

Analysis of Rankings and Valuations of Google Inc. by Interbrand, Brand Finance and Kantar Millward Brown

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ABSTRACT

Interbrand, Brand Finance and Kantar Millward Brown are the three major market research agencies that conduct yearly rankings and valuations of top 500 brands in the world for over two decades. Ipsos and Prophet are also engaged in similar exercise but in terms of popularity and referrals, Interbrand, Brand Finance and Millward Brown lead the pack. The present study is focused on the analysis of ranking and valuations by Interbrand, Brand Finance and Millward Brown. The brand taken under consideration is Google Inc. Apparently it seems there is no significant difference in the findings of these organizations in the context of top ten brands of the world, particularly so, considering last three years data. But statistical analysis of rankings and valuations data collected from these companies websites over the last seven years shows it is otherwise. Each organization has its established methodology for ranking and valuation which is unique and this is reflected in the findings of the study. To summarize, this study has explored if there is any significant difference in the ranking and valuations. This research study is based on secondary data retrieved for the period 2011 to 2017 related to Google from the websites of these market research agencies. On data analysis, it is observed that there is significant difference in the overall ranking of Google by these three rating organizations. This is also true for brand valuations. Interestingly there is some correlation in terms of the similarities in the results and this also has been discussed.

Keywords: Brand Asset Valuator, Brand Dynamics, BrandZ, Brand Strength, Brand Value, Brand Relevance Index

1. Introduction

The major opportunities for ensuring brand success lies at the heart of orchestrating the series of experience around the brand more in a personal and emotional space (Brandt & Johnson, 1997). However, corporate branding is envisaged through two perspectives – the first one is the covenant perspective that highlights the important attributes of a firm's personality in terms of business propositions or promises (Balmer, 2001; Balmer & Greyser, 2003; Dunnion & Knox, 2004; Muzellec, 2006; Stuart, 2011; and Balmer, 2012) through events, corporate communications channels or corporate identity mix (Van Riel & Balmer, 1997). The personality perspective emphasizes by and large the planned and unplanned expression of cues (Rode & Vallaster, 2003) and character traits (Balmer & Greyser, 2006). Brand equity can be envisaged as an entity constructed out of these approaches.

However, in spite of the marketers' agreement on the basic principles of branding, there are number of models of brand equity presented through diverse perspectives. To cite an example, Young & Rubicam, a reputed advertising agency came out with an interesting model of brand equity called brand asset valuator (BAV). Marketing research consultant Millward Brown and WPP (now Kantar Millward Brown) presents the BrandZ model of brand strength, based upon the Brand Dynamics pyramid. This model states that brand building follows sequential phases, each contingent upon successfully accomplishing the

proceeding one. Bonded customers at the top of the pyramid, build stronger relationship with the brand and spend more on it than those at lower levels. At the time of releasing the global ranking in 2006, Millward Brown worked with global and local brands across many categories including technology, cars, ecommerce, logistics, personal care, and drinks etc. With over 4.5 billion data points from 20 years of research, BrandZ has been successful in identifying the key attributes shared by strong and valuable brands around the world. This ranking helped companies detect any potential brand weaknesses and work with them to develop plans to reach the brand's maximum potential. The BrandZ Global Top 100 Most Valuable Brands ranking is published annually in the Financial Times, NASDAQ, Bloomberg, and other leading media.

Interbrand, a division of Omnicom and founded in the year 1974, is a brand consultancy, specializing in areas such as brand strategy, brand analytics, brand valuation, corporate design, digital brand management, packaging design, and naming. With its 21 offices in 17 countries, Interbrand developed a model to formulate the dollar value of a brand that is, Brand Value as the net present value of the earnings a brand is expected to generate in the future. As such it is based on the presumption that both marketing and financial analysis are equally important in determining the value of a brand (Kotler et al., 2009). It is also observed that powerful brands are capable of driving customer choice, loyalty and Interbrand's valuation

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methodology has taken into account all these points. Brand analysis exposes some ideas about purchase behavior whereas brand strength highlights its capability to sustain demand through loyalty. In doing this it considers 'internal' (management and employee) and 'external' (customer) factors. Finally, these inputs are combined with a financial model of the business to measure the brand's ability to create economic value for its owner. Interbrand publishes a number of regional and country specific rankings and reports throughout the year.

