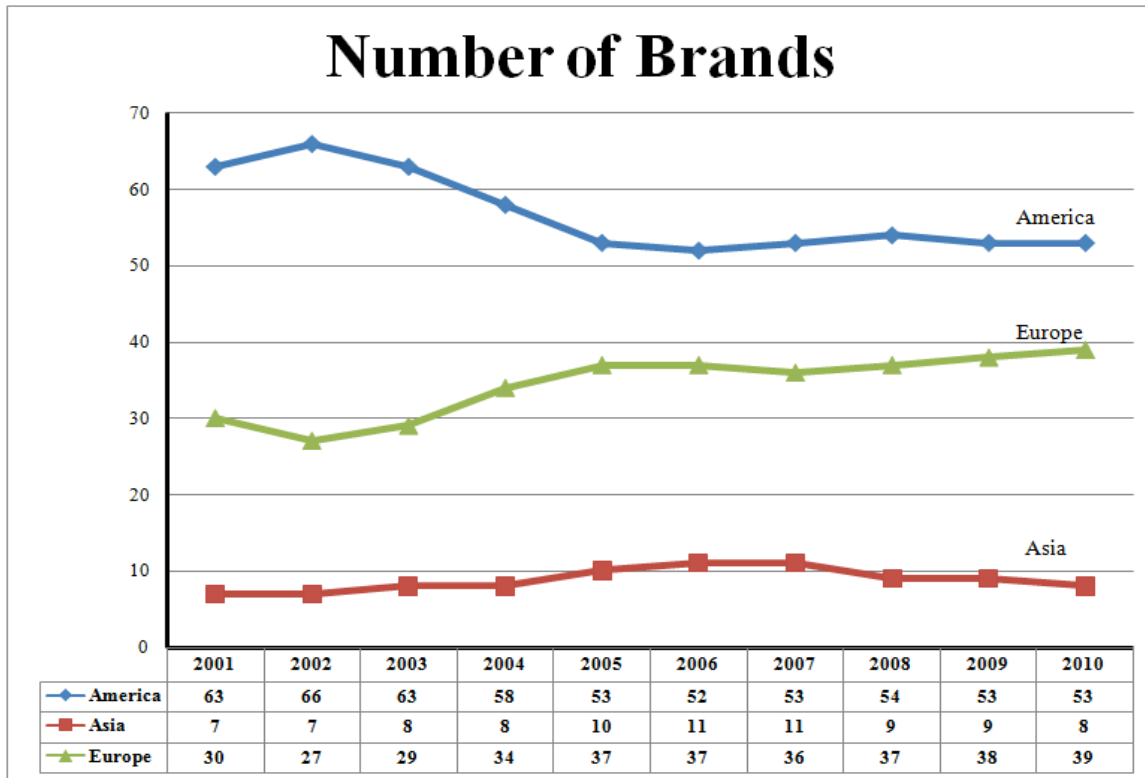


Figure – 2 Region-wise Brand Equity Trends – Cumulative Brand Equity

