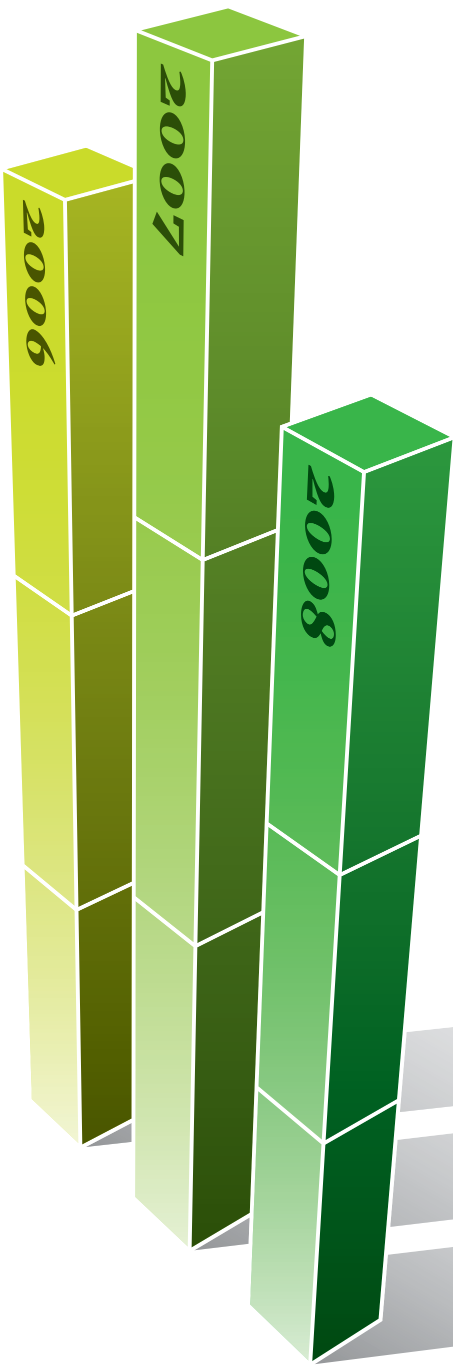
Global brand values weather financial storm



The BrandFinance Global 500® is an annual survey of the world's most valuable brands. During 2008, the combined value of the top 50 dipped markedly and a new name took pole position

By **David Haigh**

While the global recession has caused significant declines in global enterprise values, brands have held their value remarkably well. In the face of recession there has been a shift in demand towards everyday products and services delivering strong functional performance at a reasonable price.

As a result of this trend, some commentators have suggested that the current economic climate will lead to a collapse in the value of brands, because they are seen to be an unnecessary luxury. However, the BrandFinance® Global 500 study indicates that so long as brands continue to deliver good value for money they will do well, even at high price points.

Massive declines in enterprise values and residual goodwill

Each year Brand Finance plc analyses the value of quoted companies worldwide and the split of total enterprise value into tangible and intangible asset classes. This year's BrandFinance® Global Intangible Tracker™ 2009 analyses the enterprise value of 37,000 companies, on 56 stock markets in 32 countries, over a seven-year period up to 31st December 2008. Total enterprise value of this vast sample of companies comes to US$38.6 trillion (down from US$59.6 trillion last year), an amazing drop of US$21 trillion in just 12 months.

At the close of 2008, tangible net assets recorded on balance sheets amounted to US$23.2 trillion, up by US$1.0 trillion on last year. Disclosed intangible assets (eg, brands and patents) amounted to US$3.3 trillion, up by US$0.54 trillion. This reflects International Financial Reporting Standard (IFRS) 3, which requires the identification and recording of separable intangible assets on acquisition. Residual goodwill (the difference between price paid on acquisition and the fair value of tangible net assets and disclosed intangible assets acquired) amounted to US$4.3 trillion, down by US$0.2 trillion. This reflects the growing recognition that many acquisitions made in the last five years were over-valued. In recognition of this, many companies have conducted impairment reviews and have written off disclosed intangible assets including residual goodwill. The reason for residual goodwill write-offs is because companies are now producing much more pessimistic projections about future revenues and profits.

Pessimism about future financial performance has led to a decrease in undisclosed intangible asset value to only US$7.9 trillion in aggregate (down from US$30.3 trillion) – a staggering 74% drop from last year. This reflects the massive share sell-off in all stock markets worldwide. Warren Buffett, whose Berkshire Hathaway investment company dropped 9.7% in value during 2008, apparently believes that the global stock market sell-off has been overdone. But for the moment at least, it reflects the market view of asset values in general and undisclosed intangible assets in particular.