The third agency, 'Brand Finance' founded in 1996, is the world's leading independent branded business valuation and strategy consultancy. Headquartered in the City of London, Brand Finance has its presence in over 20 countries. It was established to 'bridge the gap between Marketing and Finance'. In this regard, Brand Finance has the orientation of clear understanding of marketing finances, and it also offers professional approach to marketing accountability and brand evaluation. Brand Finance presents a clear and accessible brand evaluation methodologies framed upon accepted and realistic marketing and investment practice. Through proper valuation of intangible assets and lending strategic advice, effective collaboration between marketers and finance teams, positive business performance is facilitated.

The fourth and emerging US based branding company 'Prophet' has come up with top brands. The ratings of this firm has not been included in this research study however, their report can be considered in near future for this kind of exercise. Prophet had released its first Brand Relevance Index in October 2017. It is a ranking of brands based on their relevance to consumers' lives and based solely on consumer feedback. And by that metric, Apple is number 1 and Google is number 2. According to Prophet, Relevance is the single greatest determining factor for a brand's long-term success. The strongest brands are relevant and make a difference in people's lives No stranger to leading brand rankings, Apple certainly is disruptive. But more important, at least in the context of this research, it develops features and design elements that consumers respond to for their function and ability to make life easier. Prophet surveyed 10,000 consumers located in the United States (US), about 400 brands across 27 industries. The research included companies from all industries that contribute materially to US household spend. They were sourced from the US Bureau of Labor Statistics. Within each industry, Prophet included companies that achieved outsize business performance (MRY revenues and trailing three-year revenue growth). In some instances, smaller companies that have driven significant change in their industries were included given their significant traction with consumers. Brands in the tobacco and firearms categories were not included in this study, and companies engaged solely or primarily in business-to-business categories also were not included. The research found that the top 10

most relevant brands in consumers' lives deliver value that is unmatched and are innovative and trustworthy. Prophet defines "relentlessly relevant brands" as having the following four characteristics:

- They are customer obsessed (for example, consumers can't imagine living without it);
- Distinctively inspired (for example, it's something consumers can trust);
- Pervasively innovative (for example, it pushes the status quo);
- Ruthlessly pragmatic (for example, it makes consumers' lives easier)(Rooney, 2016).

1.1 Overview of Brand Google

It is undisputedly the leading global brand mandated by key agencies. With over 70 offices in 50 countries with a workforce over 57,000 people, Google Inc. is a US based multinational technology company that specializes in Internet-related services and products. These include online advertising technologies, search, cloud computing, software, and hardware. Google was founded in 1998 by Larry Page and Sergey Brin. On August 10, 2015, Google announced plans to reorganize its various interests as a conglomerate called Alphabet and Google became Alphabet's leading subsidiary, and the umbrella company for Alphabet's Internet interests. After the restructure, Sundar Pichai became CEO of Google, replacing Larry Page, who became CEO of Alphabet. On September 1, 2017, Google Inc. announced its plans of restructuring as a limited liability, Google LLC, as a wholly owned subsidiary of XXVI Holdings Inc., which is formed as a subsidiary of Alphabet Inc. to hold the equity of its other subsidiaries, including Google LLC and other bets. From a humble revenue of US \$ 0.4 billion in 2002, Google has touched the amazing figure of US \$ 89.5 billion in the fiscal year 2016. The brand valuation of Google in 2017, as per Kantar Millward Brown data is US \$2,45,581 Million which is the highest as compared with the other two, Brand Finance (109470) and Interbrand (141703).

