The Brand Finance Report 2001

Communicating Brand Values

BRAND·FINANCE®

BRIDGING THE GAP BETWEEN MARKETING AND FINANCE™

Overall Highlights:

- 76% of City analysts would like to receive more information on brand values
- 68% of City analysts would like to receive more information on intangible assets
- 82% of City Analysts believe all acquired intangible assets should be capitalised on the balance sheet
- 56% of City Analysts believe all internally generated intangible assets should be capitalised on the balance sheet

Individual company highlights:

- L'Oreal was considered to be the best company in terms of taking a long-term view of marketing investment
- Gucci is considered to be the best corporate brand
- L'Oreal, followed by LVMH considered to have the best product brands
- Tesco considered to have the best Internet strategy

Contents

Foreword by David Haigh, Chief Executive of Brand Finance plc

Back in 1997 we acted on our belief that companies were not providing investors with adequate information about their marketing performance and plans. Our first analysts research survey was published that year by the Institute of Practitioners in Advertising and incited a thoughtful debate about marketing disclosure. Since then the debate has grown and the pressure on companies to improve performance in this area has grown with it. We have continued to play a central role in this debate and our research remains a key indicator of City opinion. Our survey has subsequently been published by the Chartered Institute of Marketing and is soon to be published by both the London Business School and the Institute of Chartered Accountants.

The reaction to our research has been positive and whilst there is some way to go in persuading companies across the board to increase both marketing disclosure levels and consistency, the signs are encouraging. The fact that the most reticent of audiences, accountants, are beginning to not only listen but also support our assertions is encouraging to investors. Disclosure levels are increasing, albeit slowly, but support from institutes such as the ICAEW, who recently published "Inside Out" a document actively encouraging companies to increase disclosure in key areas such as marketing, adds weight to the argument and will inevitably speed up improvements.

Not only in the UK but also internationally our argument is meeting with resounding agreement and the positive comments are being backed by positive action from the likes of the US Federal Accounting Standards Board who are making it obligatory for companies to disclose certain key marketing metrics. Whilst we are not yet in this position in the UK or Europe the growing demand for improvement from analysts, investors and institutes suggest that we will soon see what analysts have hoped for, adequate marketing disclosure.

David Haigh.

BRAND FINANCE

Foreword by Ray Perry, Director of Marketing, The Chartered Institute of Marketing

Traditionally, the divisions between finance and marketing have always been wide, but today, the two worlds are being pushed closer together. This move towards greater collaboration between two business functions long perceived to be at odds is, in part, because marketing is increasingly moving centre stage as a driver for business growth. Customer insight, service, satisfaction and retention have become key to marketplace success. At the same time, the professionalism, effectiveness and influence of marketers has grown.

But alongside such recognition come growing calls for accountability. Marketers today face increasing pressure to prove that they have made best use of their growing budgets. Called to account by boards and shareholders, marketers need to demonstrate effectiveness, measurement and value.

Research amongst Chartered Institute of Marketing members by McKinsey shows that marketers themselves believe a lack of metrics is a limitation on performance. The need to introduce formalised collaboration with other functions and clear and quantified metrics were identified in the research as the two most significant external forces impacting on the profession.

This is the fifth Brand Finance Report - and the fifth year that, through the report, City analysts have called for more information on brand values. Such requests highlight the need to link marketing activities to the wider corporate agenda. Maintaining investor confidence can be as crucial to a company's survival as defending brand values, but all too often marketing objectives and strategies are not in line with the organisation's overall plans to increase shareholder value.

In the future, marketing will only be perceived as a key business driver if it can prove itself to be so. Only by promoting the clear use of performance metrics to track ongoing effectiveness will marketing be able to demonstrate its value and worth within business.

BRAND FINANCE

Methodology

The 2001 questionnaire was based on the previous years to allow comparatives to be made in the questions retained.

The sample represented all of the analysts on a database acquired through United Business Media; all sectors and brokerage houses were represented. No attempts to tailor the sample were made; instead the entire population was mailed. This ensured that the respondents represented a cross section of sectors, both branded and unbranded, and brokerage houses, small and large. In this way our results should be a fair reflection of the City's views on this subject.

Questionnaires were collected over a one month period between January 25th and February 25th.

In the individual companies section, analysts were asked to volunteer the companies they followed in the market and to rate them across 12 criteria on a scale of 0-5, where 5 equalled best performance and 0 worst. Subsequent to the collection of postal responses analysts were phoned and asked to provide their buy/sell recommendations on the companies they rated. This was on a scale of 0-10 where 0 equalled a strong sell and 10 a strong buy. These recommendations were made on a two-year current valuation view.

Part One: Financial Analyst responses to the Brand Finance survey

We sent the Brand Finance questionnaire to 1768 sell-side Financial Analysts and received 238 responses (13.5% response rate). The wide distribution of responses between what we have classified as 'branded' (118), and 'non-branded' (120) provides us with a balanced view on the brand disclosure debate. An analysis of the industrial/commercial sectors is presented in Table 1.

This is the fifth year that Brand Finance plc has conducted Financial Analyst research on marketing disclosure. Where possible we have included comparable results from our previous research.

Table 1: Representation of analysts in sample by sector

Branded	118	Chemicals	7
Banks	16	Construction & Building Materials	6
Beverages	10	Electronic & Electrical Equipment	1
Food & Drug Retailers	5	Engineering & Machinery	8
Food Producers & Processors	5	Health	2
General Retailers	4	Information Technology Hardware	7
Household Goods & Textiles	2	Investment Trusts	7
Insurance	7	Mining	9
Leisure, Entertainment & Hotels	10	Oil & Gas	8
Life Assurance	7	Packaging	1
Media & Photography	16	Real Estate	1
Personal Care & Household Goods	5	Software & Computer Services	13
Pharmaceuticals	10	Speciality & Other Finance	3
Telecommunications Services	19	Steel & Other Metals	1
Tobacco	2	Support Services	9
Un-Branded	120	Various	17
Utilities	9	Smaller Companies	7
Transport	2	Miscellaneous	10
Aerospace & Defence	7		
Automobiles & Parts	2	Total	238

BRAND FINANCE

Marketing disclosure

What analysts want: Marketing Metrics

We asked a series of questions aimed at providing us with an understanding of the marketing information needs of Financial Analysts.

