

TENET

2019 Top 100 Most Powerful Brands

RISE OF THE POWERHOUSE

The hidden value of corporate brands



HELLO.

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A MESSAGE FROM OUR CEO



Hampton Bridwell
CEO

WELCOME TO TENET'S 2019 TOP 100 MOST POWERFUL BRANDS REPORT.

This is a tumultuous time for corporate brands and leaders navigating the ever-growing complexities of global markets.

The past five years have seen the most significant expansion of brand value for U.S. corporate brands in the history of the CoreBrand Corporate Brand Index. Yet, at the same time, some of the most iconic brands in history have fallen precipitously.

Without question, digital transformation and new business models are setting the standard. The dramatic rise of companies such as Facebook, Amazon, Apple, Netflix and Google — all based on compelling, “sticky” platforms — is forcing others to follow their lead. Affectionately called “FAANG” stocks after their initials, these notable examples account for 40% of the rise in the market and are even larger in brand value. In this current report, FAANG stocks represent a staggering \$400 billion of brand value.

A common thread running through these companies is an unrelenting embrace of data. For many of the companies that are lagging behind, closing the data gap is a daunting prospect. “Big tech” companies are accelerating the digital economy at a blinding pace, bringing levels of capital investment that are hard to match. So much so that regulators around the world are increasingly concerned about the power and influence wielded by these corporate titans.

It's not just a matter of money pouring into the platforms. These leaders' brands also play an outsized role in their success. Brand is not only a result of well-spent investments in communications; it's also a tool that focuses and delivers a competitive advantage. Carefully nurtured networks of highly engaged users and business partners have created brand experiences that are well-played by these platform companies, and they are taking full advantage of the opportunity.

WITH GREAT BRANDS COME GREAT RESPONSIBILITY

Technology companies have become the darlings of today's economy. They are employers of choice, enjoy strong reputations for management, and are loved by investors. This multiple dynamic becomes a powerful source of capital that enables these firms to scale in ways that most experts thought was not possible.

But there's also a downside to so much power. New players are quickly learning that becoming a big brand also brings greater risk. Facebook, one of our fastest risers over the years in the Top 100, has declined for the first time in our research. Missteps on consumer privacy and turning a blind eye to ethics have put Facebook's management and reputation on the defensive. We expect similar stories to unfold in the years ahead, as the world grapples with the profusion of intelligent systems including artificial intelligence, machine learning and advanced analytics. These new technologies can deliver experiences that touch consumer emotions — and more darkly, even manipulate the masses — leading to impact that transcends traditional branding. It's a power that is not yet well understood by these companies. Ultimately, how companies build stronger governance of their systems and how they align with consumers will be key.

TRADING IN BRAND VALUE

2019 marks our third year as the data engine for the equity markets' only brand-based index, BVAL, and the publicly traded ETF that bears the same stock symbol. The Brand Value Index seeks to find unrealized value in strong brands such as some American icons like GE, Amazon and Microsoft. That unrealized value may not be a great sign for these companies, but it can be a good opportunity for investors. Our research shows that BrandPower ratings tend to fall at a slower rate than other indicators of corporate strength and are very hard to destroy rapidly. Even then, brands can show tremendous resiliency. As under-performing brands like GE struggle with the shift, we believe that the best of them — especially those companies with management teams that embrace transformation — have an opportunity to create new value. Of course, a few will flame out, but that's the exception, not the rule.

BRAND SCHOLARSHIP EXPLORES INNOVATION

Our work in exploring how perceptions of innovation may relate to a company's ability to survive is telling. Dr. James Gregory, our Chairman Emeritus, recently completed a compelling paper that explores the relationship of innovation to a company's valuation. He discovered that perception of innovation is a predictor of a company's revenue multiple. Stop for a moment and think about it — a perception of any kind that predicts a financial component should be a wake-up call for all CEOs and CFOs. Dr. Gregory's work is a remarkable breakthrough that also illustrates the percentage of a company's stock price is attributable to its corporate brand investments, as well. The work by our CoreBrand team to help leaders understand the value in these intangible assets is a source of great pride at Tenet, and an important tool for corporate leaders.

As you study the Top 100 brands and their movement in this report, think of it as a look into the performance of leading companies and how they manage their brand assets, for better or worse. Our aim is to help leaders across the C-suite and boards who must make difficult decisions have greater understanding of the role their incredible brand asset plays in driving corporate value, performance and resiliency.