It may be noted here that the ranking and brand valuation figures of Google Inc. conducted by agencies are not the same. Analysis and interpretation of last 7 year data with respect to these factors reveal the difference in term of statistical significance. Each organization has its methodology for ranking and valuation which is unique and this is reflected in the findings of the study. If one consider the ranking status in the year 2017, both Kantar Millward Brown and Brand Finance evaluate Google as No 1 brand whereas Interbrand rates it Number 2.

2. Literature Survey

A summary of the contents of literature is discussed in this section. A study was conducted to investigate the measurement invariance of the consumer based equity

scale across two samples of UK and Spanish consumers. It was found that brand equity scale was invariant across the two countries. Consumers respond to the items of brand equity in the same way, which allows meaningful comparison of scores. The brands were selected using the best global brands 2006 ranking of Interbrand (Buil et al., 2008).

Brand value has become an important corporate performance metric, as can be observed from annual top 100 brand values ranked by Interbrand. A study was conducted employing a simultaneous equations model to examine the non-linear influence of lagged advertising and lagged expenses yield diminishing returns to brand value. Differences across industry segments or country base are not statistically significant (Chu and Keh, 2006).

There is another opinion on brand valuation stating it is kind of forecasting and there are different measures of brand strength. With this approach, researches have been conducted to review many different measures of consumer brand strength; as these measure different things, there can be no single measure which is universally meaningful (Feldwick, 1996).

Initial results using a financially based measure of brand value (Interbrand) show that counter to expectations, these top brands did not outperform the market as a whole (Johansson et al., 2012)

There is an examination of value relevance and reliability of brand assets recognized by 33 UK firms and the stock price reaction to the announcement of brand capitalization. Brand assets are value relevant, i.e., associated with market values (Kallapur et al., 2004).

Brand value and valuation remain important topics in the midst of the financial recession. It was reported that world's top 500 banking brands shed more than US \$ 218 million in brand value in 2008. Taking queue from the top brands of Millward Brown and Ipsos, the study explored the brand value implications of the economic downturn and how brands can survive the immediate crisis and thrive in future (Raggio and Leone, 2009).

There was another study on brand value evaluation and provide with specific reference to Chinese corporates explaining various aspects of brand value. With an overview of the literature related to the method of brand valuation, evaluation practice of brand value with regard to Chinese enterprise was elaborated. In conclusion, it was expressed that specific implications of brand value has been corroborated in the brand asset value. This has established the importance of relationship between the customer and the brand as well as overall value of both the asset and the customer. This concept has attempted to discuss relevant literature on brand valuation method from a different perspective, proposing multifaceted approach for brand valuation practices of enterprises in the Chinese

context. With such reference, this undoubtedly presents an approach to sort out the problem that there is no single window method of brand value evaluation in the theoretical space (Huang, 2015).

It is observed that brand value is reflected in the financials of the enterprise as an added value (Bravo & Lado, 2011). Therefore it can be equated to the cash flow brought to products or services by brand. On this basis, it can be stated that similar to other economic assets value, brand value reflects the present value of all the equity in the future (Tom et. al., 1999). Hence, brand value can be considered to be the financial benefit for enterprise created by brand as an asset.

There are many brand valuation methods with quantitative indicators under the asset perspective, in which the Interbrand method shows considerable impact. It was further argued that the Interbrand method has been developed on the basic assumption: brand value is reflected to ensure that brand owners can have a more stable income in the future (Fu, 1999). Thus, it is necessary to assess brand value on the basis of the company's future earnings through financial analysis, market analysis and brand analysis.

While concluding the literature survey, it can be mentioned that there has been studies on the brand valuations, ranking by a particular agency but not much literature or research work is available on the comparative study by different rating agencies. Present study has endeavored to delve into some details of the gap identified in this context.

