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# Forbes



# HOT STUFF



**TOYOTA, SAMSUNG AND  
THE 20 FASTEST-GROWING  
BRANDS**



- Australia ..... A \$5.95
- Hong Kong ..... HK \$45
- India ..... Rs 150
- Indonesia ..... Rp 23,000
- Japan ..... (tax incl.) ¥840
- Korea ..... W 5,000
- Malaysia ..... RM 12.00
- New Zealand ..... NZ \$8.00
- Philippines ..... P 130
- Singapore ..... S \$7.00
- Taiwan ..... NT \$130
- Thailand ..... B 100
- United States ..... US \$4.95

# BRAND-NEW WORLD

Private-label goods are on the rise in some places, but brands aren't ready to disappear | Kurt Badenhausen

**B**rands in Europe are dead. Or so the headlines would have you believe. Sara Lee announced plans earlier this year to unload both its meat and apparel businesses in Europe. Heinz recently opted to restructure its European operations and sell struggling businesses such as Hakpreprepared vegetables. Revenues for Unilever's European operations were down 5% in 2004.

The struggles of these companies and their brands are the fallout of the growth of private-label goods and the rise of hard discounters like Germany's Aldi and Lidl chains. But brand names aren't going away. Just look at those that populate our ranking of top brands on page 36. ACNielsen retail analyst Jean-Jacques Vandenhede says, "The growth in private label is driven by category. Categories vulnerable to private label are where there is very little differentiation."

Market research firm Euromonitor International tracks private-label spending in the core grocery products sectors, including food, beverages and personal care. It found that private-label goods have been growing 6% annually in recent years and should reach \$112 billion this year with a market share of 17% in this sector, up from 16% in 2004. Western Europe is the leader in private-label goods with a 39% share in Switzerland, 31% in the United Kingdom, 29% in Germany and 25% in Belgium and Spain.

But in many categories, like beer and baby food, private labels are irrelevant, with less than 2% market share. Apple Computer is one company taking advantage of the consumer appetite for brand-name electronics. Private-label market share for consumer electronics is only 0.6%, according to Euromonitor. Fueled by the success of the iPod, Apple's European sales increased 50% over the past year.

And Asia can be a quite different experience. In Japan private-label goods make up just 5% of Euromonitor's core grocery products. Japanese appetite for brand names is good news for Coach. Its sales have jumped 90% annually in Japan the past three years.

Europeans haven't forgotten how to splurge, either. Seattle coffeemaker Starbucks opened its first location across the Atlantic in 1998; last year the European count reached 500. Sales outside the U.S. increased 33% last year with the help of 413 new locations. Says Jeffrey Parkhurst, managing director for marketing firm Vivaldi Partners: "Smart brands, like Starbucks, achieve relevance within their customers' daily lives." **F**

## FORMULA ONE

150,000 fans came to Shanghai last year to watch the first ever Formula One race in China. The cheaper seats cost \$125, or one month's salary for the typical Chinese worker.

## SAMSUNG

Samsung expects to sell 100 million mobile phones this year. It recently introduced the first mobile phone to use voice-recognition technology to convert speech into text messages.



## TOYOTA

The Toyota Prius, with 335,000 sold since 1997, is the world's bestselling hybrid car. The combination of a gas engine and electric motor means cars can travel 60 miles on a gallon of gas.

# NEXT GENERATION

Coca-Cola has long been recognized as the world's most valuable brand. Its current value: \$55 billion. Alas, the Coca-Cola brand is not what it once was—its value has declined 4% annually over the past four years, and the stock has seen a corresponding 9% decline. Are there any hot brands poised to challenge Coca-Cola's title as the most valuable brand? For the sixth installment in our Beyond the Balance Sheet series, we turned to New York marketing consultants Vivaldi Partners. They began their study by surveying chief marketing officers and consumers, asking them to identify brands they felt were both growing fast and being innovative. Next Vivaldi screened for brand-owning companies that beat their peers in earnings growth. Vivaldi valued the remaining 40 brands using a discounted cash flow model that also factored in the percentage of the business being driven by the brand. The brands whose values increased the most within their respective industries during the past four years are identified in the table below.