Hampton Bridwell
CEO, Tenet Partners

THE RISE OF INTANGIBLES

The rise of intangible assets within corporations is a source of tremendous value. But it is also creating extraordinary risk.

While this risk rests squarely on the shoulders of management, boards and investors, they have few tools or frameworks to uncover the issues that may negatively affect the value of their intangible assets. The recent \$15.4 billion write-down by Kraft Heinz illustrates the unforeseen risk to investors and the limits of available evaluation tools. An even more fundamental issue is how investors value these components on and off the balance sheet on an ongoing basis.

In our seminal work published by the American Association of Advertising Agencies, “The Strong Link Between Advertising and Stock Price,” we focused on the unexplained portion of a company’s stock price. On average, the corporate brand accounts for 5-7% of the overall stock price of the average company covered by the CoreBrand Index™. Of course, some brands such as Coke, reach much higher and some, such as regional utility brands, much lower. The body of work emanating from our 30 years of research, testing and deep analysis gives investors new tools to understand brand value and hidden signals for buying and selling stocks. However, there are swaths of intangibles that need similar tools to help build context and deeper understanding.

Over the past three years, the “Culture of Innovation” work undertaken by Tenet has yielded new insights into the connection between the cash flow multiple (a measure of the premium that investors will pay for a stock) and the way companies invest, support and communicate around innovation activities. This new work demonstrates how new forms of research, paired with long tracking studies such as the CoreBrand Index®, can solve the intangibles equation for investors.

THE COREBRAND INDEX

HOW WE DETERMINE BRANDPOWER

The data used to create the Top 100 report for 2019 is collected throughout the calendar year, and was derived from our CoreBrand Index. Ongoing insights have been gleaned from surveying and analyzing approximately 1,000 different companies across 50 industries each year for over 25 years.

Tenet Partners' 2019 Top 100 Most Powerful Brands highlights the strongest brands we've tracked throughout the year. The companies that make our list have captured high awareness and positive brand perception in the marketplace.

Quantitative research from 10,000 consumers and business decision makers measure brand awareness (Familiarity) and perception (Favorability) for each company in our index, which is then combined to calculate a company's brand strength, or, as we call it, "BrandPower." Objective measurements of these metrics often provide meaningful indicators of a company's management effectiveness, and therefore financial performance.

A new component was added in 2017. Survey respondents were asked to judge companies based on what they perceived as a *culture of innovation*. This Innovation metric was applied to 160 companies across all industries for which data

WHAT IS BRANDPOWER?

- A single indicator of brand strength and its ability to impact business results
- Weighted composite of Favorability and Familiarity perception metrics
- Driven by CoreBrand® Analytics

exists going back to the beginning of the CoreBrand Index. Companies were measured on a four-point scale, scoring as excellent, good, fair or poor. The top three scores were weighted then recorded.

A culture of innovation is one of several levers that we believe influence BrandPower; we chose to begin tracking it because we feel that it is perhaps the most important competitive factor in today's environment. As we gather survey data over time, our CoreBrand Analytics is unlocking new insights on the impact a strong culture of innovation has on brand performance.

It is important to note that Tenet's CoreBrand Index is not a monetary-based value ranking. Though brand valuation is an important metric for ongoing management of a brand, looking solely at valuation cannot illustrate the effectiveness of brand management. Well-managed brands can have a lower brand value for many reasons. To this end, the CoreBrand Index reflects excellent brand management.

Our report findings are based upon a full calendar year of data to support our brand rankings, which include over 10,000 interviews with influential decision-makers. Survey participants hail from the top 20% of corporations in the United States (based on revenue), are carefully screened and represent investment communities, potential business partners, customers and highly engaged consumers.

Tenet's Top 100 brands are ranked according to their BrandPower. In this one metric, we capture a brand's reputation in the marketplace and its ability to impact business performance. Providing insight into how a company's brand creates value, and how it performs when measured against its competition and the industry at large, allows a company to better understand where to invest resources to create competitive advantage. With Tenet's CoreBrand Index, the challenge is resolved, as the company's brand and the resources invested in managing it are measured and quantified.

