

African BUSINESS

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Kenya: Fallout out from Westgate
Nigeria: At long last, power is privatised

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 Rethinking demand

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INTERVIEWS WITH
Gervais Koffi Djondo
Tony Elumelu



AFRICA'S BEST BRANDS

**Exclusive ranking of
 Africa's most-admired
 and valuable brands**

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Africa's Best Brands

BRAND AFRICA's MOST-ADMIRED AND VALUABLE BRANDS

While we are all familiar with and interact with brands of various products and services on a daily basis, is there a matrix that can work out the value of a brand itself? What is the value of the Apple brand or Dangote Cement? How much would you have to pay if you wished to obtain a licence to use the brand? In addition, which brands are the most admired across the continent? Why is brand value important?

As the number of brands in Africa continues to grow and as African consumers become more brand conscious, so the need to find a system of ranking brands increases.

Brand Africa, the pan-African initiative to drive Africa's reputation and competitiveness, working with Brand Finance Africa, a division of Brand Finance plc, the world's leading independent brand valuation consultancy, and TNS, the internationally respected consumer knowledge and information company, established the continent's first brand-ranking system some three years ago.

African Business is pleased to collaborate on this year's rankings as the first of what we expect to be an annual collaboration to recognise the leading brands in Africa.



in association with Brand-Finance, TNS & Brand Africa

African brands go head to head with global players

Rupert Kemp, valuation director, and **Oliver Schmitz**, managing director Brand Finance Africa, explain the methodology used to determine both the most-admired as well as the most-valuable brands in Africa.

JUST AS AFRICA CONTINUES TO BE A CONTINENT ON THE RISE, growing in excess of 5% annually, a substantially higher rate than other regions, with a rising and attractive consumer base of over 900m, the 2013 Brand Africa table of the 'Most Admired and Valuable Brands in Africa' shows that African brands (brands that are African in origin) are growing at 9% in brand value, compared to non-African brands (international brands operative in Africa), which are growing at 6%.

However, non-African brands have African brand values that are still over three times the size of African brands. Therefore, while the African brands may be gaining ground steadily, they are still well behind global brands in Africa.

The Brand Africa 100 table was established in 2011, in recognition of the growth of African brands, which were beginning to challenge global brands in Africa or lead global brands in new categories such as mobile telecommunications. Brands are an asset. The aim of Brand Africa 100 is to identify, acknowledge and promote African and global brands that are catalysts for Africa's growth, reputation and value.

Brand Africa 100 was developed by Brand Africa in partnership with Brand Finance Africa, a division of Brand Finance plc, the world's leading independent brand valuation consultancy and TNS, the globally respected consumer knowledge and information company. It's a two-phase process that starts with identifying and ranking the 100 most admired brands, and then reranking them based on their calculated brand financial value.

The first phase of the study involved a comprehensive research among consumers 18 years and older, living in representative countries in metropolitan sub-Saharan Africa regions to draw up a list of the most admired African and global brands in Africa. In the first two surveys, the representative countries have included Botswana, Democratic Republic of Congo (DRC), Ghana, Kenya, Nigeria, South Africa, Tanzania, Uganda and Zambia.