—Kurt Badenhausen and Maya Roney

Rank	Brand	BRAND VALUE		Comments
		Current (\$bil)	Four-year % change <sup>1</sup>	
1	Apple	\$5.3	38%	Over 400 million songs have been purchased at the iTunes store.
2	BlackBerry	1.2	36	Users average a 53-minute-a-day productivity gain, says Research in Motion.
3	Google	8.7	36	World's largest search engine sorts through 8 billion Web pages.
4	Amazon.com	2.7	35	New service lets users pay \$79 annually for unlimited shipping.
5	Yahoo	6.8	34	New online music subscription service gives access to 1 million songs.
6	Ebay	7.4	31	150 million users are registered at the online auction site.
7	Red Bull	1.7	31	Sponsors extreme-sports athletes and parties on college campuses.
8	Starbucks	3.0	25	Opened four stores a day on average in 2004.
9	Pixar	2.9	24	<i>The Incredibles</i> is the bestselling DVD of 2005 to date.
10	Coach	3.9	23	Business in Japan now accounts for 22% of company sales.
11	Whole Foods	0.7	22	Stores generate \$800 per square foot annually, twice the industry norm.
12	EA Sports/Games	6.9	22	31 product franchises have reached 1 million unit sales worldwide.
13	MTV	7.0	22	Network's 100th channel broadcasts to 48 countries in sub-Saharan Africa.
14	Samsung	14.3	18	Employs more than 24,000 researchers at 17 R&D centers worldwide.
15	Victoria's Secret	6.8	17	Catalog and online sales generated \$1.1 billion in revenue in 2004.
16	Nike	7.1	16	Future endorsement contract obligations total \$1.7 billion.
17	Toyota	25.8	15	Camry was the bestselling passenger vehicle in U.S. seven of past eight years.
18	Formula One	3.2	14	Budgets for this sport's top teams exceed \$250 million a year.
19	ESPN	9.3	14	Has more than 5,000 hours of original programming a year.
20	Harley-Davidson	7.6	12	Company's 100-year-anniversary events in 2003 drew 1 million people.

<sup>1</sup>Annualized. Sources: Vivaldi Partners (Jeffrey Parkhurst, David Ferreira, Andre Kursancew); Forbes.



For an expanded version of this table, please visit [www.forbes.com/extra](http://www.forbes.com/extra).

RED BULL: COLGATE-PALMOLIVE; KELLOGG: BUDWEISER; COCA-COLA: DUNACELL; GILLETTE: DAVIS LADA FOR FORBES; BUFFETT ILLUSTRATION: ISRAEL GOLDAN FOR FORBES; VICTORIA'S SECRET: MARK MANNING/GETTY IMAGES; PIXAR: DISNEY/PIXAR/MTV; EVAN AGOSTINI/GETTY IMAGES; DISNEY: EVERETT COLLECTION.

## RED BULL

Consumers guzzled 1.9 billion cans of Red Bull last year. Per capita consumption in Austria (pop. 8 million) is the highest, at 14 cans a year.



## APPLE

Apple Computer sold 381,000 iPods in fiscal 2002, the first year the digital music player was widely available. Expected unit sales this year: 22 million.

## PIXAR

Pixar's six straight blockbusters, from *Toy Story* to *The Incredibles*, give it an average per-film gross of \$540 million, highest of any film studio.



## BLACKBERRY

One of the early suggested monikers for the handheld device was "StrawBerry" because of its seedlike buttons, but the name sounded too slow to brand consulting firm Lexicon Branding, and BlackBerry was born.



## VICTORIA'S SECRET

The lingerie retailer mails out 395 million of its sexy catalogs a year, making enemies of feminists—and tree huggers

## MTV

MTV is the world's most widely distributed TV network. Its music videos are seen in 419 million homes, in 164 countries and territories in 18 languages.

## ADDING VALUE

Is an advertisement an operating outlay or an asset acquisition? It's some of each. If the Kellogg's brand is worth \$9 billion now, as Vivaldi Partners calculates, that's in large measure a function of the billions its owner has spent over the last century building it up. Still, some fraction of ad dollars must be spent just to keep a name brand running in place. As an experiment we looked at how earnings of some blue chips would be affected if it is presumed that half of all ad dollars are investments in the future. Adding back half of advertising outlays to pretax earnings and then applying a corporate tax rate, we came up with adjusted earnings. The table below shows companies with at least \$3 billion in revenue, ad spending of at least 5% of revenue and significant reductions in their price/earnings ratios if earnings are thus adjusted.—Lesley Kump

	COLGATE-PALMOLIVE	COCA-COLA	WALT DISNEY	EBAY	KELLOGG
Sales (\$bil) <sup>1</sup>	\$10.8	\$22.1	\$31.5	\$3.5	\$9.7
Ad spending as % of sales	10.0%	10.0%	9.8%	14.1%	8.4%
P/E	21	23	22	56	20
Adjusted P/E <sup>2</sup>	16	19	15	47	16
Price	\$49.18	\$44.26	\$27.07	\$35.38	\$45.31

<sup>1</sup>Latest 12 months. <sup>2</sup>Earnings adjusted to include advertising expenses. Sources: Reuters Fundamentals via FactSet Research Systems; company filings.