We sought responses to ten marketing metrics, many considered by academics to constitute brand equity. These metrics were attached to the following question: "How useful do you think the following performance measures are when making investment decisions?" The results of this question are displayed in Table 2 and Figure 1.

Table 2: How useful do you think the following performance measures are when making investment decisions on a scale of 0-5? (0 means not at all useful and 5 means extremely useful)

	1999		2000		2001	
Respondents	Total Number	% of total responses	Total Number	% of total responses	Total Number	% of total responses
Brand awareness						
Not at all useful	5	3%	10	4%	10	4%
Of limited use	6	4%	23	8%	28	12%
Quite useful	22	14%	50	18%	40	17%
Useful	66	43%	87	31%	83	35%
Very useful	44	29%	82	29%	63	26%
Extremely useful	11	7%	29	10%	13	6%
	154	**100%**	**281**	**100%**	**237**	**100%**
Sustainable price premium						
Not at all useful			1	0%	2	1%
Of limited use			6	2%	6	3%
Quite useful			14	5%	15	6%
Useful			45	16%	45	19%
Very useful			120	43%	95	40%
Extremely useful			92	33%	73	31%
			278	**100%**	**236**	**100%**
Consumer/customer satisfaction						
Not at all useful	5	3%	1	0%	7	3%
Of limited use	11	7%	9	3%	9	4%
Quite useful	28	18%	29	10%	23	10%
Useful	58	38%	81	29%	66	28%
Very useful	41	27%	109	39%	82	34%
Extremely useful	11	7%	50	18%	49	21%
	154	**100%**	**279**	**100%**	**236**	**100%**
Consumer/customer retention rates						
Not at all useful			1	0%	6	2%
Of limited use			4	1%	7	3%
Quite useful			14	5%	13	6%
Useful			67	24%	33	14%
Very useful			113	41%	109	47%
Extremely useful			79	28%	65	28%
			278	**100%**	**233**	**100%**

(nb. Figures have been rounded)

What analysts want:
Marketing Metrics

Table 2: How useful do you think the following performance measures are when making investment decisions on a scale of 0-5? (0 means not at all useful and 5 means extremely useful)

Respondents	1999 Total Number	1999 % of total responses	2000 Total Number	2000 % of total responses	2001 Total Number	2001 % of total responses
Staff satisfaction						
Not at all useful			12	4%	12	5%
Of limited use			27	10%	21	9%
Quite useful			70	25%	63	27%
Useful			111	40%	90	38%
Very useful			52	19%	39	16%
Extremely useful			9	3%	11	5%
			281	**100%**	**236**	**100%**
Staff retention rates						
Not at all useful			7	2%	7	3%
Of limited use			22	8%	13	5%
Quite useful			51	18%	51	22%
Useful			116	41%	86	37%
Very useful			70	25%	61	26%
Extremely useful			15	5%	16	7%
			281	**100%**	**234**	**100%**
Market share (volume)						
Not at all useful			2	1%	3	1%
Of limited use			4	1%	6	3%
Quite useful			26	9%	16	7%
Useful			46	16%	50	21%
Very useful			112	40%	90	38%
Extremely useful			89	32%	71	30%
			279	**100%**	**236**	**100%**
Market share (value)						
Not at all useful			2	1%	3	1%
Of limited use			5	2%	1	1%
Quite useful			12	4%	14	6%
Useful			32	11%	39	17%
Very useful			118	42%	86	36%
Extremely useful			111	40%	94	39%
			280	**100%**	**237**	**100%**
Market share (growth)						
Not at all useful			0	0%	4	2%
Of limited use			2	1%	0	0%
Quite useful			7	3%	1	1%
Useful			24	9%	22	9%
Very useful			91	33%	83	35%
Extremely useful			156	56%	126	53%
			280	**100%**	**236**	**100%**
Perceived quality						
Not at all useful			1	0%	3	1%
Of limited use			4	1%	3	1%
Quite useful			20	7%	14	6%
Useful			87	31%	74	31%
Very useful			113	40%	103	44%
Extremely useful			55	20%	40	17%
			280	**100%**	**237**	**100%**

(nb. Figures have been rounded)

What analysts want: Marketing Metrics

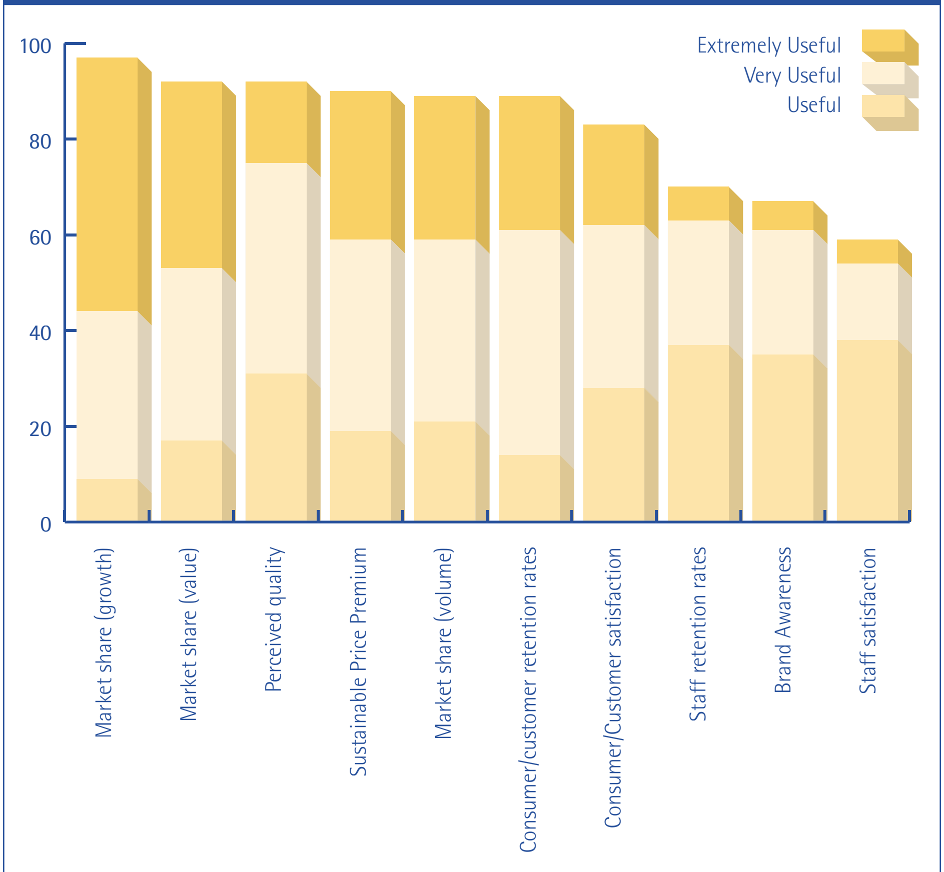
The Financial Analysts confirmed the results of our previous studies, highlighting the strength of demand for additional marketing and market information.