BRAND AFRICA: TOP BRANDS BY SECTOR

in association with Brand-Finance & TNS

RANK	BRAND	INDUSTRY GROUP	COUNTRY OF DOMICILE	GLOBAL BRAND VALUE 2013	AFRICA BRAND VALUE 2013	AFRICA REVENUES	BV CHANGE	GLOBAL BRAND VALUE 2012	AFRICA BRAND VALUE 2012
1	Nike	Apparel	United States	14,943	1,943	13%	-20%	18,735	2,436
2	Rolex	Apparel	Switzerland	3,494	349	10%	1%	3,475	348
3	Adidas	Apparel	Germany	5,790	289	5%	-17%	6,974	349
1	Toyota	Auto Manufacturers	Japan	25,979	1,819	7%	-10%	28,800	2,016
2	Honda	Auto Manufacturers	Japan	16,114	806	5%	8%	14,984	749
3	Volkswagen	Auto Manufacturers	Germany	23,666	710	3%	100%	17,758	355
1	Guaranty Trust Bank	Banks	Nigeria	201	201	100%	-36%	313	313
2	Zenith Bank	Banks	Nigeria	172	172	100%	12%	154	154
3	Intercontinental Bank	Banks	Nigeria	147	147	100%	9%	134	134
1	Coca-Cola	Beverages	United States	34,205	3,420	10%	27%	26,994	2,699
2	Pepsi	Beverages	United States	18,701	935	5%	-2%	19,093	955
3	Heineken	Beverages	Netherlands	4,218	527	13%	9%	3,867	483
1	Nestlé	Consumer	Switzerland	18,075	542	3%	4%	17,342	520
2	Unilever	Consumer	Britain	1,705	256	15%	1%	1,681	252
3	Dangote	Consumer	Nigeria	216	216	100%	3%	211	211
1	Omo	Cosmetics	Britain	1,427	571	40%	24%	1,188	459
2	ARIEL	Cosmetics	United States	1,886	75	4%	23%	1,532	61
3	Nivea	Cosmetics	Germany	5,843	584	10%	6%	5,493	549
1	Samsung	Electronics	South Korea	58,771	2,939	5%	121%	26,578	1,329
2	HP	Electronics	United States	16,112	806	5%	-36%	24,992	1,250
3	Toshiba	Electronics	China	14,715	736	5%	41%	10,409	520
1	Blue Band	Food	Britain	581	224	39%	20%	483	187
2	Indomie	Food	Nigeria	1,706	171	10%	230%	517	52
3	Milo	Food	Switzerland	2,786	84	3%	3%	2,708	82
1	Cadbury	Food Diversified	United States	5,577	279	5%	93%	2,893	145
2	Tiger Brands	Food Diversified	South Africa	201	201	100%	11%	180	180
1	Shell	Oil & Gas	Netherlands	29,752	3,273	11%	6%	22,022	3,083
1	Woolworths	Retail	South Africa	1,294	1,294	100%	24%	1,040	1,040
2	Shoprite	Retail	South Africa	1,115	1,115	100%	4%	1,069	1,069
3	McDonald's	Retail	United States	21,642	1,082	5%	-11%	24,211	1,211
1	Motorola	Telecoms	United States	3,383	508	15%	82%	1,859	279
2	Nokia	Telecoms	Finland	3,178	222	7%	-51%	7,586	455
3	Sony Ericsson	Telecoms	Sweden	1,949	97	5%	-44%	3,477	174
1	MTN	Telecoms Services	South Africa	5,172	4,655	90%	-1%	5,200	4,680
2	Vodafone	Telecoms Services	Britain	27,009	2,328	9%	4%	30,740	2,245
3	Airtel	Telecoms Services	India	3,746	899	24%	30%	2,874	690



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Above: Samsung is the world's largest smartphone provider, resulting in growth in brand value.

Each respondent was asked to mention the five local and global brands that they most admired, in order. TNS calculated a score for each brand based on rank sums to create an index.

Where a brand has the same dominant brand identity but a different name across different countries, these were combined to reflect a singular brand. For example in the Standard Bank Group, Standard Bank is the brand name in South Africa but Stanbic everywhere else, but the greater brand identity is the same across all markets.

On the other hand, Barclays Africa trades with Absa in South Africa and as Barclays in other markets. In that instance, the brands are assumed to be different. In summary, to qualify, an admired brand must operate in at least one market beyond its domestic market, and trade with a uniform brand identity and/or name.

The results are always interesting and this year was no exception. The table is still led by the somewhat struggling Nokia, highlighting the fact that the brand still holds strong equity across the African continent even though their global results may be slipping. It remains to be seen if Microsoft, the mobile manufacturer's new owner, can capitalise on the equity still held by the brand on the continent.