As a result of this massive drop in undisclosed intangible asset values during 2008, the proportion of global enterprise value represented by intangible assets of all kinds has dropped to only 40% of enterprise values, compared with 63% last year.

In certain sectors the value of tangible net assets and disclosed intangible assets, obtained from the most recently filed balance sheets, are greater than total enterprise value (calculated as the sum of market capitalisation and long-term net debt). In many cases stock market investors are valuing companies in hard-hit sectors at less than their reported tangible asset values.

Philip Wolstencraft, a director of Artemis European Growth Fund, recently said that investor behaviour has become irrational: "In many walks of life when the price of something falls, demand for that product tends to rise. With equities, the opposite is usually true and the past year has proved no exception. The more prices have fallen, the less people have bought – or more correctly, the more they have sold." Whether the massive sell-off proves to be overdone, as both Buffett and Wolstencraft suggest, will only become clear during the rest of 2009.

In the meantime, the wholesale share sell-off means that in many cases enterprise values are less than the sum of tangible net assets and disclosed intangible assets in published balance sheets. This implies that huge write-offs are still required to bring balance sheets into kilter with asset values implied by investor sentiment. Some sectors are predictably much more seriously affected than others.

If we take the percentage by which reported balance-sheet assets (both tangible net assets and disclosed intangible assets) exceed enterprise value, the worst affected sectors are:

- Savings and loans (-34%).
- Home builders (-22%).
- Home furnishings (-20%).
- REITS (-19%).
- Auto parts and equipment (-16%).
- Real estate (-12%).
- Forest products and paper (-12%).
- Holding companies (-8%).
- Airlines (-6%).
- Building materials (-6%).
- Banks and DFS (-6%).
- Iron and steel (-3%).
- Electronics (-3%).

Reported balance-sheet assets in excess of enterprise value by sector (%)

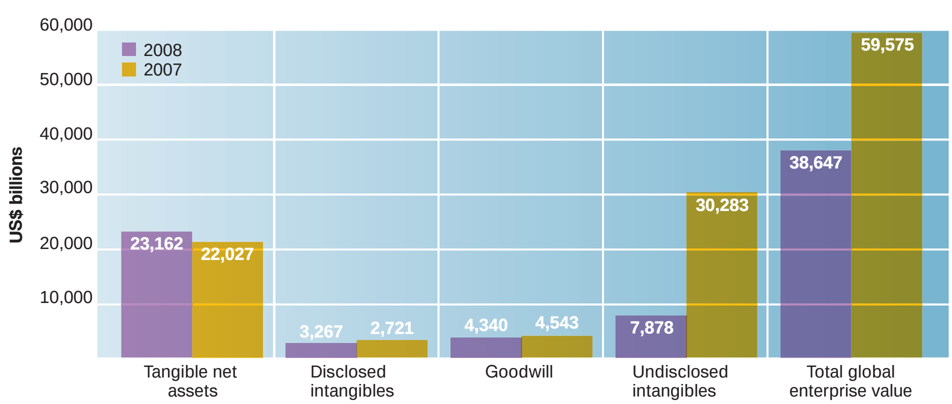
The massive declines in market capitalisations, enterprise values and undisclosed intangible asset values over the last year mean that many sectors are reporting higher balance-sheet asset values than calculated enterprise values. This suggests that residual goodwill, disclosed intangible asset, and in some cases even tangible net asset values may need substantial write-downs worldwide.

If stock market valuations are accurate in aggregate, then over the next 12 months we estimate that US$633 billion of asset values will need to be written off balance sheets on a global basis, in the following sectors:

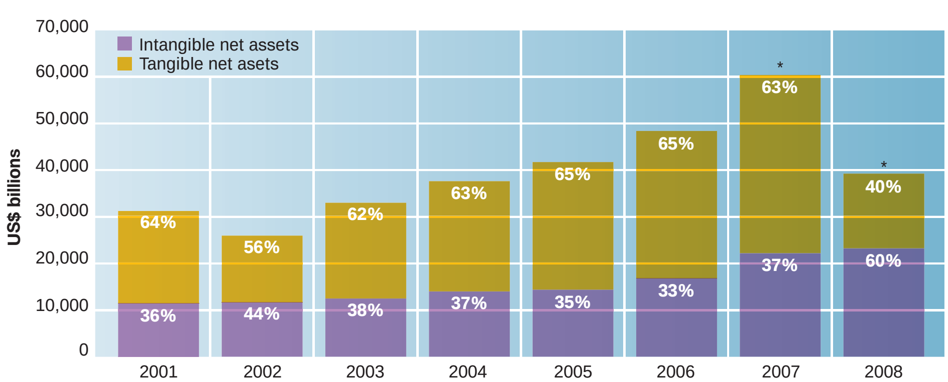
- Banks and DFS (-US$231 billion).
- REITS (-US$87 billion).
- Real estate (-US$64 billion).
- Auto parts and equipment (-US$46 billion).
- Holding companies (-US$45 billion).
- Home furnishings (-US$27 billion).
- Building materials (-US$26 billion).
- Forest products and paper (-US$25 billion).
- Home builders (-US$21 billion).
- Savings and loans (-US$21 billion).
- Iron and steel (-US$16 billion).
- Airlines (-US$13 billion).
- Electronics (-US$10 billion).

At the close of 2008 disclosed intangible assets in bank balance sheets amounted to nearly US$1 trillion,

Global tangible and intangible asset values (US$ billion, 2007-2008) **Source:** Brand Finance plc



Global enterprise value (US$ billion, 2001-2008) **Source:** Brand Finance plc



* 2001-2006 based on over 10,000 domiciles, 2007-2008 based on over 37,000 domiciles

Head to head

Walmart versus Tesco (sector: retail)

Enterprise value:	2009	US$244.1 billion v US$53.6 billion
	2008	US$226.0 billion v US$75.8 billion
Brand value:	2009	US$40.6 billion v US$16.4 billion
	2008	US$39.0 billion v US$20.5 billion

During 2008 Walmart finally emerged from decades of living under a cloud of public opinion in the US. It has been vilified for killing competition and destroying neighbourhood shopping centres by opening megastores nearby. Walmart has tried hard to mitigate this image – introducing community, environmental and other socially responsible initiatives. It has, however, kept its eye firmly on giving good value for money by discounting top brands and launching high-quality own labels. The recession has fuelled rising demand both in the US and in the UK via its price-leading ASDA subsidiary. Revenues, profits, market capitalisation and brand value have all marched ever upwards. At the moment Walmart owns a 20% share of the entire retail grocery and consumables business in the US.

Meanwhile Tesco, a leviathan of the European and Asian retail food markets, has plateaued. Growth in the UK has slowed, as cut-price stores such as Aldi and Morrisons have eaten its lunch. Its developing markets have suffered and the Fresh and Easy format in the US has failed to make any dent on Walmart mastery there. Tesco remains a huge and powerful brand, but must be rethinking its price/value mix in the UK while the US venture is no doubt due for a relaunch. In the battle of the retail super-brands, Walmart remains on top.

HSBC versus Citi (sector: banks)

Enterprise value:	2009	US$131.6 billion v US$37 billion
	2008	US$188.5 billion v US$147 billion
Brand value:	2009	US$25.4 billion v US$9.8 billion
	2008	US$35.5 billion v US$27.8 billion

The fact that HSBC has weathered the storm in the banking industry is in part down to reasonable performance in comparison to its rivals and the trust this has engendered. But it is also a result of its strong, well-defined brand identity as the World's Local Bank. This concentration on the delivery of region-specific services has been well received, especially in its retail division. Its global presence in performing emerging markets has spread its risk and buffered losses. Citi has been one of the primary casualties of the 2008 financial crisis, due to its suffering retail sector. Indeed, Citigroup was forced to sell its brokerage business and other pieces of the Citi brand.

HSBC wrote down US$24.6 billion of assets in the period from 2007 Q3 to year end 2008, while Citi wrote down US$55.1 billion. HSBC is now US$4.3 billion more valuable than the next-placed financial brand (Bank of America). In February 2008, HSBC replaced Citi as the world's most valuable banking brand in the BrandFinance® Banking 500.

suggesting that nearly 25% of total disclosed intangible assets will need to be written-off by banks. Given the sensitivity of share prices to asset impairments of this scale company directors are increasingly engaging independent experts to confirm the actual impairment requirements on their capitalised intangible assets.

Brand values hold up well

Against this gloomy background brand values are doing remarkably well.