Brand awareness was again considered key information for investment decision making, with 67% responding that it was useful or above.

Staff metrics were not as highly regarded by analysts as customer/consumer measures. Whilst undoubtedly both measures affect performance, staff satisfaction metrics often take longer to affect the bottom-line.

All the measures concerning market share were again considered useful and above, with the most useful measures considered to be market share growth and market share value. Clearly these measures are useful in determining both market attractiveness and competitive position and the analysts we spoke to, not surprisingly, were keen to understand and receive as much information on market share as possible, both at an overall level and individual product or geographical level. Perceived quality was rated the third most useful piece of information.

Fig 1: How useful do you think the following performance measures are when making investment decisions?



BRAND FINANCE

What analysts want: Marketing Metrics

With such positive interest in marketing metrics, we asked whether Financial Analysts agreed that companies currently provided adequate market related information to investors.

In respect of eight identified metrics, we asked for a simple yes, no, don't know response to the following question: Do you think that public companies in your sector should publish more information on...? The eight responses were summarised in Table 3 and Figure 2:

Table 3: Do you think that public companies in your sector should publish more information on:

Respondents	1997		1998		1999		2000		2001	
	Total Number	% of total	Total Number	% of total	Total Number	% of total	Total Number	% of total	Total Number	% of total
Future market trends										
No							144	50%	115	48%
Yes							141	48%	109	47%
Don't Know							5	2%	11	5%
							290	100%	235	100%
The value of their intangible assets										
No							76	26%	66	28%
Yes							194	67%	162	68%
Don't Know							20	7%	9	4%
							290	100%	237	100%
The value of their brands										
No	18	38%	30	30%	35	23%	63	22%	44	19%
Yes	28	58%	66	66%	110	71%	210	73%	181	76%
Don't Know	2	4%	4	4%	9	6%	16	5%	11	5%
			100	100%	154	100%	289	100%	236	100%
Marketing expenditure										
No	12	23%	20	20%	32	21%	106	36%	96	40%
Yes	39	74%	80	80%	115	75%	169	58%	124	53%
Don't Know	2	4%	0	0%	7	5%	16	6%	16	7%
	53	100%	100	100%	154	100%	291	100%	236	100%
Advertising expenditure										
No	12	23%	21	21%	40	26%	96	33%	76	32%
Yes	40	75%	78	78%	106	69%	183	63%	142	60%
Don't Know	1	2%	1	1%	8	5%	12	4%	18	8%
	53	100%	100	100%	154	100%	291	100%	236	100%
Discounts given/pricing strategy										
No	19	36%	32	32%	53	34%	98	34%	74	32%
Yes	26	49%	65	65%	90	58%	176	60%	142	61%
Don't Know	8	15%	3	3%	11	7%	17	6%	17	7%
	53	100%	100	100%	154	100%	291	100%	233	100%
New product development										
No							197	68%	159	67%
Yes							76	26%	65	27%
Don't Know							17	6%	13	6%
							290	100%	237	100%
Channel and distribution strategy										
No							152	52%	131	55%
Yes							112	39%	81	34%
Don't Know							26	9%	24	11%
							290	100%	236	100%

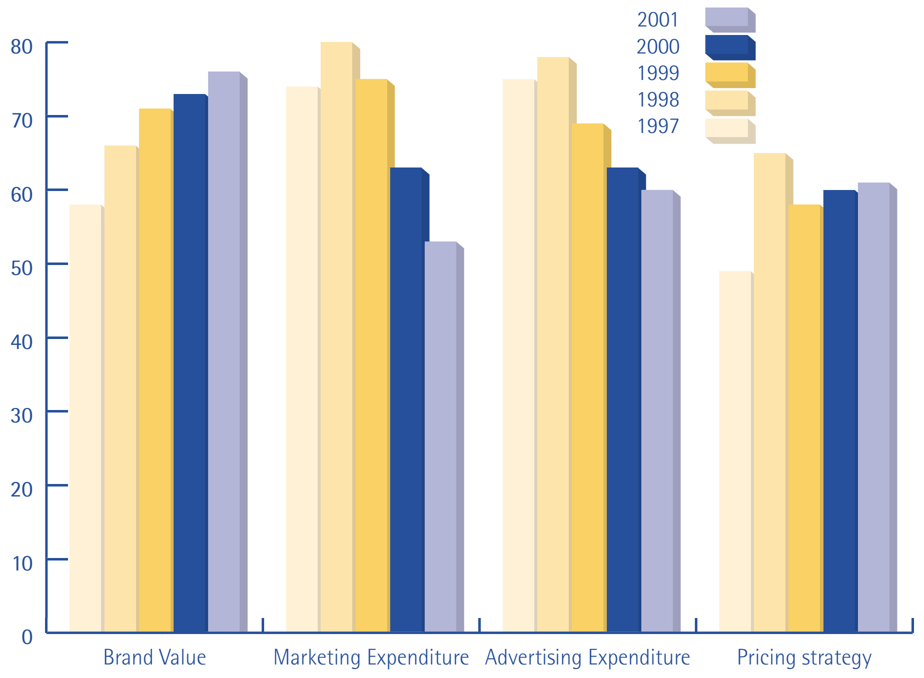
(nb. Figures have been rounded)

BRAND FINANCE

What analysts want: Marketing Metrics

It is remarkable that for the fifth year running, a record number of analysts are asking for more information on brand values. The importance of brands to financial performance is clearly recognised by analysts who are demanding such information for use in their valuations and forecasts. An overwhelming majority (76%) felt that more information on brand values should be provided. The percentage of analysts demanding more information on intangibles also rose, albeit by a modest 1%.