The top 10 of the most-admired brands league boasts three African brands: unsurprisingly the mobile network giant MTN finds itself in amongst the most admired.

But what is perhaps a little more surprising is that Dangote, the largest manufacturing conglomerate in West Africa, and Globacom, the Nigeria-based telecommunications provider, are also in the list. Both brands have managed to win the hearts of the communities in which they operate.

Giving a value to the Most-Admired Brands

After establishing the Top 100 Most-Admired Brands in Africa by TNS, the next phase was for Brand Finance to calculate their value based on quality or otherwise available economic and financial data to establish the Brand Africa 100 – Most-Admired and Valuable Brands in Africa.

Getting a list of 100 Most-Admired Brands is an easy challenge as the source is Africa's brand-savvy consumers. But putting a value on the same list is not quite as easy.

AFRICA'S TOP 10 MOST VALUABLE BRANDS

RANK	BRAND	INDUSTRY GROUP	COUNTRY OF DOMICILE	AFRICAN BRAND VALUE 2013
1	MTN	Telecoms Services	SA	4,655
2	Woolworths	Retail	SA	1,294
3	Shoprite	Retail	SA	1,115
4	Pick n Pay	Retail	SA	1,035
5	Globacom	Telecoms Services	Nigeria	655
6	Castle	Beverages	SA	272
7	Tusker	Beverages	Kenya	222
8	Dangote	Consumer	Nigeria	216
9	Guaranty Trust Bank	Banks	Nigeria	201
10	Tiger Brands	Food Diversified	SA	201

The dominant challenge in Africa is data – but this situation is changing rapidly as Africa is gaining traction as a global player. The aim remains ultimately to achieve a list of the 100 most-admired as brands. In the first two Brand Africa 100 lists, 75 brands from the top 100 met the criteria with the resultant rank reflected in the table on page 20.

The continent is a mixed bag, with the incredible successes of local brands like MTN, which maintains its ranking at the top of the table this year, and non-African brands like Coca-Cola, which has had a long and successful relationship with consumers on the continent.

This year, Coca-Cola's brand value in Africa grew by 27%, the second-largest growth in the 10 brands behind Samsung. The South Korean electronics giant has enjoyed superb period with a year-on-year growth of a staggering 127%. Samsung's brand value was not small to begin with, but it has been particularly spectacular on the back of its success in the smartphone market.

Samsung has started to move out of the shadows of its arch rival, Apple, and is now the largest smartphone provider by market share in the world. This has had an incredible impact on its brand, business, and value, which can be seen in its incredible growth this year. Other interesting brand stories reveal themselves on the back of Samsung's stellar performance.

Mobile phone brands that have performed so well in the past on the continent are now in real distress after failing to keep up with the likes of Samsung and Apple.

Brands like BlackBerry, Nokia, Sony Ericsson and Alcatel have all seen their brand values eroded on the continent, some as high as 91% in the case of the battling mobile phone manufacturer from Canada, BlackBerry.

A stand-out performer beyond Samsung in the telephony industry is Motorola, which has seen its brand value increase by 82%. The expectation is that it will keep improving and playing an active role in the market while Google (its parent company) drives to become a major global competitor with Apple and Samsung.

In the apparel sector, there is also an interesting shift with the largest apparel brands on the continent, Nike and Adidas, losing value this year, while high-end fashion brands like Gucci and Dolce & Gabbana are making gains in value. It has been a very good year for retail brands in Africa, with the sector as a whole growing at 20% in brand value. Major winners include KFC and Pick n Pay, the