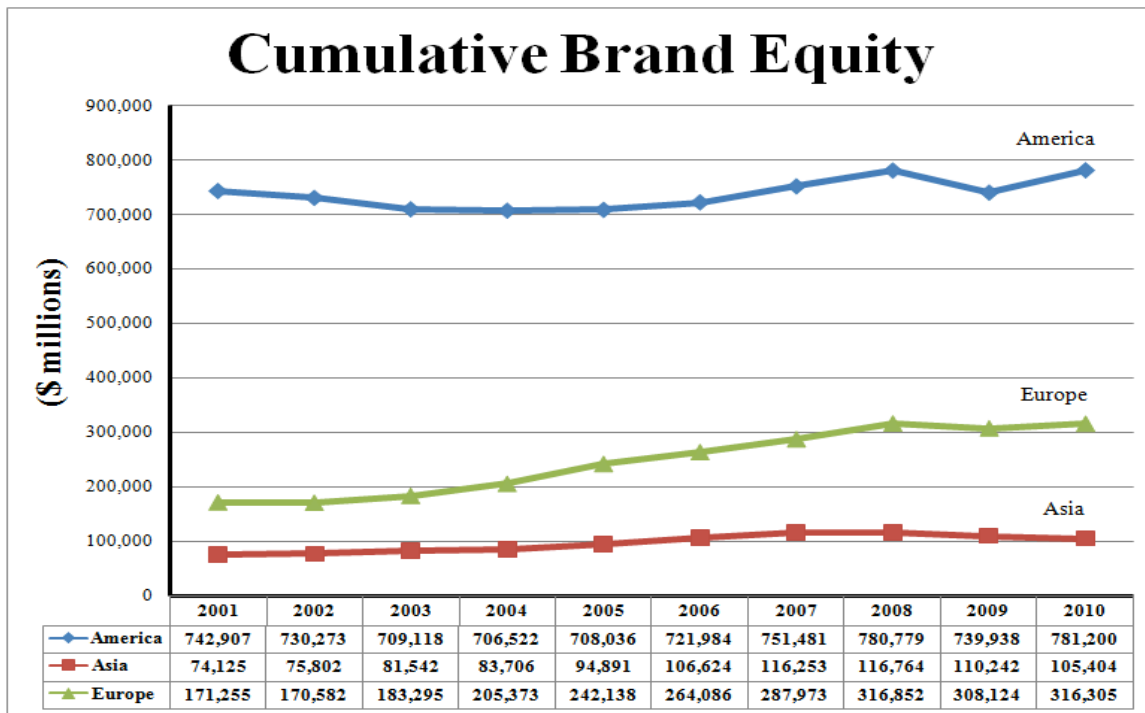


Figure – 3 Region-wise Brand Equity Trends – Average Brand Equity

