

## Apple, Microsoft And Google Are World's Most Valuable Brands



A strong brand name is an incredibly valuable asset. Consumer companies in particular devote huge chunks of time and resources to solidify and expand their brands. “A valuable brand delivers a return for the company on two dimensions,” says David Reibstein, professor of marketing at the University of Pennsylvania’s Wharton School. “Either it allows the company to charge a premium price or it adds more volume or market share.”

When it comes to charging a premium price and moving product, no one does it better than Apple AAPL -0.18%. There are other phones and tablets that are functionally comparable or arguably better than the iPhone and iPad, but the Apple brand carries tremendous weight and credibility, and customers are willing to pay up for that. The company sold 39.3 million iPhones in its latest quarter and could sell as many as 60 million during the last three months of 2014 with the holiday selling season. Apple also moved 12.3 million iPads and 5.5 million Macs last quarter.

Add it all up and the Apple brand is worth \$124.2 billion and almost twice as much as any other brand in Forbes’ annual study of the world’s most valuable brands. The value of the Apple brand is up 19% over last year. Apple’s strong brand and innovative products allowed it to redefine four industry categories over the past 13 years with the launches of the iPhone, iPad, iPod and iTunes. The next industries on Apple’s hit list are smartwatches with the Watch and financial payments with Apple Pay. Premium pricing pushes up Apple’s operating profit margins to 33%, and the company generated \$50 billion in free cash flow for the fiscal year ended in September.

Microsoft MSFT -0.24% ranks second with a value of \$63 billion, up 11% after being flat the previous three years, as the brand works to make the transition to a mobile world. Microsoft has

recently had more success with its move away from the PC and software licensing model towards cloud offerings.

Microsoft inked a five-year, \$400 million sponsorship deal with the NFL last year. The pact requires the NFL to use Surface tablet computers on the sideline that download high-def photographs of plays as they occur. Unfortunately for Microsoft the arrangement has provided more evidence of the power of the Apple brand, as announcers and players repeatedly refer to the Surface tablets as iPads and one player called them “knockoff iPads.” Microsoft is still a bit player in tablets and phones. “There is a lot of catching up to do,” says Reibstein. “They are going to have to work to overcome the brand disadvantage they have in those areas.”

Google GOOGL -1.54% shoots up two spots to No. 3 among the top brands with a value of \$56.6 billion, up 19%. Google is the generic term for the search category, but what separates Google from brands like Kleenex and Xerox is the amount of money it generates from its ad-driven business. The Google brand generated \$16 billion in earnings before interest and taxes over the last 12 months, and it is one of the biggest ad spenders in tech at \$2.8 billion in 2013. “With a well known brand, people trust it a lot more, and part of what is happening with Google is a matter of trust,” says Reibstein.

To determine the best brands, we started with a universe of more than 200 global brands. We required brands to have some presence in the U.S., which eliminated big brands like multinational telecom firm Vodafone and state-owned China Mobile, which has almost twice as many mobile subscribers as any other brand (Vodafone is second in mobile). The final list includes product brands like Anheuser-Busch InBev -owned Budweiser and brands that are marketed under their corporate name like IBM IBM 0%, which ranks fifth overall.

Forbes valued the brands on three years of earnings and allocated a percentage of those earnings based on the role brands play in each industry (e.g., high for luxury goods and beverages, low for airlines and oil companies). We applied the average price-to-earnings multiple over the past three years to these earnings to arrive at the final brand value (click here for the full methodology).

The 100 most valuable brands span 15 countries across 20 broad industry categories. Brands from U.S.-based companies make up just over half the list with the next biggest representation from Germany (9 brands), France (7) and Japan (5). Tech brands are the most prevalent with 16, including 11 of the top 25. Automotive companies landed 16 brands in the top 100 led by Toyota at No.9, worth \$31.3 billion.

Sandwiched around IBM are a couple of brands facing the challenges of people’s changing eating and drinking habits, particularly in the U.S. Coca-Cola ‘s value rose 2% to \$56.1 billion, placing it fourth. “When you are selling sugar and water, your brand better be very important,” says Reibstein. The Coca-Cola brand is still extremely valuable, but it operates in an industry with few growth prospects. Coca-Cola sold 13.5 billion cases globally of its signature brand in 2013, up just 0.6% from the prior year. The McDonald’s brand is sixth overall, worth \$39.9 billion, but up just 1%. McDonald’s has been working to make its menu appear more health conscious, but many consumers aren’t buying it. Global same-store sales slid 3.3% in the third quarter.

The biggest gainer in the top 100 was Facebook, up 74% for a value of \$23.7 billion and No. 18 overall. Various surveys report that fewer teens are using the social sharing site, but the Facebook brand still carries tremendous weight with 864 million daily active users in September. Revenue for the latest quarter jumped 59% with advertising representing 92.5% of total revenue. Other big gainers in the top 100 include Amazon.com (+45%), Starbucks (+25%), Toyota (+22%) and Nike (+22%).