# Buffett's Brands

In April, Anheuser-Busch announced that Warren Buffett's Berkshire Hathaway had acquired a "significant" stake in the maker of Budweiser beer. The value of the Budweiser brand: \$15.7 billion, or 43% of Anheuser-Busch's market cap, according to Vivaldi. This is just the latest investment by the Omaha billionaire in a company with a valuable brand; he also owns stakes in American Express, Coca-Cola and Gillette (being acquired by Procter & Gamble). Past investments included McDonald's and Walt Disney. Here is a look at the value of Buffett's publicly traded megabrand holdings and his company's stake in those brands. —K.B.

## COCA-COLA

Brand value

**\$55.1 bil**

Buffett's stake

**\$4.6 bil**



## AMERICAN EXPRESS

Brand value

**\$18.8 bil**

Buffett's stake

**\$2.3 bil**



## GILLETTE

Brand value

**\$17.9 bil**

Buffett's stake

**\$1.8 bil**



## BUDWEISER

Brand value

**\$15.7 bil**

Buffett's stake

**undisclosed**



## DURACELL

Brand value

**\$3.6 bil**

Buffett's stake

**\$0.4 bil**



# Brands Branching Out

By Kurt Badenhausen

NEW YORK - A dating network on eBay? A Whole Foods culinary college? Mobile phones from Apple Computer? All far-fetched ideas, right? Not in the minds of consumers.

Vivaldi Partners, a marketing consulting firm based in New York, recently put together a list of the 20 best growth brands for Forbes (see: "Brand Values"). They tested these brands with more than 4,500 consumers worldwide to gauge "how far each brand could extend given consumer perceptions."

The survey asks consumers whether they think the brand can move into many different categories, only related product categories or has limited reach. Vivaldi then asked which specific products consumers could envision the brand offering. Topping the list was eBay (nasdaq: EBAY - news - people ), which 66% of consumers felt had many different expansion opportunities. Close behind was Amazon.com (nasdaq: AMZN - news - people ), which 59% of respondents perceived to have many different chances for brand extensions.

"These are the world's leading growth brands. But the question of how much further they can grow resides in the minds of consumers" says Erich Joachimsthaler, CEO of Vivaldi.

eBay started ten years ago as an online flea market. The company quickly expanded and by 1997 had 800,000 auctions each day. In 2000, the company expanded through eBay Motors. This probably wasn't what Pierre Omidyar envisioned eBay evolving into when he founded the firm, but last year gross merchandise volume at eBay Motors rose 48% to \$11.1 billion, making it the company's highest-grossing category (eBay only receives a percentage of these sales). The company has quadrupled in size the past three years to \$3.5 billion in revenue, but growth is starting to slow. It's imperative the company find new brand expansion possibilities.

So, in 2015 when you are buying a Mercedes on eBay, don't be surprised if it's also where you meet your wife and get a mortgage loan. **F**

## Opportunity Knocks

The brands below have the best extension opportunities according to consumer perceptions

Rank	Brand	Expansion Opportunities
1	eBay (nasdaq: EBAY)	dating network, loans, skills swapping
2	Amazon.com (nyse: AMZN)	airline tickets, groceries, financial products, concert tickets
3	Samsung	electric cars, alarm systems, gaming consoles, cell phone service
4	Whole Foods (nyse: WFMI)	high-end restaurants, cookware, culinary college, organic apparel
5	Google (nasdaq: GOOG)	dating network, children's toys, videogames, instant messenger
6	Yahoo! (nasdaq: YHOO)	banking, cell phone services, coffee houses, Yahoo! brand clothing
7	Apple Computer (nasdaq: AAPL)	cell phones, car stereos, televisions
8	Nike (nyse: NKE)	sports drinks, trips/tours, jeans
9	Coach (nyse: COH)	home décor, children's apparel, jackets
10	Victoria's Secret	bags, beauty service, bath towels

Source: Vivaldi Partners

Vivaldi Partners is an international strategy consulting firm focused on breakthrough marketing, growth and innovation strategies.

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