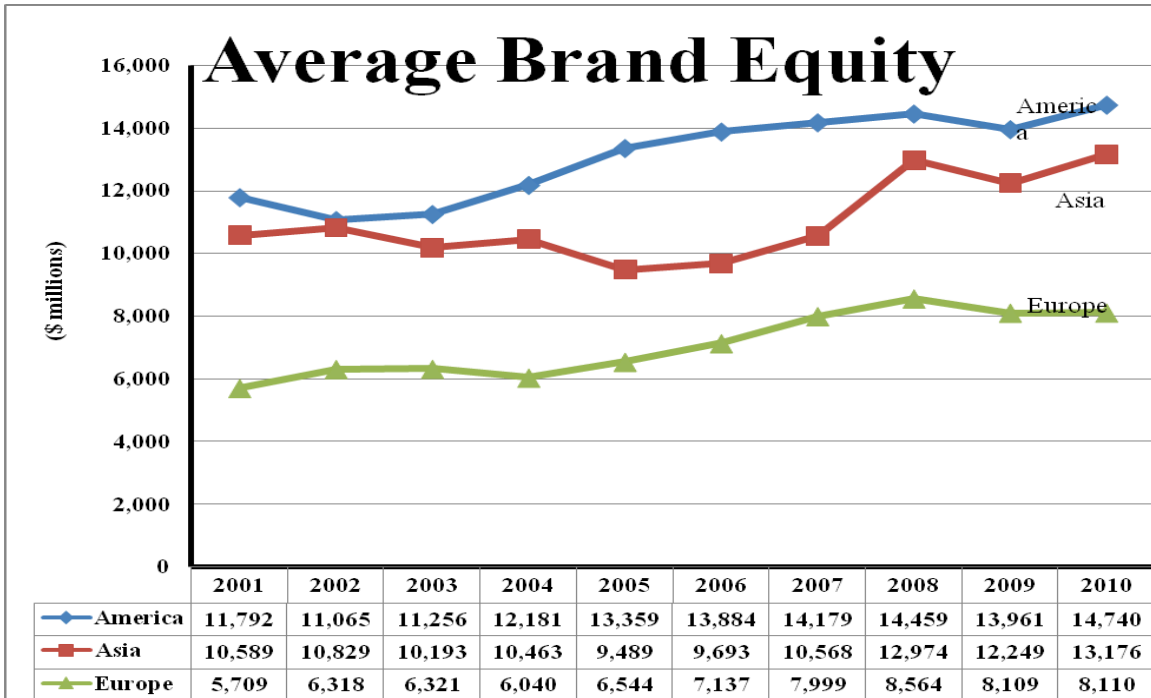


Figure – 4 Region-wise Brand Equity Trends – Growth Patterns