Figure 2: Do you think that public companies in your sector should publish more information on:



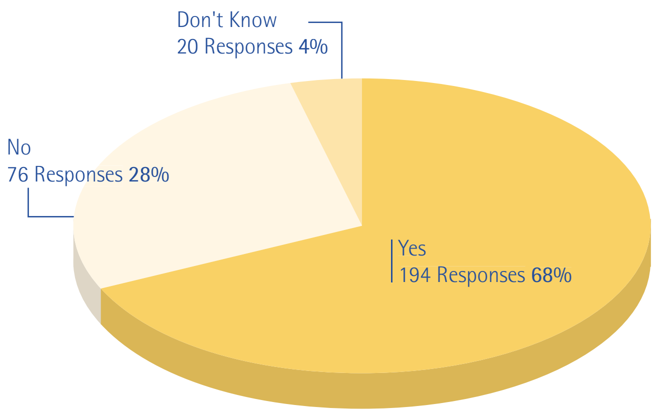
Demands for information on both marketing and advertising levels dropped from last year continuing the trend since 1998. This is explained by the fact that more companies are beginning to provide this information. Of course spending is also not indicative of returns on investment. Expenditure information is a useful indicator but brand value in contrast is a performance measure.

Demand for information on discounts given, future market trends, new product development and channel and distribution levels remain broadly in line with last year.

In our year 2001 survey 68% of analysts said they would like to see companies publish information on intangible assets, whilst 76% believe that companies should publish more information on brand values. Demand for brand value disclosure has increased year on year, starting at 53% in 1997 and reaching 76% in the year 2001. This is clear evidence that Financial Analysts want more information on brands. However, our various analyses of accounts reveals that actual practise of brand value disclosure and reporting is not increasing in line with analysts demands.

What analysts want:
Marketing Metrics

Figure 3: Do you think that public companies in your sector should publish more information on the value of their intangible assets:



Balancing a need to protect competitive position against the obligation to provide investors with a detailed understanding of the business is difficult. To make informed investment decisions, investors need access to detailed company information. Where brands are concerned the majority of companies disclose little or no information and analysis of return on marketing investment is seldom included. Shares maybe depressed as a result. It is possible to enjoy uplift by shedding light on the value of all the company's assets, both tangible and intangible, including brands.

Investors need to understand if the chosen marketing strategy was appropriate and enjoyed adequate returns. Management should be held accountable for all the variables that affect financial performance including marketing. Greater departmental accountability aids both investors and managements' ability to monitor and maximise performance.

Techniques such as the Brand Value Tracker help by providing an understanding of where value is gained. For example, does a high cost advertising campaign result in increased customer awareness, an increase in market share and an increase in brand value? Employing techniques like trackers provides a benchmark for investors and aids understanding of what management is doing and the results achieved.

Each company needs to evaluate the pros and cons of disclosure for their circumstances. In some instances increased disclosure is not necessary, although in heavily branded industries the amount of information currently disclosed is inadequate and irregular. Only selective information seems to be divulged and no consistency appears; hence analysts' dissatisfaction.

Are brands important?

As in previous years our research investigated some of the fundamental beliefs analysts hold about the importance of brands. We asked eight questions to determine this.

The responses were presented on a Likert scale ranging from 0 (strongly disagree) to 5 (strongly agree). The results of the comparable questions are displayed in Table 4 and the results for the new questions in Table 5.

Table 4: How strongly do you agree with the following statements on a scale of 0-5? (0 means disagree strongly and 5 means agree strongly)

	1999		2000		2001	
Marketing costs to create new Internet brands will become unsupportable						
0 Strongly Disagree			14	5%	17	7%
1			21	8%	26	11%
2			59	21%	47	20%
3			79	29%	62	27%
4			64	23%	59	25%
5 Strongly Agree			39	14%	23	10%
			276	100%	234	
Brands are becoming a more important issue in M&A activity						
0 Strongly Disagree	1	1%	6	2%	2	1%
1	6	4%	11	4%	9	4%
2	8	5%	31	11%	19	8%
3	50	32%	79	29%	77	33%
4	52	34%	108	40%	105	43%
5 Strongly Agree	37	24%	38	14%	23	10%
	154	100%	273	100%	235	100%
Brands are becoming a more important issue in lending decisions						
0 Strongly Disagree	2	1%	14	5%	8	3%
1	20	13%	27	10%	33	14%
2	32	21%	64	24%	56	24%
3	64	42%	120	44%	95	41%
4	29	19%	36	13%	39	17%
5 Strongly Agree	7	5%	10	4%	2	1%
	154	100%	271	100%	233	100%
Brands are becoming a more important issue in tax planning						
0 Strongly Disagree			37	14%	31	13%
1			48	18%	40	17%
2			74	28%	94	40%
3			85	32%	60	26%
4			17	6%	8	4%
5 Strongly Agree			4	2%	0	0%
			265	100%	233	100%

BRAND FINANCE

Are brands important?