BRAND AFRICA: MOST-ADMIRED AND VALUABLE BRANDS

in association with Brand-Finance & TNS

RANK	BRAND	INDUSTRY GROUP	COUNTRY OF DOMICILE	GLOBAL BRAND VALUE 2013	AFRICA BRAND VALUE 2013	AFRICA REVENUES	BV CHANGE	GLOBAL BRAND VALUE 2012	AFRICA BRAND VALUE 2012
1	MTN	Telecoms Services	SA	5,172	4,655	90%	-1%	5,200	4,680
2	Coca-Cola	Beverages	US	34,205	3,420	10%	27%	26,994	2,699
3	Shell	Oil & Gas	Holland	29,752	3,273	11%	6%	22,022	3,083
4	Samsung	Electronics	S. Korea	58,771	2,939	5%	121%	26,578	1,329
5	Vodafone	Telecoms Services	Britain	27,009	2,328	9%	4%	30,740	2,245
6	Nike	Apparel	US	14,943	1,943	13%	-20%	18,735	2,436
7	Toyota	Auto Manufacture	Japan	25,979	1,819	7%	-10%	28,800	2,016
8	Woolworths	Retail	SA	1,294	1,294	100%	24%	1,040	1,040
9	Shoprite	Retail	SA	1,115	1,115	100%	4%	1,069	1,069
10	McDonald's	Retail	US	21,642	1,082	5%	-11%	24,211	1,211
11	Pick n Pay	Retail	SA	1,035	1,035	100%	89%	548	548
12	Pepsi	Beverages	US	18,701	935	5%	-2%	19,093	955
13	Airtel	Telecoms Services	India	3,746	899	24%	30%	2,874	690
14	Honda	Auto Manufacture	Japan	16,114	806	5%	8%	14,984	749
15	HP	Electronics	US	16,112	806	5%	-36%	24,992	1,250
16	Toshiba	Electronics	China	14,715	736	5%	41%	10,409	520
17	Volkswagen	Auto Manufacture	Germany	23,666	710	3%	100%	17,758	355
18	BMW	Auto Manufacture	Germany	23,236	697	3%	14%	20,466	614
19	Peugeot	Auto Manufacture	France	6,645	665	10%	19%	7,976	558
20	Globacom	Telecoms Services	Nigeria	655	655	100%	13%	580	580
21	Etisalat	Telecoms Services	UAE	3,159	632	20%	25%	2,534	507
22	Mercedes-Benz	Auto Manufacture	Germany	20,298	629	3%	-3%	20,889	648
23	Nivea	Cosmetics	Germany	5,843	584	10%	6%	5,493	549
24	Omo	Cosmetics	Britain	1,427	571	40%	24%	1,188	459
25	Nestlé	Consumer	Swiss	18,075	542	3%	4%	17,342	520
26	Heineken	Beverages	Holland	4,218	527	13%	9%	3,867	483
27	Motorola	Telecoms	US	3,383	508	15%	82%	1,859	279
28	Guinness	Beverages	Britain	1,233	493	40%	-8%	1,338	535
29	Philips	Electronics	Holland	8,000	480	6%	18%	6,786	407
30	Sony	Electronics	Japan	9,597	480	5%	-25%	12,788	639
31	Colgate	Cosmetics	US	4,633	463	10%	14%	4,069	407
32	Sprite	Beverages	US	3,992	399	10%	3%	3,882	388
33	Nissan	Auto Manufacture	Japan	17,646	353	2%	33%	13,237	265
34	Rolux	Apparel	Swiss	3,494	349	10%	1%	3,475	348
35	KFC	Retail	US	3,319	332	10%	90%	1,745	174
36	Hitachi	Electronics	Japan	16,588	332	2%	21%	13,740	275
37	Dell	Electronics	US	6,224	311	5%	-46%	11,605	580
38	Fanta	Beverages	US	2,988	299	10%	94%	1,540	154
39	Adidas	Apparel	Germany	5,790	289	5%	-17%	6,974	349
40	Vaseline	Cosmetics	Britain	1,070	289	27%	8%	989	267
41	Panasonic	Electronics	Japan	9,589	288	3%	0%	9,581	287
42	Cadbury	Food Diversified	US	5,577	279	5%	93%	2,893	145
43	Castle	Beverages	SA	340	272	80%	3%	330	264
44	Unilever	Consumer	Britain	1,705	256	15%	1%	1,681	252
45	LG	Electronics	S. Korea	1,541	231	15%	-75%	6,126	919
46	Blue Band	Food	Britain	581	224	39%	20%	483	187
47	Nokia	Telecoms	Finland	3,178	222	7%	-51%	7,586	455
48	Tusker	Beverages	Kenya	222	222	100%	561%	34	34
49	Dangote	Consumer	Nigeria	216	216	100%	3%	211	211
50	Sunlight	Cosmetics	Britain	553	214	39%	20%	460	178