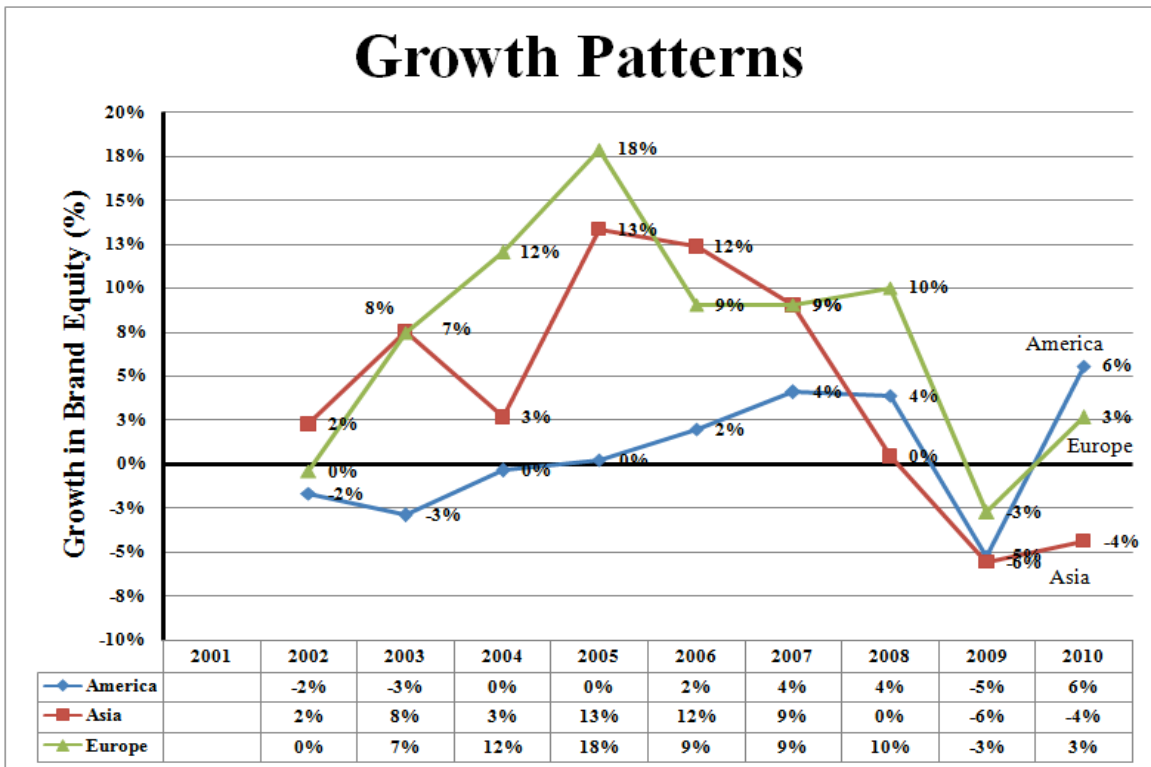


Figure – 5 Region-wise Brand Equity Trends – ABE VS Growth