3. Research Design

It provides a complete guideline for data collection and it is the foundation or the blueprint for the research study. Most importantly, this study does not have any scope of collecting any primary data and as the title implies, the data which are already published in the websites of the market research organizations have been taken into consideration, in other words, the secondary data. Selection of the research approach is based on the requirement of the study. So exploratory research technique has been selected. The approach has touched upon trend study and comparative design technique comparing effectiveness of different treatment modalities (Kumar, 2011). It also has the essence of judgement sampling in which the sampling units are selected on the opinion of research scholar. This, in other words is also known as purposive sampling because the sampling units of the sample are identified from the population selectively which prevents the inclusion of other sampling units in the sample. This sampling technique is applied for sampling the population related to rare events in which the members of the population are not equally qualified to become members of the sampling frame and hence the members of the sample (Panneerselvam, 2011)

Research Hypotheses

Following hypotheses have been framed to explore the objective of the study:

For ranking analysis:

Ho: There is no significant difference in the rankings of Google by the rating agencies over the given time frame

Ha: There is significant difference in the rankings of Google by the rating agencies over the given time frame

For brand value analysis:

Ho: There is no significant difference in the brand values of Google by the rating agencies over the given time frame

Ha: There is significant difference in the brand values of Google by the rating agencies over the given time frame.

4. Data Analysis

Seven years ranking and brand value data for the period 2011 to 2017, retrieved from the websites of the three rating organizations – Interbrand, Brand Finance and Kantar Millward Brown, are furnished in table 1. Each brand value figure is divided by the minimum of the entire set of data to arrive at smaller whole numbers (rounded off).

Following this exercise, ANOVA has been done in table 2 with respect to brand ranking and in table 3 with respect to value of the brands for testing the significance.

Table 1: Ranking and Brand Value of Google

Year	Brand Finance		Interbrand		Millward Brown	
	Rank	Value in Million \$	Rank	Value in Million \$	Rank	Value in Million \$
2017	1	109470	2	141703	1	245581
2016	2	94184	2	133252	1	229198
2015	3	76683	2	120314	2	173652
2014	3	68620	2	107439	1	158843
2013	3	52132	2	93291	2	113669
2012	2	47463	4	69726	3	107857
2011	1	44294	4	55317	2	111498

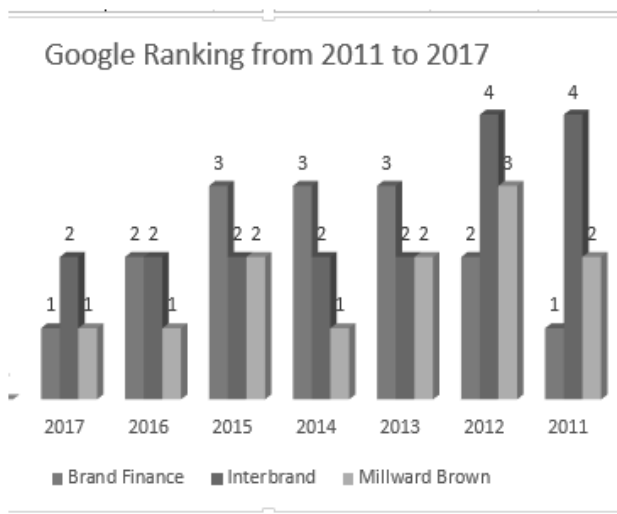


Chart 1: Google Ranking from 2011-2017

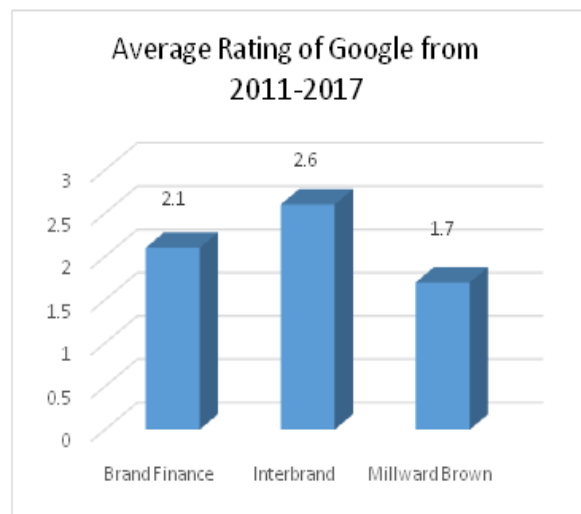


Chart 2: Average Rating of Google from 2011-17

Table 2: ANOVA Table for Ranking Analysis

Source of validation	Sum of squares	df	Mean Squares	Computed value of F	Table value of F
Between samples	17	2	8.5	9.44	3.55
Within samples	16	18	0.9		
Total	33	20			