The term brand has no single legal definition and is often understood differently by marketing and finance people. This can lead to misunderstanding. However, IFRS 3 is gradually forcing greater transparency and consistency in the definition of brand assets, at least for financial reporting purposes.

In accordance with auditor preferences the BrandFinance® Global 500 Most Valuable Brand study defines brand as: "Trademarks and associated marketing intangibles." This is a narrow definition of the legal rights that are most commonly licensed in brand licensing deals. Our choice of this definition for the global study is consistent with the royalty relief valuation method used in most balance sheet valuations. For a detailed explanation of the methodology please visit the Brand Finance website: www.brandfinance.com.

Key findings

The top brand in the world is Walmart with a value of US$40.6bn and a BrandBeta® (strength) rating of AA. Walmart has benefited from shoppers switching to discounted brands and own label brands during the downturn, a market it has continued to dominate in the US. The top five brands are all US-owned: Walmart

The world's strongest brands by brand rating

Source: Brand Finance plc

Rank 2008	Rank 2007	Brand	Industry group	Domicile	Brand value 2009	EV 2009*	Brand value/ Enterprise value 2009 (%)	Brand rating 2009	Brand value 2008	EV 2008*	Brand value/ Enterprise value 2008 (%)	Brand rating 2008
2	1	Coca-Cola	Beverages	United States	32,728	104,519	31%	AAA+	45,441	147,277	31%	AAA+
4	2	Microsoft	Software	United States	30,882	152,137	20%	AAA+	44,501	311,036	14%	AAA+
7	7	HSBC	Banks	Britain	25,364	131,577	19%	AAA+	35,456	188,466	19%	AAA
69	73	Kellogg's	Food	United States	7,857	21,767	36%	AAA+	9,631	25,446	38%	AAA+
121	158	Porsche	Auto manufacturers	Germany	5,431	23,070	24%	AAA+	5,569	38,206	15%	AAA
148	12	Gillette	Cosmetics/ personal care	United States	4,520	208,333	2%	AAA+	26,388	258,388	10%	AAA+
247	206	Harley-Davidson	Leisure time	United States	2,785	5,696	49%	AAA+	4,307	12,877	33%	AAA+

The world's 50 most valuable brands

Rank 2009	Rank 2008	Brand	Parent company	Industry group	Domicile
1	4	Walmart	Wal-Mart Stores Inc	Retail	United States
2	1	Coca-Cola	Coca-Cola Co/The	Beverages	United States
3	5	IBM	Intl Business Machines Corp	Computers	United States
4	2	Microsoft	Microsoft Corp	Software	United States
5	3	Google	Google Inc-Cl A	Internet	United States
6	6	GE	General Electric Co	Miscellaneous manufacturers	United States
7	7	HSBC	Hsbc Holdings Plc	Banks	Britain
8	11	Vodafone	Vodafone Group Plc	Telecommunications	Britain
9	8	hp	Hewlett-Packard Co	Computers	United States
10	13	Toyota	Toyota Motor Corp	Auto manufacturers	Japan
11	16	Bank of America	Bank Of America Corp	Banks	United States
12	22	McDonalds	Mcdonald's Corp	Retail	United States
13	9	Nokia	Nokia Oyj	Telecommunications	Finland
14	19	at&t	At&T Inc	Telecommunications	United States
15	20	Verizon	Verizon Communications Inc	Telecommunications	United States
16	44	China Mobile	China Mobile Ltd	Telecommunications	Hong Kong
17	29	Orange	France Telecom Sa	Telecommunications	France
18	28	Walt Disney	Walt Disney Co/The	Media	United States
19	32	Budweiser	Anheuser-Busch Cos Inc.	Beverages	United States
20	26	Tesco	Tesco Plc	Food	Britain
21	17	Pepsi	Pepsico Inc	Food	United States
22	23	Nike	Nike Inc -Cl B	Apparel	United States
23	47	WELLS FARGO	Wells Fargo & Co	Banks	United States
24	35	The Home Depot	Home Depot Inc	Retail	United States
25	15	Intel	Intel Corp	Semiconductors	United States
26	31	BMW	Bayerische Motoren Werke Ag	Auto manufacturers	Germany
27	24	Apple	Apple Inc	Computers	United States
28	43	Samsung	Samsung Electronics Co Ltd	Semiconductors	South Korea
29	48	ExxonMobil	Exxon Mobil Corp	Oil & gas	United States
30	34	Shell	Royal Dutch Shell Plc-A Shs	Oil & gas	Netherlands
31	46	Target	Target Corp	Retail	United States
32	38	UPS	United Parcel Service-Cl B	Transportation	United States
33	41	TimeWarner	Time Warner Inc	Media	United States
34	51	Sony	Sony Corp	Electronics	Japan
35	45	Honda	Honda Motor Co Ltd	Auto manufacturers	Japan
36	64	Comcast	Comcast Corp-Cl A	Media	United States
37	14	L'Oréal	L'Oreal	Cosmetics/personal care	France
38	58	BP	Bp Plc	Oil & gas	Britain
39	75	Oracle	Oracle CorP	Software	United States
40	213	GDF Suez	Gdf Suez	Gas	France
41	25	Santander	Banco Santander Sa	Banks	Spain
42	30	CISCO	Cisco Systems Inc	Networking products	United States
43	65	Heineken	Heineken Nv	Beverages	Netherlands
44	95	VW (Volkswagen)	Volkswagen Ag	Auto manufacturers	Germany
45	36	AXA	Axa	Insurance	France
46	66	Hitachi	Hitachi Ltd	Electrical compo and equip	Japan
47	84	Sam's Club	Wal-Mart Stores Inc	Retail	United States
48	91	ICBC	Ind & Comm Bk Of China – A	Banks	China
49	78	Chevron	Chevron Corp	Oil and gas	United States
50	33	American Express	American Express Co	Diversified finan serv	United States