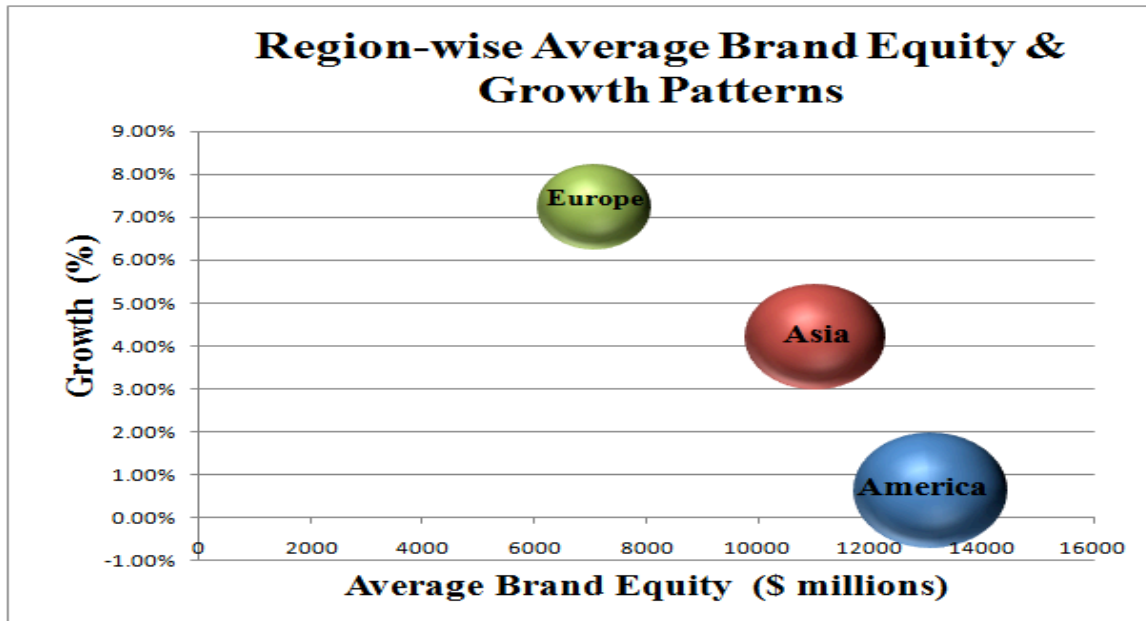
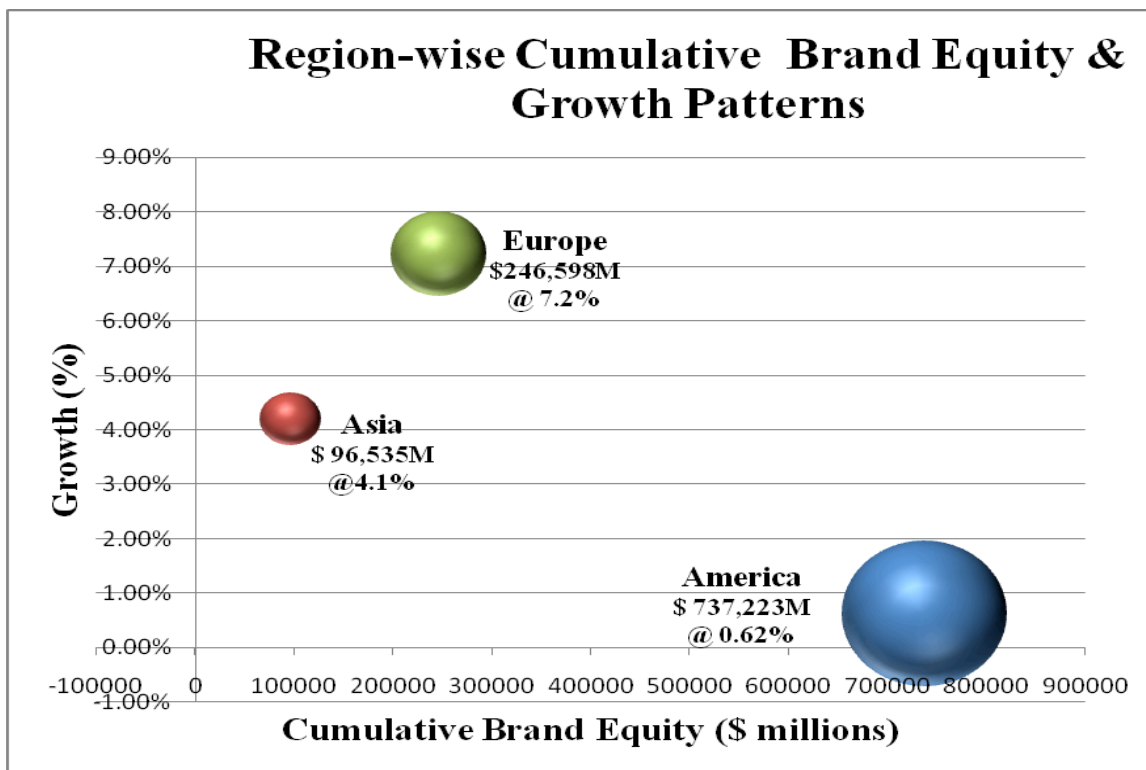
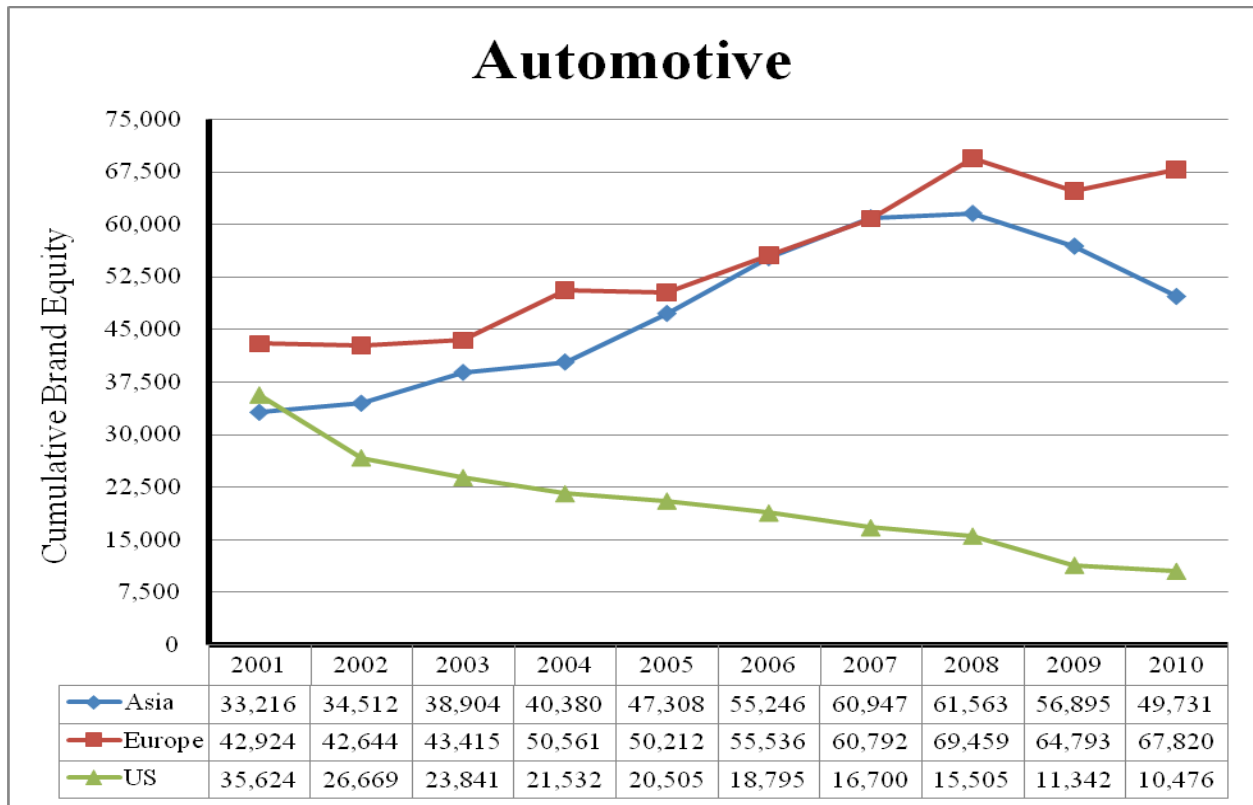


