Norway
10
2017

The annual report on the most valuable Norwegian brands
May 2017
What is the purpose of a strong brand; to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place it frequently lacks financial rigour and is heavily reliant on qualitative measures poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Skeptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo may fail to agree necessary investments. What marketing spend there is can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources and a negative impact on the bottom line.

Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketers and finance teams. Marketers then have the ability to communicate the significance of what they do and boards can use the information to chart a course that maximises profits.

Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most highly branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business. The team and I look forward to continuing the conversation with you.
**Definitions**

**Branded Business Value**

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

**Branded Business Value** – the value of the entire enterprise, made up of multiple branded businesses

**Branded Business Value** – the value of a single branded business operating under the subject brand

**Brand Contribution** – The total economic benefit derived by a business from its brand

**Brand Value** – the value of the trade marks (and relating marketing IP and ‘goodwill’ attached to it) within the branded business

**Branded Business**

**‘Branded Business’**

**‘Brand Value’**

**‘Brand Contribution’**

**‘Branded Enterprise’**

**‘Branded Group’**

**‘Brand’**

**‘Telenor’**

**‘E.g. Telenor Group’**

**‘E.g. Telenor’**

**‘E.g. Telenor’**

**Brand Contribution**

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike, an assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

Brand Contribution represents the overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

**Brand Value**

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However, when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”.

**Brand Strength**

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance.

Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.
Methodology

League Table Valuation Methodology

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

The steps in this process are as follows:

1. Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world’s largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

2. Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database of license agreements and other online databases.

3. Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 0-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.

4. Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.

5. Determine forecast brand specific revenues using a function of historic revenues, equity analyst forecasts and economic growth rates.

6. Apply the royalty rate to the forecast revenues to derive brand revenues.

7. Brand revenues are discounted post tax to a net present value which equals the brand value.

Brand Finance Typical Project Approach

How We Help to Maximise Value

Strong brand

Weak brand

BSI score applied to an appropriate sector royalty rate range.

Royalty rate applied to forecast revenues to derive brand values.

Post-tax brand revenues are discounted to a net present value (NPV) which equals the brand value.

Inputs

Brand Audit

Trial & Preference

Acquisition & Retention

Valuation Modelling

Performance

Brand Contribution

1. Base-case brand and business valuation (using internal data), growth strategy formulation, target-setting, scorecard and tracker set-up

2. Optimise brand positioning and strength

3. Portfolio management/rebranding Group companies

4. Build core business through product development

5. Build core business through market expansion

6. Build scale through licensing/franchising/partnerships

Evaluate ongoing performance

Current brand and business value

Target brand and business value

Maximising a strong brand

Forecast revenues

Brand strength index (BSI)

Brand strength expressed as a BSI score out of 100.

Brand ‘Royalty rate’

Brand equity

Brand performance

Brand investment
Statoil tops the Brand Finance Norway 10 ranking with a brand value of US$7.6 billion and a 16% growth year on year. It is also the country’s most powerful brand with a Brand Strength Index (BSI) of 82. Statoil’s Q1 results for 2017 significantly exceeded market expectations, with reported operating profit of US$3.3 billion compared to US$857 million in 2016, buoyed by recovering crude prices.

The recent rebranding of Statoil stations into Circle K will mean a reduction in the visibility of the brand in the public arena. However the sale of the downstream business to Couch-Tard has allowed Statoil to channel its focus onto more profitable midstream and upstream sectors of the business, helping to consolidate the strength of the brand.

Despite the recent uptick in the oil price, Statoil is looking to the future to prepare for long term decline. 2016 saw the launch of Statoil Energy Ventures, one of the world’s largest renewable energy VC funds. Statoil also recently announced that by 2030 it plans to devote 15-20% of all spend on renewables, up from 5% today. Though this is essential from a purely financial point of view, as we move into a new energy era, in the shorter term it helps to support the Statoil brand, improving CSR metrics and perceptions.

Storebrand is also embracing this trend. Just last month it launched two new fossil-free funds, as a call to the government to reduce exposure to coal, oil, and gas. Recognising the changing face of the Norwegian society, Storebrand is making moves into Islamic finance. These are similarly helping to improve brand reputation, but also the ‘consideration’ metric amongst emerging consumer groups. At an operational level, Storebrand has embarked on a digital transformation drive with an Indian IT firm Cognizant to refresh its current systems and help better track and respond to consumer behaviour.
Executive Summary

The 10 Most Powerful Brands
These are the most powerful Norwegian brands, whose rating is based on Brand Finance’s Brand Strength Index (BSI).