RANK	BRAND	INDUSTRY GROUP	COUNTRY OF DOMICILE	GLOBAL BRAND VALUE 2013	AFRICA BRAND VALUE 2013	AFRICA REVENUES	BV CHANGE	GLOBAL BRAND VALUE 2012	AFRICA BRAND VALUE 2012
51	Guaranty Trust Bank	Banks	Nigeria	201	201	100%	-36%	313	313
52	Tiger Brands	Food Diversified	SA	201	201	100%	11%	180	180
53	PZ	Consumer	Britain	500	195	39%	438%	93	36
54	Close-Up	Cosmetics	Britain	487	188	39%	20%	405	156
55	Tigo	Telecoms Services	Luxembourg	777	179	23%	9%	716	165
56	Jeep	Auto Manufacture	US	1,801	175	10%	-42%	3,130	303
57	Zenith Bank	Banks	Nigeria	172	172	100%	12%	154	154
58	Indomie	Food	Nigeria	1,706	171	10%	230%	517	52
59	Sharp	Electronics	Japan	5,406	162	3%	17%	4,611	138
60	Intercontinental Bank	Banks	Nigeria	147	147	100%	9%	134	134
61	Clover	Dairy	SA	127	127	100%	11%	114	114
62	D & G	Apparel	Italy	1,195	120	10%	91%	626	63
63	7UP	Beverages	US	2,526	114	5%	-8%	2,760	124
64	United Bank for Africa	Banks	Nigeria	112	112	100%	-43%	198	198
65	Gucci	Apparel	France	3,109	109	4%	62%	1,917	67
66	Mazda	Auto Manufacture	Japan	3,445	103	3%	4%	3,325	100
67	Sony Ericsson	Telecoms	Sweden	1,949	97	5%	-44%	3,477	174
68	SABMiller	Beverages	SA	329	96	29%	9%	303	88
69	Oceanic Bank	Banks	Nigeria	86	86	100%	4%	82	82
70	Reebok	Apparel	Germany	1,684	84	5%	14%	1,479	74
71	Milo	Food	Swiss	2,786	84	3%	3%	2,708	82
72	Ariel	Cosmetics	US	1,886	75	4%	23%	1,532	61
73	Tastic	Food	SA	72	72	100%	9%	66	66
74	Puma	Chemicals	Germany	1,437	72	5%	-41%	2,445	122
75	Peak Milk	Dairy	Nigeria	71	71	100%	10%	65	65



Tusker, the beer from Kenya, has gained in brand value by 561% and become one of Africa's leading local beers

561%

Left: Fashion brands such as Dolce & Gabbana are making gains in value.

South African grocery chain, which continues to expand its presence across the continent.

Interestingly, McDonald's lost 11% in value over the year, which may signify a difficult time for the American fast-food giant in the highly competitive sector. Following Coca-Cola's success has been its little sibling, Fanta, which has also had a fantastic year.

However, amongst the beverage brands in this year's table there is only one real winner – Tusker, the beer from Kenya, which has gained in brand value by 561% and become one of Africa's leading local beers.

It was not as great a year for Guinness, which lost 8% in value. In the financial sector, none of the large global banks or large South African brands that have been so successful on the continent is in the table. These brands were not selected by the African consumers as the most admired brands in Africa and therefore did not meet the criteria for inclusion in the table.