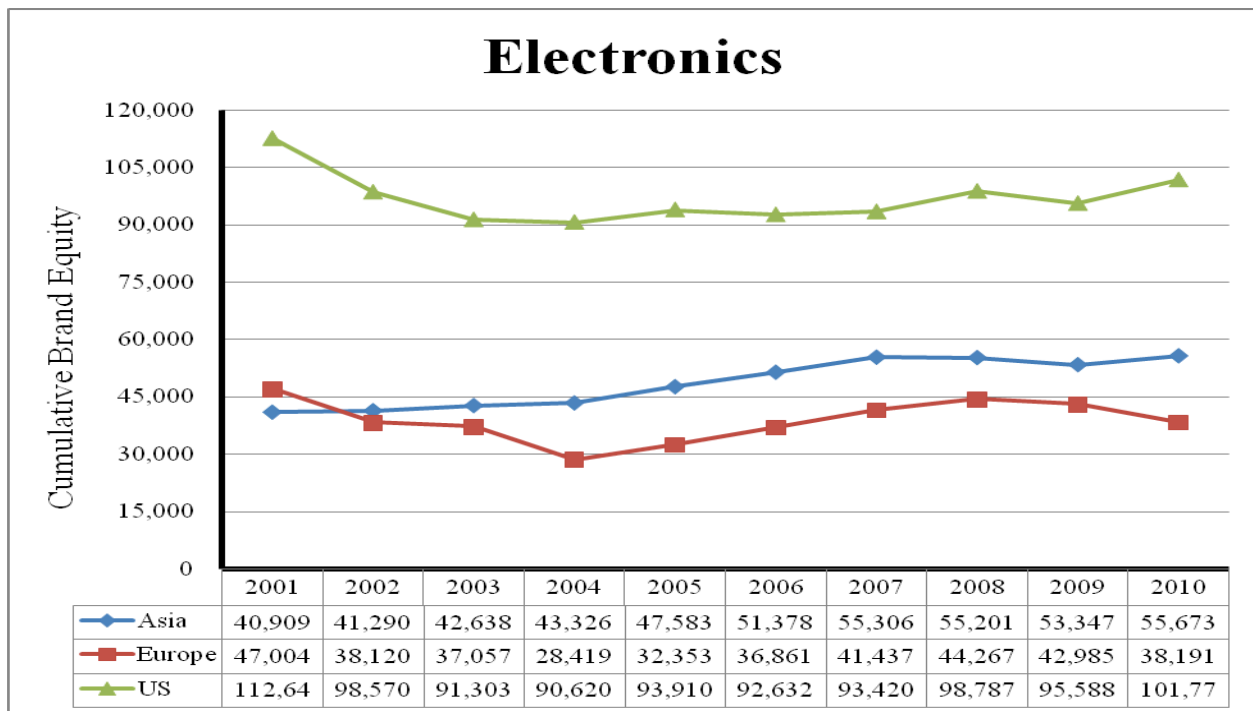
Figure – 6 Region-wise Brand Equity Trends – CBE VS Growth