<table>
<thead>
<tr>
<th>Brand</th>
<th>BSI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statoil</td>
<td>82.0</td>
</tr>
<tr>
<td>DNB</td>
<td>80.7</td>
</tr>
<tr>
<td>Telenor</td>
<td>80.6</td>
</tr>
<tr>
<td>Norwegian</td>
<td>79.9</td>
</tr>
<tr>
<td>Gjensidige</td>
<td>66.8</td>
</tr>
<tr>
<td>Yara</td>
<td>64.3</td>
</tr>
<tr>
<td>SpareBank</td>
<td>61.1</td>
</tr>
<tr>
<td>Storebrand</td>
<td>57.8</td>
</tr>
<tr>
<td>Sparebank Austevoll Seafood ASA</td>
<td></td>
</tr>
</tbody>
</table>

Storebrand’s brand value is up 13% to $521 million, Norway’s largest private pension fund Storebrand is 9th.

Telenor defends a close second place, with a 15% increase in brand value from 2016 to US$7.2 billion. As with many incumbent telecoms businesses, Telenor is vulnerable to disruptive innovations and the erosion of margins from core services such as data provision which are increasingly commoditised. Telcos are under increasing pressure to offer multiple ‘play’ offerings and with this in mind, Telenor recently sealed partnership with Netflix, providing Telenor’s subscribers across Europe and Asia with an easy access to digital TV. Telenor is also looking to expand its digital presence and tap into the rapidly growing Asian mobile advertising market.

Telenor’s brand value is up 15% to $7.2 billion. As with many incumbent telecoms businesses, Telenor is vulnerable to disruptive innovations and the erosion of margins from core services such as data provision which are increasingly commoditised. Telcos are under increasing pressure to offer multiple ‘play’ offerings and with this in mind, Telenor recently sealed partnership with Netflix, providing Telenor’s subscribers across Europe and Asia with an easy access to digital TV. Telenor is also looking to expand its digital presence and tap into the rapidly growing Asian mobile advertising market.

Creative, attention-grabbing, marketing tactics have supported this investment. Norwegian cheekily capitalised on the break-up of Angelina Jolie and Brad Pitt, released an ad (which soon went viral) with the strapline, ‘Brad is Single’ as a reason for customers to jump on a flight to LA. Norwegian’s marketing is agile and digital-led, saving money (which helps to improve ROI) but is also clearly effective. Norwegian is the fastest growing Norwegian brand, with value up 78% to US$853 million.

On the other side of the struggle between incumbent brands and challengers is airline brand Norwegian. Its ambitious expansion is giving established airlines worldwide cause for concern, particularly those that have dominated transatlantic and other long haul routes; Norwegian has boldly invested in cheap long-haul flights to America and recently also the Far East.

Norwegian’s branding is agile and digital-led, saving money (which helps to improve ROI) but is also clearly effective. Norwegian is the fastest growing Norwegian brand, with value up 78% to US$853 million.
Understand Your Brand’s Value

A Brand Value Report provides a complete breakdown of the assumptions, data sources and calculations used to arrive at your brand’s value. Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

A full report includes the following sections which can also be purchased individually.

**Brand Performance**
An ideal balanced scorecard of fundamental brand related measures

**Brand Investment**
Proven inputs that drive the Brand Equity and financial results

**Drivers of Change**
Three key areas impact Brand Value (EURm)

**Brand Strength Index**
A breakdown of how the brand performed on various metrics of brand strength, benchmarked against competitor brands in a balanced scorecard framework.

Internal understanding of brand
+ Brand value tracking
+ Competitor benchmarking
+ Historical brand value

**Brand Valuation Summary**
Overview of the brand valuation including executive summary, explanation of changes in brand value and historic and peer group comparisons.

In order to apply the Brand Strength Index, a hypothetical royalty rate range needs to be set. To determine the royalty rate range, three key areas need to be considered:

Industry Margins
• Industry average royalty rates will be different based on different strengths of the brand, having different operating segments and company-specific long-term affordability.

Affordability
• Royalty rates will be different based on different strengths of the brand, having different operating segments and company-specific long-term affordability.

Extraordinary
• Extraordinary returns into the future are forecasted.

**Determining the Royalty Rate**

Competitor Royalty Rates

Royalty Rates
Analysis of competitor royalty rates, industry royalty ranges and margin analysis used to determine brand specific royalty rate.

+ Transfer pricing
+ Licensing/ franchising negotiation
+ International licensing
+ Competitor benchmarking

**Trademark Audit**
Analysis of the current level of protection for the brands word marks and trademark iconography highlighting areas where the marks are in need of protection.

+ Highlight unprotected marks
+ Spot potential infringement
+ Trademark registration strategy

For more information regarding our Brand Value Reports, please contact:

Alex Haigh
Director of League Tables, Brand Finance
a.haigh@brandfinance.com

+44 (0)20 7389 9400
How we can help

1. Valuation: What are my intangible assets worth?

Valuations may be conducted for technical purposes and to set a baseline against which potential strategic brand scenarios can be evaluated.