Brand value 2009	EV 2009	Brand value/ enterprise value 2009 (%)	Brand rating 2009	Brand value 2008	EV 2008	Brand value/ enterprise value 2008 (%)	Brand rating 2008
40,616	244,058	17%	AA	39,001	225,976	17%	A
32,728	104,519	31%	AAA+	45,441	147,277	31%	AAA+
31,530	136,675	23%	AA	37,949	172,954	22%	AA
30,882	152,137	20%	AAA+	44,501	311,036	14%	AAA+
29,261	79,164	37%	AAA	43,085	200,698	21%	AAA+
26,654	635,959	4%	AA	36,123	825,379	4%	AA+
25,364	131,577	19%	AAA+	35,456	188,466	19%	AAA
24,647	152,551	16%	AAA	26,594	185,183	14%	AA+
23,837	90,506	26%	AA+	34,109	130,072	26%	AA+
21,995	217,481	10%	AAA	26,056	317,352	8%	AA
21,017	71,228	30%	AAA	25,417	144,179	18%	AA+
20,003	73,815	27%	AAA-	21,812	69,176	32%	AAA
19,889	53,828	37%	AAA-	33,116	137,362	24%	AAA
19,850	222,476	9%	AA+	24,601	313,749	8%	AA-
18,854	162,844	12%	AA	24,388	185,744	13%	A+
17,196	153,188	11%	AA+	13,867	190,839	7%	AA
16,799	133,009	13%	AA	18,347	144,326	13%	AA
16,750	51,631	32%	AAA	19,710	76,246	26%	AAA-
16,692	49,900	33%	AAA-	17,160	47,918	36%	AAA-
16,408	53,618	31%	AA+	20,472	75,767	27%	AA+
15,034	85,364	18%	AA-	24,813	125,758	20%	AA
14,583	20,318	72%	AAA-	21,807	30,132	72%	AAA+
14,508	108,691	13%	AA	13,130	94,593	14%	AA
14,310	48,880	29%	AA-	15,398	64,758	24%	AA-
13,976	64,506	22%	AA	25,527	143,064	18%	AAA-
13,659	81,942	17%	AAA-	17,215	96,849	18%	AAA
13,648	47,327	29%	AA	21,779	157,128	14%	AAA+
13,541	43,855	31%	AA	13,971	77,169	18%	A+
13,360	362,434	4%	AA-	12,619	483,033	3%	AA-
12,376	163,838	8%	AAA-	15,540	270,386	6%	AAA-
12,253	45,225	27%	AA	13,419	63,645	21%	A+
11,873	56,419	21%	AA+	14,840	81,580	18%	AA
11,817	74,353	16%	AA+	14,229	102,103	14%	A+
11,597	24,874	47%	AAA	12,383	52,306	24%	AAA
11,461	79,867	14%	AA+	13,649	94,648	14%	AA
11,383	73,320	16%	AA	11,254	86,515	13%	AA-
11,234	50,081	22%	AAA-	25,797	85,105	30%	AA+
11,229	158,575	7%	AA+	11,784	259,182	5%	AA
11,106	83,854	13%	AA+	9,513	101,289	9%	AA+
11,016	94,460	12%	AA+	4,182	55,952	7%	A
10,840	54,881	20%	AA	20,718	97,842	21%	AA-
10,794	71,266	15%	AA+	18,113	129,681	14%	AA
10,348	30,337	34%	AA	10,494	34,945	30%	AA+
10,242	177,592	6%	AA+	8,210	150,609	5%	AA
10,213	37,922	27%	A+	15,236	65,982	23%	A
10,139	37,868	27%	A+	10,338	48,834	21%	A
10,126	244,058	4%	A+	8,955	225,976	4%	A
10,031	186,089	5%	A+	8,427	343,424	2%	A-
9,980	139,573	7%	A+	9,235	195,103	5%	AA-
9,944	25,866	38%	AA	16,183	51,455	31%	AAA