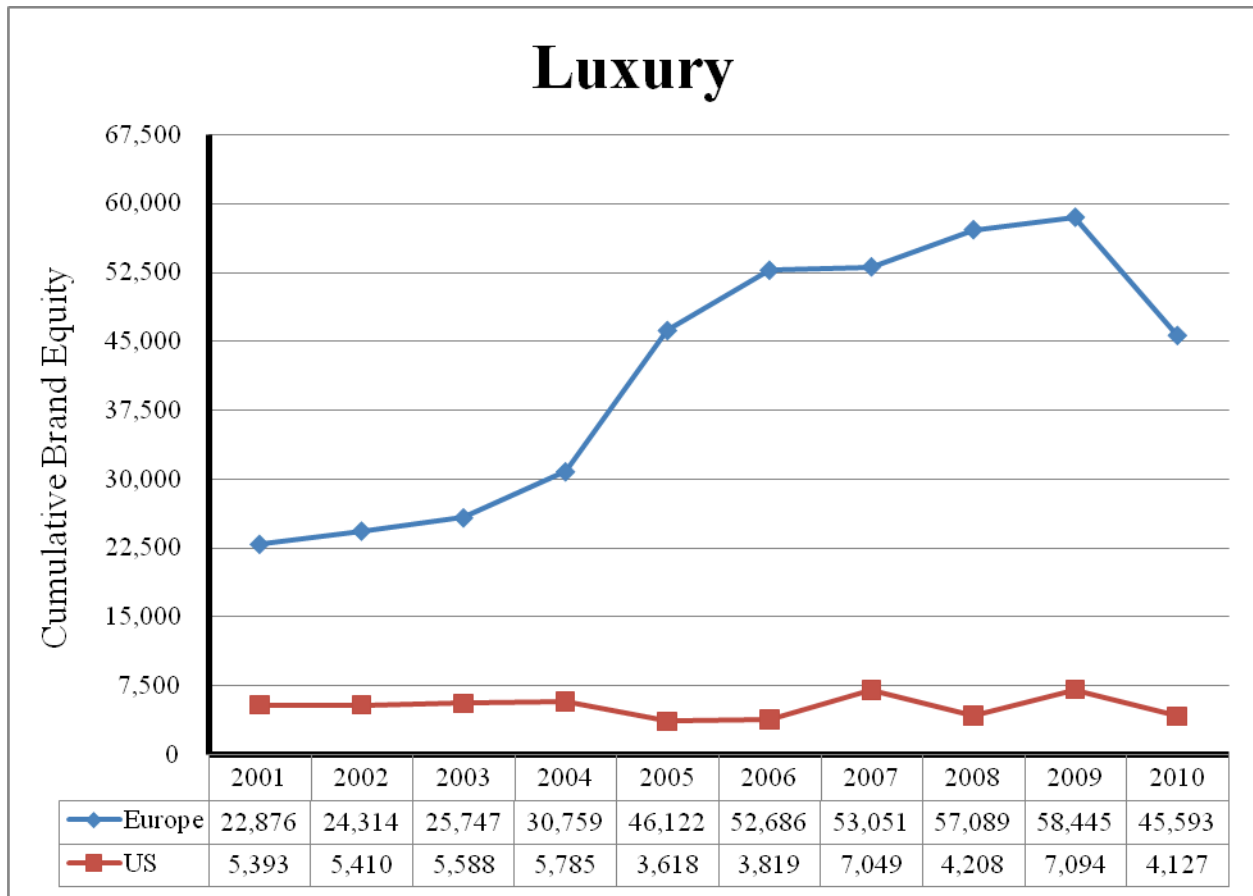
**Figure – 7 Region-wise Brand Equity Trends – Automotive sector**



**Figure – 8 Region-wise Brand Equity Trends –**



**Figure – 9 Region-wise Brand Equity Trends – Luxury sector**



**Figure – 10 Region-wise Brand Equity Trends – Apparel & Sporting Goods**

