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Verizon Overtakes Vodafone in Global Brand Study

Brand Finance, the leading brand valuation and marketing experts have today released their annual Telecoms 500 study. The report, which lists the World's most valuable telecoms brands, shows that several network operators have faced a very challenging year.

European providers in particular have suffered significant losses. Telefonica has taken a double hit; its Movistar brand's value has been cut by $3.3bn, making it this year's biggest faller, while O2 has also lost brand value, though a more modest $85m. Orange has fallen from 5th to 7th in the table following a 12% brand value fall of $2.2bn. Global mobile phone sales fell 3% in 2012 with consumers in struggling Eurozone economies with high unemployment rates, cutting back. Most dramatically Vodafone, which has ranked number 1 in the BrandFinance® Telecoms 500 since its inception in 2010, has fallen to 4th. Over US$3bn of lost brand value means its brand is now worth just over US$27bn while its brand strength has been downgraded from a near-perfect AAA+ to AAA.

Verizon, in which Vodafone owns a 45% stake, was once a minor player but has now leapfrogged the UK giant to become the world's most valuable operator and second most valuable telecoms brand. Its brand value of US$30.7bn illustrates the impressive growth of Verizon Wireless in particular, now the America's 2nd biggest mobile operator. Vodafone's share price has risen sharply in recent days following rumours that Verizon are keen to take full control of Wireless and are willing to pay over the odds to do so. Managing the sale carefully could prove crucial to Vodafone's future as the windfall could help it cover outstanding tax liabilities and more importantly invest in developing a 'quad-play' offering to counter the challenge from integrated rivals such as BT and Virgin Media.

The World's Most Valuable Telecoms Brands

Rank 2013	Rank 2012	Brand	Domicile	Brand Value 2013 (US$bn)	Brand Value 2012 (US$bn)	Change (US$bn)	Brand Rating 2013	Brand Rating 2012
1	4	**Apple**	US	48.4	27.4	21.0	AAA+	AAA
2	3	**Verizon**	US	30.7	27.6	3.1	AA+	AA
3	2	**AT&T**	US	30.4	28.3	2.1	AA+	AA+
4	1	**Vodafone**	UK	27.0	30.0	-3.0	AAA	AAA+
5	12	**Samsung**	South Korea	23.7	10.8	12.9	AAA-	AAA
6	6	**China Mobile**	Hong Kong	23.1	18.0	5.1	AA	AA
7	5	**Orange**	France	16.3	18.6	-2.3	AA+	AA+
8	8	**Cisco**	US	15.5	12.9	2.6	AAA-	AAA-
9	15	**NTT**	Japan	14.3	13.2	1.1	AA	AA-
10	9	**Comcast**	US	12.8	12.5	0.3	AA+	AA+

Source: The BrandFinance® Telecoms 500 (2013), figures to 1 decimal place

Power Shifts from Operator Brands as Handsets Control Consumer Choice

The most striking change of all however is illustrated by 2013's most valuable Telecoms brand. The handsets segment of the Apple brand* has surged to the top of the table following brand value growth of US$21bn. As smartphone uptake continues and smaller rivals such as HTC, Blackberry and Nokia struggle, Apple has gained market share and grown its brand value by 77% in the face of its volatile share price. Samsung too has had a successful year. The segment of its brand* derived from handsets has more than doubled this year, growing 121% to US$23.7bn, making it this year's fastest riser.

Commenting on the results, Brand Finance Chief Executive David Haigh said: "The rise of Apple and Samsung represents a shift in the power balance between mobile operators and handset manufactures. For operators, voice and even data are no longer enough, with threats from all sides they must act quickly to embrace quadruple-play or face falling sales and eroding margins."

For the full results of the BrandFinance® Telecoms 500 please click here and for further insight and analysis please read the latest edition of Total Telecom.

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*The brand values for Apple and Samsung in the BrandFinance® Telecoms 500 include only the contribution from handsets. The total brand values for Apple and Samsung, as reported in the BrandFinance® Global 500 are US$87.3bn and US$57.8bn respectively.

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Methodology:

The methodology used in calculating the brand values uses a discounted cash flow (DCF) technique to discount estimated future royalties at an appropriate discount rate and to arrive at a new present value (NPV) of the trademark and associated intellectual property rights in order to compute brand value.

Royalty Relief Approach

The royalty relief methodology determines the value of the brand in relation to the royalty rate that would be payable for its use if it were owned by a third party. The royalty rate is applied to future revenue to determine an earnings stream that is attributable to the brand. The brand earnings stream is then discounted back to a net present value.

There is a six-step process involved in making the brand value calculations:

1. Obtain specific financial and revenue data.
2. Model the market to identify market demand and the position of individual brands in the context of all other market competitors. There are three forecast periods used:
    - historical financial results up to 2012. Where these are not available using Institutional Brokers Estimate System (IBES), consensus forecasts are used;

- a five-year forecast period (2012-2016), based on three data sources (IBES, historic growth and GDP growth); and
- perpetuity growth, based on a combination of growth expectations (GDP and IBES).

3. Calculate the royalty rate for each brand by:
   - calculating brand strength – on a scale of 0-100, according to the number of attributes such as financial, brand equity, market share and profitability, among others;
   - using brand strength to determine βrandβeta® index score; and
   - applying Brand Strength Score to the royalty rate range to determine the royalty rate for the brand. The royalty rate is determined by a combination of the sector of operations, historic royalties paid in that sector and profitability of the company.
4. Calculate the future post-tax royalty income stream.
5. Calculate the discount rate specific to each brand, taking account of its size, geographical presence, reputation, gearing and brand rating.
6. Discount future royalty stream (explicit forecast and perpetuity periods) to a net present value – ie. the brand value

Brand Ratings

These are calculated using Brand Strength analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating. The data used to calculate the ratings is taken from a variety of sources including Bloomberg, annual reports and proprietary research by Brand Finance. Note: The AAA to A ratings can be altered by including a plus (+) or minus (-) sign to show their more detailed positioning

Valuation Date

All brand values in the Telecoms 500 are for the end of the year, 31 December 2012.