Table 3: ANOVA Table for Brand Value Analysis

Source of validation	Sum of squares	df	Mean Squares	Computed value of F	Table value of F
Between samples	31	2	15.5	17.22	3.55
Within samples	17	18	0.9		
Total	33	20			

To arrive at the findings from the results of table 2 and 3, which are computed value of F compared with the table value of F in both the instances for the given degrees of freedom (df) at a given critical level (generally we take 5% level of significance) and interpret the same accordingly. If the computed value of F is greater than the table value of F, the difference in the variance is significant else if the computed value of F is less than the table value of F then the difference in the variances is not significant (Jhunjhunwala 2008).

Calculation of Rank Correlation Coefficient for Rankings of Google

Between Brand Finance and Interbrand: 0.54

Between Interbrand and Millward Brown: 0.80

Between Brand Finance and Millward Brown 0.74

Calculation of Rank Correlation Coefficient for Valuation of Google

Between Brand Finance and Interbrand: 0.85

Between Interbrand and Millward Brown: 0.34

Between Brand Finance and Millward Brown: -0.60

5. Findings

Results of ANOVA table shows that there is significant difference in the process of overall ranking as well as valuation of the brand Google over the period taken into consideration. The table value is 3.55 and computed value is 9.44 in case of ranking of Google Inc. over that time frame. Therefore the null hypotheses is rejected and alternative hypotheses is accepted. The difference seems to be larger in the case of valuation where $f = 17.22$ where the table value is 3.55. Nevertheless, there is some correlation of results between the agencies, for example, Interbrand and Millward Brown shows maximum proximity in their results of ranking of Google brand over the period,

whereas Brand Finance and Interbrand shows maximum proximity in their results of valuation of Google brand over the period under consideration.

6. Future Research Directions

Brand Value envisages the quality and perception of the brand by its consumers to the brand, in other words, it focuses much on the tangible aspect of the brand. Therefore Brand Intangible Value is equally important and realistic in terms of valuation which isolates the physical aspects of the brand but measures the value created by such factors as brand name associations and perceptual distortions (Kamakura & Russel, 1993). It is important that there should be some attempt to benchmark the intangible value of the brands and explore how the rating agencies have valued the brands from that perspective and make a comparative study. Besides, the present research consideration with respect to the selection of brand and the time frame has been chosen to assess any significant difference in terms of ranking or valuations of the brands. Future research can consider even longer time frame and brands from other business verticals, for example, FMCG, Banking and Finance, Telecom etc. Ranking and valuation analysis from such multiple verticals would highlight significant difference, if any.

7. Conclusion

It can therefore be inferred there is significant difference in the ranking of Google Brand conducted by three rating agencies over the time frame considered in the study. In a particular year, the rank may be same across two agencies but on the longer time frame this does not hold good. This is also applicable for Google brand value. While working out the Rank Correlation Coefficient for rankings of Google, the rankings, though not identical, but some kind of relationship in the ranking has been noted between Interbrand and Millward Brown (0.80), that is positive

correlation whereas the brand values, though not identical, but some kind of similarity has been noted between Brand Finance and Interbrand: (0.85), that is positive correlation.

This establishes the fact that each of these rating agencies have uniquely designed system and procedure to evaluate the global brands. As such, the processes underlying the system are well established and exhaustively tested through sound, robust and logical parameters, considering tangible and intangible aspects of the brands. This leaves no room for ambiguity as regards ranking and valuation of global brand. Hence this may be one of the reasons why all the results of all the three agencies are well accepted and recognized across the world.

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