Valuing a brand

Brand Finance uses the 'royalty relief' methodology to value brands. It is called this because it is essentially a hypothesis of what someone would have to pay the brand owner in licence fees (royalties) if they wanted to use their brand.

There are a number of methods that one could use for brand valu-

TOP 100 BRAND AFRICA: MOST-ADMIRED BRANDS IN AFRICA

in association with Brand-Finance & TNS

RANK	BRAND	ADMIRATION SCORE %
1	Nokia	11.0%
2	Coca-Cola	7.5%
3	MTN	6.8%
4	Toyota	5.2%
5	Samsung	4.5%
6	LG	3.6%
7	Peak Milk	3.3%
8	Dangote	3.0%
9	Nike	2.8%
10	Globacom	2.5%
11	Indomie	2.3%
12	Honda	1.9%
13	Adidas	1.9%
14	Omo	1.7%
15	Sony	1.7%
16	Mercedes-Benz	1.6%
17	Philips	1.5%
18	Airtel	1.5%
19	Vodacom/fone	1.4%
20	Sharp	1.3%
21	Pepsi	1.2%
22	Guinness	1.1%
23	Unilever	1.1%
24	United Bank for Africa	0.9%
25	Cadbury	0.9%
26	Nestlé	0.9%
27	Blue Band	0.9%
28	BMW	0.8%
29	Fanta	0.8%
30	BlackBerry	0.7%
31	Colgate	0.6%
32	Motorola	0.6%
33	Tigo	0.6%
34	Sony Ericsson	0.6%
35	Mumias Sugar	0.6%
36	SABMiller	0.6%
37	Nivea	0.6%
38	Panasonic	0.6%
39	Gucci	0.5%
40	Guaranty Trust Bank	0.5%
41	Puma	0.5%
42	PZ	0.5%
43	Etisalat	0.5%
44	Intercontinental Bank	0.5%
45	Levi Strauss	0.5%
46	Jeep	0.5%
47	Tusker	0.5%
48	Hitachi	0.5%
49	Pick n Pay	0.4%
50	Golden Penny	0.4%

RANK	BRAND	ADMIRATION SCORE %
51	Nissan	0.4%
52	Clover	0.4%
53	D & G	0.4%
54	Ariel	0.4%
55	White Star	0.4%
56	KFC	0.4%
57	Toshiba	0.4%
58	Five Alive	0.4%
59	Royco	0.4%
60	Castle	0.4%
61	Hummer	0.4%
62	Geisha	0.4%
63	Sunlight	0.4%
64	Milo	0.3%
65	Close-Up	0.3%
66	Zenith Bank	0.3%
67	HP	0.3%
68	McDonald's	0.3%
69	Oceanic Bank	0.3%
70	Dell	0.3%
71	Heineken	0.3%
72	Woolworths	0.3%
73	Nice & Lovely	0.3%
74	Nido	0.3%
75	Shell	0.3%
76	Dettol	0.3%
77	Rolux	0.2%
78	Tiger Brands	0.2%
79	Vaseline	0.2%
80	Peugeot	0.2%
81	Reebok	0.2%
82	Volkswagen	0.2%
83	Sprite	0.2%
84	Alcatel	0.2%
85	Shoprite	0.2%
86	Mazda	0.2%
87	7UP	0.2%
88	DStv	0.2%
89	Chrysler	0.2%
90	Range Rover	0.2%
91	Tastic	0.2%
92	Simba	0.2%
93	Versace	0.2%
94	Equity Bank	0.2%
95	Total	0.2%
96	Mountain Dew	0.2%
97	Sanyo	0.1%
98	Ford	0.1%
99	Yamaha	0.1%
100	Kia Motors	0.1%

