Brand Finance®

Nokia Brand Bounces Back

- **Finland's strongest and most valuable brand grows 56% to €4.4billion**
- **Kone defends second place with brand value of €1.5 billion**
- **Valio's brand in decline following Russian embargo**
- **Elisa up in the ranking thanks to sound financial results**

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. A brand's strength is assessed (based on factors such as marketing investment, familiarity, preference, sustainability and margins) to determine what proportion of a business's revenue is contributed by the brand. This is projected into perpetuity and discounted to determine the brand's value. Finland's 10 most valuable brands are featured in the Brand Finance Finland 10.

Nokia is Finland's strongest, most valuable and fastest growing brand. It reached a peak brand value of €22.5 billion in 2008, making it the world's 9th most valuable brand. Its slow response to the emergence of smart phone technology led to a well-documented decline at the hands of Apple and Samsung. Brand Value sunk to a low of just of €1.5 billion in 2014. However, after a period of consolidation, Nokia is firmly on the road to recovery. After the mobile device division was sold in 2014, the company continued in the networks business (rebranded from NSN) and acquired Alcatel-Lucent in 2016 to create one of the largest players in the sector, further reinforcing the position of the brand. Nokia acquired a controlling stake in Alcatel-Lucent in 2016 to create one of the largest players in the sector. Alcatel-Lucent has since been rebranded as Nokia, further reinforcing the position of the brand.

2017 marks another turning point in Nokia's saga, as the brand is once again visible on mobile devices following the launch of a range of new smartphones by HMD Global Oy, exclusive licensee of the Nokia brand for mobile phones and tablets (founded by Nokia veterans in 2016). This newfound momentum sees Nokia's brand value climb 56% to €4.4billion while the fundamental brand equity measures are improving too, which sees Nokia's brand strength rating upgraded from AA to AA+.

Second-placed Kone grew 23% in brand value to €1.5 billion. Despite a decrease in new orders in China, Kone's second-quarter operating income increased by approximately 7.2% year on year. Kone has secured various orders in the US and the Middle East, somewhat offsetting the decline in China.

Dairy brand Valio enjoys strong demand from abroad thanks both to the quality of its products and the strength of the Finnish national brand. Finland's governance, heritage and pristine environment creates positive associations for its agricultural, food and beverage brands. However, Valio is the fastest falling Finnish brand this year, its brand value is down 24% to €564 million. Valio cut approximately 200 jobs from its 3,500-strong workforce and shut down a facility in the city of Tampere. The cause is Russia's embargo of certain EU food products, imposed in retaliation for western sanctions. This comes amidst global overproduction and weak global demand for milk products. Furthermore, the company was fined €70 million for abusing its dominant market position by selling basic milk at too low a price. Valio is therefore having to explore other ways to leverage its brand. Baby-food is not one of Russia's proscribed products, so Valio has begun exporting dairy-based baby food to the country for the first time in 15 years. The vast Chinese market, where European food brands are also prized, is another source of growth. Despite this year's sudden drop in value, there are clearly positive signs for Valio's brand.

Telecoms brand Elisa posted a 6% jump in revenue in the third quarter of 2016 as a result of an uplift in mobile data revenues, improved efficiencies and the July purchase of regional operator, Anvia. Elisa also added 58,000 broadband subscribers in the quarter. Elisa's brand value grew 17% to €857 million. In contrast, DNA, the only other telecoms brand in the table, fell 17% to €338 million.

ENDS

Note to Editors

For more definitions of key terms, methodology and more stories, please consult the Brand Finance Finland 10 report document.

Brand values in the table are reported in USD. For values in EUR, hover over the 'i' button and select the currency.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy. We provide clarity to marketers, brand owners and investors by quantifying the financial value of brands. Drawing on expertise in strategy, branding, market research, visual identity, finance, tax and intellectual property, Brand Finance helps clients make the right decisions to maximise brand and business value and bridges the gap between marketing and finance.

The newly launched Brand Finance Ireland belongs to a network of over 25 Brand Finance offices worldwide. It is considering engaging staff in Dublin, as the importance of Irish brands continues to grow.

Methodology

Definition of Brand

When looking at brands as business assets that can be bought, sold and licensed, a 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."

However, a brand makes a contribution to a company beyond that which can be sold to a third party. 'Brand Contribution' refers to the total economic benefit that a business derives from its brand, from volume and price premiums over generic products to cost savings over less well-branded competitors.

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.

Approach

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.