Table 5: How strongly do you agree with the following statements on a scale of 0-5? (0 means disagree strongly and 5 means agree strongly)		
Brands are becoming more important in financial reporting		
	2001	
	Number of respondents	% of total
0 Strongly Disagree	15	6%
1	23	10%
2	63	27%
3	82	35%
4	51	21%
5 Strongly Agree	1	1%
	235	100%
Brands are becoming more important in risk management		
	2001	
	Number of respondents	% of total
0 Strongly Disagree	15	6%
1	33	14%
2	69	30%
3	71	30%
4	41	18%
5 Strongly Agree	5	2%
	234	100%
Branding is becoming more important in traditionally unbranded sectors		
	2001	
	Number of respondents	% of total
0 Strongly Disagree	4	2%
1	16	7%
2	25	11%
3	69	28%
4	96	41%
5 Strongly Agree	25	11%
	235	100%
Global brands will inevitably push out local brands		
	2001	
	Number of respondents	% of total
0 Strongly Disagree	12	5%
1	19	8%
2	45	19%
3	64	27%
4	68	29%
5 Strongly Agree	27	12%
	235	100%

(nb. Figures have been rounded)

Analysts continue to view brands role in mergers and acquisitions as increasing. We envisage that, both as a reason for consolidation and as an additional means of determining fair price, brands will continue to become more integral in merger and acquisition activity in the UK and Internationally.

The role of brands in lending decisions is again considered to be important. Our experience of calculating brand values for venture capitalists and other financiers has increased greatly over the last year. Although brands are valuable assets they are still not fully used

BRAND FINANCE

Are brands important?

to leverage additional capital on the markets. For example the securitisation of brands has yet to take off.

Analysts sentiment towards the importance of brands in tax planning has turned negative; the majority feel brands will not gain in importance in this area. Although many large multi-nationals use brand values in tax planning, this is still a discreet backroom subject. It is therefore not surprising that analysts do not recognise its use or benefits.

Analysts did not feel brands were becoming more important in risk management and there was mixed reaction to the importance of branding in financial reporting.

A large percentage of analysts agree that even in traditionally unbranded sectors, brands are becoming more important. Clearly as a means of differentiation this is true.

The continued globalisation and consolidation of many industries is evident with most analysts agreeing that local brands will inevitably be pushed out by global Superbrands. This year we have seen large brand owning multi-nationals like Unilever, focus on a smaller number of global priority brands from which to leverage financial value.

Compromising competitive position?

One key factor that needs to be considered when deciding whether to increase disclosure is the effect it will have on competitive position. We asked analysts: "How much do you think the disclosure of detailed marketing information would compromise the competitive position of public companies in the sector you cover?" Analysts' responses to the question are detailed in Table 6.

Table 6: How much do you think the disclosure of detailed marketing information would compromise the competitive position of public companies in the sector you cover?

Respondents	1999 Total Number	1999 % of total responses	2000 Total Number	2000 % of total responses	2001 Total Number	2001 % of total responses
Detailed marketing information compromising competitive positioning						
Very seriously	4	3%	9	3%	7	3%
Quite seriously	30	19%	62	21%	41	17%
To some extent	76	49%	136	47%	114	48%
To a limited extent	34	22%	69	24%	63	27%
Not at all	10	6%	15	5%	11	5%
	154	**100%**	**291**	**100%**	**236**	**100%**

(nb. Figures have been rounded)

In considering competitive position it has to be remembered that third party research companies, particularly on-line real time business information sources, provide increasingly sophisticated data. Why let a third party information vendor set the agenda? Why not disclose and explain trends to investors directly and comprehensively? Only a small percentage of the analysts felt competitive position would be very seriously affected.

Where to disclose?

Over the five years of investigating analysts' views, it has been transparent that analysts are genuinely keen to receive more information on brands. Not because they simply want more information, as some sceptics have stated, but because they feel it will add to their analysis. If more is to be disclosed what is the best communication medium?

We asked the question: "If more detailed marketing information were to be disclosed what would be the most appropriate medium?" Respondents were asked to choose one of the options presented in Table 7. Analysts were asked to tick only one box, multiple responses were ignored. If we had included multiple choice answers the results would have remained almost identical with the exception of on-line presentations which would have enjoyed a 3% uplift to 5% of the votes. This reflects the fact that many analysts choose it as a second medium of disclosure. The results are displayed in Table 7.

BRAND FINANCE

Where to disclose?

Table 7

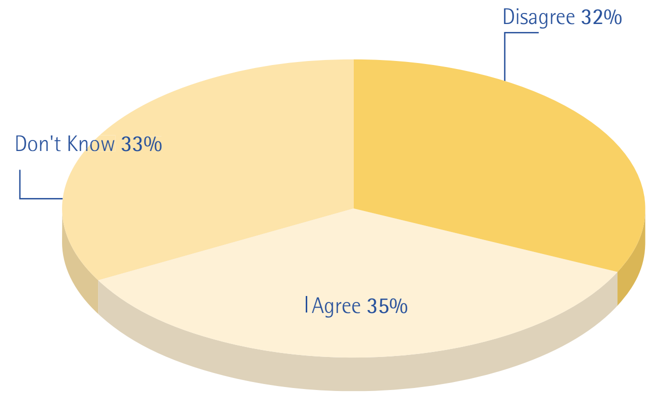
Respondents	1999 Total Number	1999 % of total responses	2000 Total Number	2000 % of total responses	2001 Total Number	2001 % of total responses
Notes to the Annual Financial Accounts	47	31%	46	11%	29	14%
Operating & Financial Review within Accounts	29	19%	58	14%	57	27%
Separate review of marketing performance	20	13%	70	17%	35	17%
Analysts presentations	47	31%	232	56%	84	40%
On-line presentations/Other	9	6%	10	2%	3	2%
	152	**100%**	**416**	**100%**	**208**	**100%**

(nb. Figures have been rounded)

Financial Analysts consider the best medium to be presentations to them. However there is strong and growing support for disclosures to be made within the Operating & Financial Review. The percentage of analysts supporting disclosure in the notes to the accounts grew slightly on last year's figures, but remain well below the 1999 results. Support for disclosure within the annual report overall was 41%. The amount of analysts calling for a separate review of marketing performance remained constant at a significant level.

We asked an additional question to explore analysts receptiveness to a separate marketing report. We asked them to state whether they agreed or disagreed with the following statement: "For companies I follow I would like to see a separate marketing report". 35% of respondents said that they would like to see a separate marketing report, 32% did not want to receive a separate report with an almost equal 33% unsure.

Fig 6: For companies I follow I would like to see a separate marketing report



Intangible assets

This year we asked a number of specific questions on intangible assets. This includes who should value them and whether internally generated brands and acquired brands should be separately included in the balance sheet. The results to these questions are set out in Table 8 and Figure 7.