2. Analytics: How can I improve my business performance?

Analytical services help to uncover drivers of demand and insights. Identifying the factors which drive consumer behaviour allow an understanding of how brands create bottom-line impact.

3. Strategy: How can I increase the value of my branded business?

Strategic marketing services enable brands to be leveraged to grow businesses. Scenario modelling will identify the best opportunities, ensuring resources are allocated to those activities which have the most impact on brand and business value.

4. Transactions: Is it a good deal? Can I leverage my intangible assets?

Transaction services help buyers, sellers and auditors with an independent assessment on all forms of ownership arrangements.

MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand based decisions and strategies.

+ Brand Audit
+ Trademark Valuation
+ Brand Scorecard Tracking
+ Return on Marketing Investment
+ Brand Transition
+ Brand Governance
+ Brand Architecture & Portfolio Management
+ Brand Positioning & Extension
+ Franchising & Licensing

FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

+ Valuation
+ Brand Audit
+ Trademark Valuation
+ Intangible Asset Valuation
+ Brand Governance
+ Brand Architecture & Portfolio Management
+ Brand Positioning & Extension
+ Franchising & Licensing

TAX

We help brand owners and fiscal authorities to understand the implications of different tax regimes and brand ownership arrangements.

+ Tax & Transfer Pricing
+ Expert Witness

LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice inside and outside of the courtroom.

+ Brand Audit
+ Trademark Valuation
+ Intangible Asset Valuation
+ Brand Governance
+ Brand Architecture & Portfolio Management
+ Brand Positioning & Extension
+ Franchising & Licensing

Contact details

Contact us

For brand value report enquiries, please contact:

Alex Haigh
Director of League Tables
Brand Finance
a.haigh@brandfinance.com

For media enquiries, please contact:

Robert Haigh
Marketing & Communications
Director Brand Finance
r.haigh@brandfinance.com

For all other enquiries, please contact:
enquiries@brandfinance.com
+44 (0)207 389 9400

LinkedIn: company/brand-finance
Facebook: facebook.com/brandfinance
Twitter: twitter.com/brandfinance

Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate.

The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

Contact us

Our offices

Country | Contact | Email address
--- | --- | ---
Australia | Mark Crowe | m.crowe@brandfinance.com
Brazil | Pedro Tavares | p.tavares@brandfinance.com
Canada | Bill Ratcliffe | b.ratcliffe@brandfinance.com
China | Minnie Fu | m.fu@brandfinance.com
Caribbean | Nigel Cooper | n.cooper@brandfinance.com
East Africa | Jawad Jaffer | j.jaffer@brandfinance.com
France | Victoire Russil | v.ruasil@brandfinance.com
Germany | Dr. Holger Mühlbauer | h.mueltbauer@brandfinance.com
Greece | Ioannis Lionis | i.lionis@brandfinance.com
Holland | Marc Cloosterman | m.cloosterman@brandfinance.com
India | Ajimon Francis | a.francis@brandfinance.com
Indonesia | Jimmy Halim | j.halim@brandfinance.com
Italy | Massimo Pizzo | m.pizzo@brandfinance.com
Mexico | Laurence Newell | l.newell@brandfinance.com
LatAm (exc. Brazil) | Laurence Newell | l.newell@brandfinance.com
Middle East | Andrew Campbell | a.campbell@brandfinance.com
Nigeria | Babatunde Odumere | t.odomere@brandfinance.com
Portugal | Pedro Tavares | p.tavares@brandfinance.com
Russia | Alexander Eremenko | a.elemenko@brandfinance.com
Scandinavia | Alexander Todoran | a.todoran@brandfinance.com
Singapore | Samir Dixit | s.dixit@brandfinance.com
South Africa | Jeremy Sampson | j.sampson@brandfinance.com
Spain | Lorena Jorge | l.jorge@brandfinance.com
Sri Lanka | Minnie Fu | m.fu@brandfinance.com
Switzerland | Vicente Rust | v.rust@brandfinance.com
Turkey | Mehmet Ilgumer | m.ilmum@brandfinance.com
UK | Alex Haigh | a.haigh@brandfinance.com
USA | Ken Runkel | k.runkel@brandfinance.com
Vietnam | Lai Tien Manh | m.lai@brandfinance.com

Corporate office

5th Floor, 30 Gresham Street, London EC2V 7LA, United Kingdom
+44 (0)207 389 9400
enquiries@brandfinance.com
Contact us

The World’s Leading Independent Branded Business Valuation and Strategy Consultancy

T: +44 (0)20 7389 9400
E: enquiries@brandfinance.com
www.brandfinance.com