Press Release: For Immediate Release

Aeroflot is Russia's Most Powerful Brand

Every year, leading valuation and strategy consultancy Brand Finance values the brands of thousands of the world's biggest companies. Russia's 50 most valuable brands are featured in the Brand Finance Russia 50.

As part of its overall assessment of brand value, Brand Finance looks at two key factors. The first is revenues (both historic and forecast), but just as important is an assessment of the strength or 'power' of each brand. Brand Finance looks at factors such as marketing investment, familiarity, preference, sustainability and margins. By stripping out the effect of revenues, it is possible to get an even clearer picture of the value a brand is bringing to the overall business and the effectiveness of its marketing team.

On this basis, Aeroflot is Russia's most powerful brand, with a Brand Strength Index score of 88.8. This also makes Aeroflot the world's most powerful airline brand. Aeroflot's brand strength stems in part from dominance of its domestic market. Aeroflot is the only Russian carrier to hold Four Star Airline status from Skytrax, the authority on airline service quality. Brand Strength Index scores for metrics such as familiarity, consideration, preference and loyalty are formidable, both when compared against other Russian airlines and against foreign ones within their home markets. This is all the more impressive given that there are no air routes for which Aeroflot has exclusive access, demonstrating that its strength is underpinned by competitive advantage rather than monopoly.

Investment in the brand, which lays the foundations for future resilience and growth, is another key component of brand strength in which Aeroflot excels. It has the youngest fleet of any major airline and is investing heavily in marketing promotion, particularly in Asia. This is reinforced by its sponsorship of Manchester United (the world's most valuable football brand), which helps Aeroflot reach a vast audience across East Asia in particular. The approach is clearly paying off. Aeroflot was last week named China's favourite international airline by the Civil Aviation Administration of China at the 2017 Flyer Awards. Even more impressively, in the inaugural TripAdvisor Best Airlines list (based on customer reviews from around the world) Aeroflot was judged to have the best business class experience of any airline and named the best major airline in Europe.

Sberbank is Russia's most valuable brand. It is Europe's 6th most valuable banking brand and the 24th globally. Strengths include its credit portfolio, carefully managed risk but more importantly its ambitious and innovative approach. Sberbank is determined to be a young, innovative, technology-based bank, and is building tech platforms to sell internationally. In 2016 it announced plans to build a 'national ecommerce system' to be used in both B2C and B2B contexts, using its vast resources and infrastructure. A deal with Chinese ecommerce giant Alibaba has recently been signed to help make the plan a reality.

Brand value is up 23% to 569 billion RUB. On the brand's performance, Sberbank's Alexey Zabrodin commented, "Sberbank is rapidly transforming into one of the world's largest ecosystems. Our main priority is to make people's lives better by inspiring them to fulfill their aspirations and dreams. This has been a key driver behind our success".

Gazprom, Lukoil and Rosneft occupy 2nd, 3rd and 4th places respectively, highlighting Russia's strength in oil and gas. Lower Oil & Gas prices in the early part of 2016, in addition to the impact of sanctions, has suppressed the brand value growth of many of Russia's oil majors this year. Though macroeconomic conditions such as these will always determine the overall direction of business and brand value performance for commodity-led firms, the approach they take to the management of their brand will determine the extent of the impact. The impact on Gazprom for example has been less pronounced than it might have been thanks in part to its brand building activities.

For a primarily upstream (ie production focused) brand, Gazprom invests significant amounts in marketing. In particular it has cultivated a vast array of sponsorships, most notably in football, with partners including Shalke 04, Zenit St Petersburg, the UEFA Champions League and next year's FIFA World Cup, to be held on its home turf. Such brand building creates positive brand associations with a wide range of stakeholders which includes not just stakeholders but staff and potential employees, with local communities, with strategic partners and even government authorities.

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Note to Editors

For more definitions of key terms, methodology and more stories, please consult the Brand Finance Russia 50 report document.

Brand values are reported in USD. For conversions into local currency, please consult the hover over the 'i' button on the web version of the table and select.

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About Brand Finance

Brand Finance is the world's leading brand valuation and strategy consultancy, with offices in over 15 countries. 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.

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.