Source: Brand Finance plc

Brand value top 50 – 2008 v 2009			
2008	2009	Change	% Change
1127555	827592	-299964	-27%
Enterprise value top 50 – 2008 v 2009			
2008	2009	Change	% Change
7732467	5743796	-1988671	-26%
Intangible assets – 2007 v 2008 (GIT, US$ billions)			
2008	2009	Change	% Change
59674	38706	-20968	-35%

Retail – brand value (top 10)				Intangible assets (GIT)
2008	2009	Change	% Change	% Change
152622	146969	-5653	-4%	-46%
Comsumables – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
145530	114638	-30892	-21%	-38%
Apparel – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
54767	36213	-18554	-34%	-55%
Airlines – brand value (top 10				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
30020	24780	-5240	-17%	-98%
IT – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
154501	111534	-42967	-28%	-46%
Banks – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
192816	128645	-64171	-33%	-82%
Insurance – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
99604	54707	-44898	-45%	-67%
Commercial services – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
75018	63784	-11234	-15%	-30%
Telecoms – brand value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
175641	148775	-26866	-15%	-42%
Technology – Brand Value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
190828	115739	-75089	-39%	-63%
Auto – Brand Value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
126966	102791	-24175	-19%	-76%
Energy – Brand Value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
90485	88659	-1825	-2%	-61%
Media – Brand Value (top 10)				**Intangible assets (GIT)**
2008	2009	Change	% Change	% Change
79325	65026	-14299	-18%	-46%

Source: Brand Finance plc

[AA], Coca-Cola [AAA+], Microsoft [AAA+], Google [AAA] and IBM [AA]. Seven out of the top 10 are American. Overall, domiciled US companies own almost three times as many brands in the Brand Finance 500 as those domiciled in the next most represented country, Japan. France, the UK and Germany follow next, demonstrating the West's continuing majority stake in the world's top brands.

The overall brand value across the top 50 is US$827.6 billion, down 27% from 2008. Enterprise value has dropped to US$5,744 billion, down 26%. In the same year intangible assets worldwide dropped 35%.

The most valuable sector by brand value across the top 10 companies is telecommunications, worth US$148.8 billion, overtaking the banking sector's top 10 valued at US$128.6 billion. Six out of the world's top 20 brands are telecoms companies.

The telecommunications sector continues to grow. Verizon, Orange and AT&T, as well as the sector leader Vodafone, all climbed the table; only Nokia's brand position did not improve. China Mobile was the great success story and the only company in the Top 20 whose brand value appreciated, rising 27% to US$17.2 billion during another disastrous year for the world's financial markets — a climb of 28 places.

Brands during the downturn

Warren Buffett, the Sage of Omaha, once remarked that "you only know who's swimming naked when the tide goes out". Well, the tide has gone out and we now find that many apparently reputable brands have been swimming naked for years. The banks, insurance companies and ratings agencies were the first to be found out. Cynical disregard for customers and staff have led to disaster, and many of these brands have paid the ultimate penalty.

Now we are seeing that brands in the real economy are also blushing. Over-geared, over-hyped and over-priced brands are all suffering as recession-hit consumers reappraise the benefits of conspicuous consumption. The value of these brands has been falling fast because they have fallen out of touch with consumers' wants and needs.