Table 8:

Should all intangible assets be separately included in the balance sheet?		
	2001	
	Number of respondents	% of total
Yes	144	61%
No	74	31%
Don't know	18	8%
	236	100%
Should all acquired intangible assets be separately included in the balance sheet?		
	2001	
	Number of respondents	% of total
Yes	194	82%
No	22	10%
Don't know	20	9%
Should all internally generated intangible assets be separately included in the balance sheet?		
	2001	
	Number of respondents	% of total
Yes	132	56%
No	71	30%
Don't Know	34	14%

(nb. Figures have been rounded)

Analysts support the need to increase brand value disclosure specifically within the balance sheet.

81% agree that acquired brands should be capitalised on the balance sheet. As will be seen from our account surveys, few companies capitalise acquired brands. Instead companies subsume intangibles within goodwill which is amortised or results in large write-downs. For example, in May 2001 Vodafone wrote-off £11.9bn of goodwill from its accounts.

55% of Analysts would like to see internally generated brands capitalised on the balance sheet. Currently this is forbidden by UK and International Accounting Standards. These restrictive standards create anomalies whereby Diageo, for example, can capitalise Smirnoff as an acquired brand, but not Baileys, which it internally generated, even though both may be equally valuable. These results suggest current accounting rules are not popular in the City.

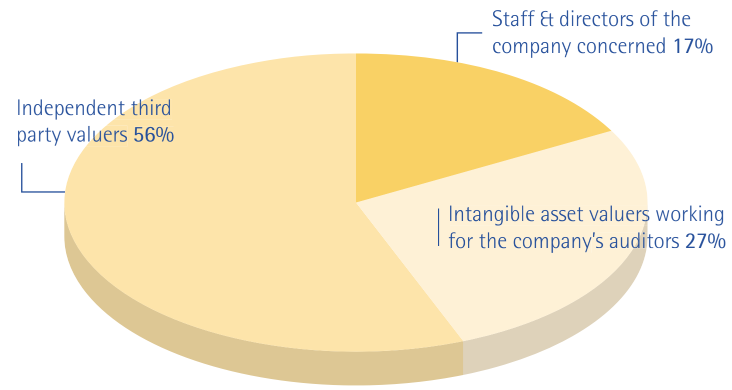
61% of analysts felt all intangibles should be separately identified and capitalised on the balance sheet. This would include items such as patents, licences and mastheads.

Analysts are keen to see such valuations, but who do they feel should conduct them? 56% feel that independent third party valuers should conduct such valuations. This would provide the objectivity required by the analysts.

BRAND FINANCE

Intangible assets

Figure 7: Intangible assets, included in annual financial accounts, should be prepared by?



Summary observation and comment:

There are mixed reactions to the idea of increasing disclosure on marketing metrics although certainly key information on marketing and advertising expenditure, market share volumes and growth are heavily supported. In terms of brands there was again considerable support for increasing disclosures of brand value both in general and on the balance sheet itself. Analysts support both acquired and internally generated intangible asset capitalisations in the accounts.

Part Two – Company performance

This is the third year we have analysed individual company performance in the area of marketing disclosure and performance. In 2001, we measured individual company performance across 12 criteria and also obtained analysts personal 2-year buy-sell recommendations on the companies they follow.

The summarised findings are presented here, the full analysis by criteria measured or by FTSE sector, as well as the buy/sell recommendations, can be accessed via the research and surveys section of the Brand Finance web-site: www.brandfinance.com.

Viewing the Tables, the relative company positions reflect recent financial & stock performance.

The 12 criteria measured were:

A) Takes a long term view of marketing investment

B) Has a strong and successful corporate brand

C) Has strong and successful product brands

D) Has an impressive e-commerce/Internet strategy

E) Provides sufficient information on its marketing performance and plans

F) Gives clear and informative analysts presentations

G) Is focused on shareholder value creation

H) Has a clear and informative annual report

I) Has clear and consistent accounting policies

J) The CEO is impressive at communicating future marketing strategy

K) The CFO is impressive at communicating future financial strategy

L) The IR officer is good at communicating current & potential value

Part Two – Company performance

Takes a long-term view of marketing investment

Long-term planning is essential to marketing effectiveness particularly in relation to brand building. Companies considered to be taking a long-term view of marketing investment are set out in Table 9.

Table 9: Takes a long-term view of marketing performance

Position	Company Rated	FTSE Sector	Score
1	L'Oreal	Personal Care & Household Products	100.0%
2	Heineken	Beverages	97.5%
3	ARM	Information Technology Hardware	94.3%
4	EADS	Aerospace & Defence	93.3%
5	Innogy	Utilities	93.3%
6	Philips	Electronic & Electrical Equipment	93.3%
7	Serco	Support Services	90.0%
8	3i	Investment Companies	86.7%
9	Baltimore Technology	Software & Computer Services	86.7%
10	Centrica	Gas Distribution	86.7%

Has a strong & successful corporate brand:

A strong corporate brand is vital to communications with all stakeholders from investors to suppliers to staff. Building a strong corporate brand requires a coherent and consistent marketing strategy. Table 10 highlights the best 15 corporate brands according to analysts.

Table 10: Has a strong & successful corporate brand

Position	Company Rated	FTSE Sector	Score
1	Gucci	Household Goods & Textiles	100.0%
2	Heineken	Beverages	100.0%
3	L'Oreal	Personal Care & Household Products	100.0%
4	3i	Investment Companies	96.7%
5	Reuters	Media & Photography	95.6%
6	ABB	Engineering & Machinery	95.0%
7	ARM	Information Technology Hardware	94.3%
8	Ciba	Chemicals	93.3%
9	Philips	Electronic & Electrical Equipment	93.3%
10	Shell	Oil & Gas	93.3%
11	Tesco	Food & Drug Retailers	93.3%
12	BSkyB	Media & Photography	90.9%
13	Vodaphone	Telecommunications Services	90.9%
14	BP Amoco	Oil & Gas	90.0%
15	LVMH	Household Goods & Textiles	90.0%

BRAND·FINANCE

Has a strong & successful corporate brand:

The bottom 15 brands are displayed in Table 11; these include 4 new corporate names in Innogy, Invensys, AGA Foodservices and Corus. It would appear that despite the high costs, re-branding often fails to impress, at least in the short-term. The embattled Marks and Spencers unfortunately makes the bottom 15. Five engineering companies are included in the bottom 15.