MOST VALUABLE AFRICAN AND GLOBAL BRANDS

in association with Brand-Finance & TNS

RANK	BRAND	INDUSTRY GROUP	COUNTRY OF DOMICILE	GLOBAL BRAND VALUE 2013	AFRICA BRAND VALUE 2013	AFRICA REVENUES	BV CHANGE	GLOBAL BRAND VALUE 2012	AFRICA BRAND VALUE 2012
1	MTN	Telecoms Services	SA	5,172	4,655	90%	-1%	5,200	4,680
2	Coca-Cola	Beverages	US	34,205	3,420	10%	27%	26,994	2,699
3	Shell	Oil & Gas	Holland	29,752	3,273	11%	6%	22,022	3,083
4	Samsung	Electronics	S. Korea	58,771	2,939	5%	121%	26,578	1,329
5	Vodafone	Telecoms Services	Britain	27,009	2,328	9%	4%	30,740	2,245
6	Nike	Apparel	US	14,943	1,943	13%	-20%	18,735	2,436
7	Toyota	Auto Manufacturers	Japan	25,979	1,819	7%	-10%	28,800	2,016
8	Woolworths	Retail	SA	1,294	1,294	100%	24%	1,040	1,040
9	Shoprite	Retail	SA	1,115	1,115	100%	4%	1,069	1,069
10	McDonald's	Retail	US	21,642	1,082	5%	-11%	24,211	1,211



Left: Branded. It's not just a beer, it's Castle beer.

Benchmarking is a very useful exercise for brands and can help them understand and track the competitive landscape in which they operate

ation. However, the royalty relief method is the most accepted in the accounting and legal fields for three main reasons.

First, it uses real-life existing agreements and transactions as a reference. Brands are licensed in real commercial situations and therefore one can use royalty rates set by the agreeing parties as an initial reference point to the method.

Second, it can be based on publicly available financial data. Since royalties are generally charged off total revenues, it is usually easier to obtain these figures.

Third, it is compliant under the International Valuation Standards Authority to determine the fair market value of brands.

As the royalty relief method is a hypothetical licensing scenario, it is also able to clearly define what it means by brand, which can be problematic with other methods. In these valuations, Brand Finance defines brand as the "Trademark and associated IP including the word mark and trademark iconography".

The first step in valuing a brand with the royalty relief method is understanding the strength of the brand. If one imagines a negotia-

tion for a licensing agreement, both parties will bring reasons why each is strong and the other is weak across a whole range of areas in the business, therefore bargaining for a better licensing rate.

Brand Finance aims to try and replicate this type of negotiation by creating a Brand Strength Index.

The Brand Strength Index benchmarks brands against each other across a number of facets; for example, financial performance, and admiration scores from the Brand Africa 100 TNS survey.

With this benchmarking, one can see which brands are stronger or weaker in certain areas and then weight them up to get to an overall strength position. In its own right, this is a very useful exercise for brands and can help them understand and track the competitive landscape in which they operate.

The next step in valuing the brands is to work out the size of royalty that may be applicable to a particular brand. There are some brands that operate in a highly branded sector where brand plays a large role in the purchasing decision, for example, Versace in high-end fashion; whereas there are other brands that operate in very low branded sectors where brand is less important in decision making, for example, the oil and gas sector.

Databases of existing royalty agreements are used to establish the ranges of royalties that have been charged in the past for brands from particular sectors. Once ranges of royalties from particular sectors are defined, one can use brand-strength analysis to understand what type of royalty an individual brand may fetch, the logic being that a stronger brand would be able to charge higher royalty rates than a weaker brand. By applying the brand strength to the sector royalty range, a hypothetical a royalty rate can be calculated.

With royalty rates calculated, forecasted revenues are needed to see what the royalty paid will actually look like. To do this, one needs to determine brand-specific revenues, estimating a proportion of parent company revenues attributable to the brand globally and on the African continent.

Forecasting revenues is generally a function of historic revenues, equity analyst forecasts and economic growth rates.

Once forecasted revenues have been set, the royalty rate can be applied to the forecasted revenues to derive brand revenues. With a stream of brand revenues calculated, they are discounted post tax to a net present value, which equals the brand value. ■