By contrast, brands that are doing well include Walmart, McDonald's, Avon,

Head to head

Vodafone versus China Mobile (sector: telecommunications)		
Enterprise value:	2009	US$152.6 billion v US$153.2 billion
	2008	US$185.2 billion v US$190.8 billion
Brand value:	2009	US$24.6 billion v US$17.2 billion
	2008	US$26.6 billion v US$13.9 billion

China Mobile is the largest mobile phone operator in China. It is the world's largest mobile phone operator by subscribers and the only company in the top 20 apart from Wal-Mart to have appreciated in brand value during another year of economic slump. China Mobile will no doubt become the most capitalised telecoms company in the world in time. But its global exposure is negligible compared to market leader Vodafone.

Vodafone has followed a strong policy of acquisition and joint branding with local subsidiaries. Its coordinated global marketing and sponsorship culture has efficiently promoted excellent services and products to diverse regions and consumers, in particular the lucrative emerging Asian markets. Vodafone also owns 45% of Verizon Wireless, the largest North American mobile telecommunications company, opening the possibility of using this association as a platform to penetrate the one large market where Vodafone has no substantial presence. The stake's sale is being debated among key investors; it is a financial decision with strategic consequences that may define Vodafone's positioning in the years to come.

Coke versus Pepsi (sector: beverage)		
Enterprise value:	2009	US$104.5 billion v US$85.4 billion
	2008	US$147.3 billion v US$125.8 billion
Brand value:	2009	US$32.7 billion v US$15.0 billion
	2008	US$45.4 billion v US$24.8 billion

Pepsi fell out of the top 20 this year, depreciating 33% in brand value during 2008. By contrast, Coke fell only 28%. These perennial competitors in the soft drinks market make an interesting case study for the positive influence of strong branding during tough times. Coca-Cola's enterprise value is US$104.5 billion, compared to Pepsi's US$85.4 billion, just 18% greater. Coca-Cola's brand is 54% more valuable than Pepsi's. This discrepancy is also reflected by Coca-Cola's greater brand value/enterprise value split of 31%, compared to Pepsi's 18%. Coca-Cola is the defining brand in the carbonated drinks category worldwide. It has had more time to mould its brand identity indelibly into its core business than Pepsi, which is essentially a follower brand. Despite valiant attempts with emotional imagery to orchestrate the perceptual attributes that drive demand, Coke's market lead is so absolute that there is little that can be done to dislodge it. Pepsi's strategy has been to diversify into other beverage categories. But as money tightens, consumers' tastes become more conservative and their trust in the stalwart Coke brand will reap rewards for the beverages sector leader.

Source: Brand Finance plc

Johnson & Johnson, Budweiser, Ford and HSBC. It is no coincidence that these brands are all middle of the road and have all been forced to reinvent or reposition themselves in tough markets. All have re-evaluated customer relationships, products or services and the price/value equation.

In the last big recession many brands were badly hit as consumers switched to lower-priced alternatives. In 1993 Marlboro realised that it had stretched consumer loyalty too far and dropped its prices overnight by 25%. While this caused short-term panic on Wall Street, a huge fall in Philip Morris's share price and suggestions that this was the end of branding as we know it, the fact was that it simply rebalanced the price: value equation and consumers came flooding back. A salutary lesson for many brands that are currently out of touch.

In recessions there is a paradigm shift in the attributes which drive brand preference. Price elasticity curves shift. All brands need to rebalance functional, image and conduct attributes. In recessions, functional attributes, including price, rapidly come to the fore. Image attributes decline in relative importance. Conduct attributes remain critical, but not at any price. Getting the balance right is the recessionary task for every brand manager.

But in the struggle to realign, it is plain to see that only brands with strong values maintain their brand value. Brands need to have a clear value system and stick with it rather than playing fast and loose with customers and staff.

In repositioning to survive the downturn, there are a few simple rules. The first and most important is that cash is king. As one witty accountant once remarked: "Turnover is vanity; profit is sanity; cash flow is reality." Without cash flow, brands will simply not survive.

This search for cash leads many CFOs to consider cutting marketing budgets. Budgets are often poorly justified and this may be the right thing to do. But when marketing communications are well defined and planned, there is strong evidence that maintaining marketing budgets in recession leads to greater value. In 1998 PIMS published a study which showed that of 1,000 consumer brands, those which cut marketing budgets during the 1991-1993 recession made higher profits during the downturn, but lost market share after it ended. Maintainers ended up with higher brand values by a significant margin once the recession was over.

In conclusion, brands need to maintain their brand values and their brand investments if they want to emerge unscathed from this recession, which will apparently be the "worst in human history". Just be sure you have the cash to keep your brand alive. *iam*

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