Table 11: Has a strong corporate brand:

Position	Company Rated	FTSE Sector	Score
150	Allied Domecq	Beverages	40.0%
151	Associated British Foods	Food Producers & Processors	40.0%
152	Cookson	Engineering & Machinery	40.0%
153	EADS	Aerospace & Defence	40.0%
154	Enterprise Oil	Oil & Gas	40.0%
155	Innogy	Utilities	40.0%
156	Marks & Spencer	General Retailers	40.0%
157	Old Mutual	Life Assurance	40.0%
158	RWE	Utilities	40.0%
159	Schering	Pharmaceuticals	40.0%
160	Invensys	Electronic & Electrical Equipment	36.7%
161	FKI	Engineering & Machinery	35.0%
162	AGA Foodservice	Engineering & Machinery	33.3%
163	Corus	Steel & Other metals	33.3%
164	Tomkins	Engineering & Machinery	33.3%
165	Alstom	Engineering & Machinery	26.7%

Product brands

Product brands add financial value in many ways. They may enhance volumes or value and in some cases both. They help to stabilise demand in the long-term and can bring down the cost curve in many ways i.e. by enabling better supplier terms to be agreed. The companies considered to have the strongest product brand/s are displayed in Table 12.

Table 12: Has strong & successful product brands:

Position	Company Rated	FTSE Sector	Score
1	L'Oreal	Personal Care & Household Products	100.0%
2	LVMH	Household Goods & Textiles	95.0%
3	ARM	Information Technology Hardware	94.3%
4	Ciba	Chemicals	93.3%
5	EADS	Aerospace & Defence	93.3%
6	GKN	Automobile & Parts	93.3%
7	Gucci	Household Goods & Textiles	93.3%
8	Philips	Electronic & Electrical Equipment	93.3%
9	Reuters	Media & Photography	93.3%
10	Richemont	Household Goods & Textiles	93.3%
11	Heineken	Beverages	92.5%
12	Danone	Food Producers & Processors	92.0%
13	Glaxosmithkline	Pharmaceuticals	91.4%
14	Nestle	Food Producers & Processors	90.0%
15	TIM	Telecommunications Services	90.0%

Has an impressive e-commerce/Internet strategy.

The worlds largest online grocer, Tesco, comes top in this category. An interesting and perhaps unexpected mix of sectors makes up the top ten.

Table: 13: Has an impressive e-commerce/Internet strategy

Position	Company Rated	FTSE Sector	Score
1	Tesco	Food & Drug Retailers	96.7%
2	SKF	Engineering & Machinery	93.3%
3	Sage	Software & Computer Services	86.7%
4	Wolseley	Construction & Building Materials	86.7%
5	Sandvik	Engineering & Machinery	85.0%
6	Baltimore Technology	Software & Computer Services	80.0%
7	Bradford & Bingley	Banks	80.0%
8	Ciba	Chemicals	80.0%
9	Telefonica	Telecommunications Services	80.0%
10	Wanadoo	Software & Computer Services	80.0%

Provides sufficient information on its marketing performance and plans

Table 14 shows those companies analysts feel are delivering the level of marketing disclosure they require. Note the top scores in this category are much lower than the top scores in the other criteria measured.

Table 14: Provides sufficient information on marketing performance & plans:

Position	Company Rated	FTSE Sector	Score
1	Philips	Electronic & Electrical Equipment	80.0%
2	Hays	Support Services	75.0%
3	Glaxosmithkline	Pharmaceuticals	74.3%
4	Baltimore Technology	Software & Computer Services	73.3%
5	Boots	General Retailers	73.3%
6	Bradford & Bingley	Banks	73.3%
7	De Vere	Leisure, Entertainment & Hotels	73.3%
8	Sage	Software & Computer Services	73.3%
9	SFI	Leisure, Entertainment & Hotels	73.3%
10	Vivendi Universal	Media & Photography	70.0%

Investor relations

We have analysed companies performance across key IR areas, namely: analysts presentations, the annual report, the ability of the CEO to communicate future marketing strategy, the ability of the CFO to communicate future financial strategy and the ability of the IR officer to communicate current and potential value. We also look at the accounting policy as the accounts represent a key information source for investors and analysts. The top ten in these categories are presented in Tables 15 -20.

Table 15: Gives clear and informative analysts presentations:

Position	Company Rated	FTSE Sector	Score
1	Philips	Electronic & Electrical Equipment	93.3%
2	Air Liquide	Chemicals	90.0%
3	Billiton	Mining	90.0%
4	Hays	Support Services	90.0%
5	Totalfinaelf	Oil & Gas	90.0%
6	Glaxosmithkline	Pharmaceuticals	88.6%
7	Cadbury Schweppes	Household Goods & Textiles	88.0%
8	Shire Pharmaceuticals	Pharmaceuticals	88.0%
9	WPP	Media & Photography	88.0%
10	Akzo Nobel	Chemicals	86.7%

Investor relations

Table 16: Has a clear and informative annual report:

Position	Company Rated	FTSE Sector	Score
1	Rio Tinto	Mining	93.3%
2	WPP	Media & Photography	92.0%
3	Scottish Power	Utilities	90.0%
4	GKN	Automobile & Parts	86.7%
5	Marconi	Information Technology Hardware	86.7%
6	Northern Foods	Food Producers & Processors	86.7%
7	Philips	Electronic & Electrical Equipment	86.7%
8	Glaxosmithkline	Pharmaceuticals	85.7%
9	Astra Zeneca	Pharmaceuticals	84.0%
10	BOC	Chemicals	84.0%

Table 17: The CEO is impressive at communicating future marketing strategy:

Position	Company Rated	FTSE Sector	Score
1	Centrica	Gas Distribution	100.0%
2	Baltimore Technology	Software & Computer Services	93.3%
3	Shire Pharmaceuticals	Pharmaceuticals	92.0%
4	ARM	Information Technology Hardware	88.6%
5	Glaxosmithkline	Pharmaceuticals	88.6%
6	Astra Zeneca	Pharmaceuticals	88.0%
7	WPP	Media & Photography	88.0%
8	Vodaphone	Telecommunications Services	87.3%
9	Gucci	Household Goods & Textiles	86.7%
10	KPNQwest	Telecommunications Services	86.7%

Table 18: The CFO is impressive at communicating future financial strategy:

Position	Company Rated	FTSE Sector	Score
1	Centrica	Gas Distribution	100.0%
2	Philips	Electronic & Electrical Equipment	93.3%
3	Astra Zeneca	Pharmaceuticals	92.0%
4	Shire Pharmaceuticals	Pharmaceuticals	92.0%
5	Capita	Support Services	88.0%
6	Akzo Nobel	Chemicals	86.7%
7	Amey	Support Services	86.7%
8	EADS	Aerospace & Defence	86.7%
9	Amvescap	Speciality & Other Finance	85.0%
10	Totalfinaelf	Oil & Gas	85.0%

Table 19: The IR officer is good at communicating current & potential value:

Position	Company Rated	FTSE Sector	Score
1	Billiton	Mining	93.3%
2	Colt	Telecommunications Services	92.0%
3	BP Amoco	Oil & Gas	86.7%
4	Philips	Electronic & Electrical Equipment	86.7%
5	Shell	Oil & Gas	86.7%
6	Heineken	Beverages	85.0%
7	ARM	Information Technology Hardware	82.9%
8	Unilever	Household Goods & Textiles	82.5%
9	Ciba	Chemicals	80.0%
10	Clariant	Chemicals	80.0%

BRAND FINANCE

Investor relations

Table 20: Has clear & consistent accounting policies:			
Position	Company Rated	FTSE Sector	Score
1	Hays	Support Services	95.0%
2	Philips	Electronic & Electrical Equipment	93.3%
3	Astra Zeneca	Pharmaceuticals	88.0%
4	GKN	Automobile & Parts	86.7%
5	Sage	Software & Computer Services	86.7%
6	Shell	Oil & Gas	86.7%
7	ARM	Information Technology Hardware	85.7%
8	Glaxosmithkline	Pharmaceuticals	85.7%
9	Sainsburys	Food & Drug Retailers	84.0%
10	Shire Pharmaceuticals	Pharmaceuticals	84.0%

Focussed on shareholder value creation

The main focus of public limited companies is enhancing value for their shareholders. The top ten in this category are shown Table 21.

Table 21: Is focussed on shareholder value creation:			
Position	Company Rated	FTSE Sector	Score
1	ARM	Information Technology Hardware	100.0%
2	WPP	Media & Photography	96.0%
3	Boots	General Retailers	93.3%
4	CRH	Construction & Building Materials	93.3%
5	Marconi	Information Technology Hardware	93.3%
6	Philips	Electronic & Electrical Equipment	93.3%
7	BP Amoco	Oil & Gas	90.0%
8	Hays	Support Services	90.0%
9	Cadbury Schweppes	Household Goods & Textiles	88.0%
10	Capita	Support Services	88.0%

The overall winner is?

The top scoring companies across all criteria measured are shown in Table 22. Philips is the top performer over all 12 categories with a score of over 88%. Phillips was amongst the top performers in almost all of the categories measured. WPP and Tesco have been in the top 15 over the three years of analysis. Whilst the survey is only a snapshot of analysts views it is an important indicator of the City's attitude towards a particular stock.

BRAND FINANCE

The overall winner is?

Table 22: Total Scores across all sectors

Position	Company Rated	FTSE Sector	Score
1	Philips	Electronic & Electrical Equipment	88.3%
2	ARM	Information Technology Hardware	83.6%
3	Hays	Support Services	81.3%
4	WPP	Media & Photography	80.3%
5	Glaxosmithkline	Pharmaceuticals	80.2%
6	Centrica	Gas Distribution	79.4%
7	Baltimore Technology	Software & Computer Services	79.4%
8	Cadbury Schweppes	Household Goods & Textiles	79.0%
9	Nestle	Food Producers & Processors	78.9%
10	Tesco	Food & Drug Retailers	78.6%
11	Astra Zeneca	Pharmaceuticals	78.3%
12	Ciba	Chemicals	78.3%
13	Danone	Food Producers & Processors	78.3%
14	Shell	Oil & Gas	78.3%
15	Shire Pharmaceuticals	Pharmaceuticals	78.0%
16	Scottish Power	Utilities	77.5%
17	Vodaphone	Telecommunications Services	77.1%
18	Amvescap	Speciality & Other Finance	77.1%
19	3i	Investment Companies	76.4%
20	Unilever	Household Goods & Textiles	76.3%

Appendices

Appendix 1: Participation of investment companies in analysts' sample

ABN AMRO	HSBC Securities
Astaire & Partners Limited	ING Barings Charterhouse Securities
Bear Stearns	J.M.Finn & Co
Bear Stearns International Ltd	JP Morgan
Beeson Gregory Ltd	Lehman Brothers Ltd
BNP Paribas	Merrill Lynch Pierce Fenner & Smith
Brewin Dolphin Securities Ltd	Morgan Stanley
BWD Rensburg Ltd	Nomura International plc
Canaccord Capital (Europe	Numis Securities Ltd
Charles Stanley & Co Ltd	Old Mutual Securities
Collins Stewart & Co	Peel Hunt plc
Commerzbank Securities	Popes
Credit Lyonnais Securities Europe (UK)	Prudential-Bache Ltd
CS First Boston Ltd	Rowan Dartington & Co Ltd
Daiwa Institute of Research (Europe) Ltd	Schroder Salomon Smith Barney
Deutsche Bank Research	SG Securities (London) Ltd
Dresdner Kleinwort Wasserstein	Teather & Greenwood
Gilbert Eliott & Company Ltd	UBS Warburg
Goldman Sachs International Ltd	WestLB Panmure Limited
Granville Baird Ltd	Williams de Broe plc