THE CORPORATE BRANDING INDEX® (CBI)

- Over 25 years of continuous tracking — the longest-running look at the vitality of corporate brands
- Tracks degree of awareness and underlying perceptions for each brand
- Based on annual surveys of thousands of key stakeholders
- Nearly 1,000 companies in 50 industries
- Objective, quantitative benchmark research — validated by the Marketing Accountability Standards Board (MASB)

The CoreBrand Index Survey Audience

AS BUSINESS DECISION MAKERS:

Executives at companies with revenue of \$50 million to several billion

- 90% determine purchase needs
- 72% select specific companies to work with

Operate in the business-to-consumer and business-to-business markets

- 43% have both B2C and B2B products and services
- 40% are primarily B2C

AS INFLUENTIAL CONSUMERS:

Well-educated and affluent

- 84% are age 35 or older
- 75% have at least a bachelor degree; 10% have post graduate degrees
- 72% regularly read business publications to stay informed
- 62% earn \$100,000 or more in household income per year
- 38% have children under the age of 18 living at home

Brand plays an important role

- 94% say a company's corporate brand influences purchase decisions
- 91% are more willing to work for a company with a positive brand image
- 90% are more willing to invest in a company with a favorable brand image

Actively engaged

- 89% share their opinions with friends and colleagues
- 79% are involved in service to their communities
- 76% are knowledgeable about government and politics

Financially savvy

- 89% make investment decisions with 76% investing in stocks or funds
- 33% have influence over investment portfolios other than their own

RESPONDENT PROFILES



David is a 50-year-old chief innovation officer at a large consumer products company and earns \$175,000 annually. His company provides packaged goods that are used daily in many households. David plays an important role in bringing new and disruptive ideas to life for his organization — ideas that can be used to create meaningful change to consumers in the marketplace. He views success in innovation as a barometer for the strength of a company's corporate brand. David is also involved in making investments for his company and directs funding for potentially disruptive innovations from the seed stage to market. As with more than 90% of survey respondents in Tenet's CoreBrand Index, brand is a major influence when considering which personal products to buy and which companies to consider for the next stage in his career.



Jessica is a 40-year-old marketing manager at a major food company on the west coast, making \$150,000 per year. She holds a master's degree in food management and is a key decision-maker on issues that impact her organization. She has responsibilities for hiring and strongly considers the reputation of a candidate's previous employers as a guide in making talent decisions. Jessica is tech savvy and an avid consumer of business news and information. She is knowledgeable about local and national politics and actively serves her community as part of her city council. Jessica is an outgoing, influential person who frequently shares her opinions with friends and colleagues. She pays attention to the image and actions of corporations and believes that in a time of crisis, a well-regarded company will maintain her loyalty and earn back her trust.

2019 TOP 100 MOST POWERFUL BRANDS

ALL RANKED COMPANIES MUST BE:

- A corporate brand (not a product or divisional brand)
- Publicly traded in the United States
- Tracked by The Corporate Branding Index (CBI) for 5+ years

2019 TOP 100 RANKED BY BRANDPOWER

COMPANY	2019 RANK	2018 RANK	2014 RANK	5-YEAR VARIATION	INDUSTRY	2019 FAMILIARITY	2019 FAVORABILITY
Coca-Cola	1	1	1	0	Beverages	=	=
Apple	2	2	10	8	Computers & Peripherals	=	▲
Walt Disney	3	4	6	3	Hotel & Entertainment	=	▲
Bayer	4	3	3	-1	Chemicals	=	=
Microsoft	5	6	11	6	Computer Software	=	=
PepsiCo	6	7	7	1	Consumer Staples	▲	=
Johnson & Johnson	7	8	4	-3	Medical Supplies & Services	=	▲
Google-Alphabet Corp.	8	9	26	18	Internet	=	▲
Hershey	9	5	2	-7	Food	=	=
American Express	10	11	8	-2	Diversified Financial	=	=
Facebook	11	10	n/a	n/a	Internet	=	=
IBM	12	16	14	2	Consulting	▲	=
Visa	13	13	13	0	Diversified Financial	=	=
Mastercard	14	15	15	1	Diversified Financial	=	=
Kellogg	15	12	9	-6	Food	=	=
General Mills	16	14	18	-2	Food	=	=
Colgate-Palmolive	17	17	16	-1	Toiletries, Household Products	=	=
Amazon	18	26	91	73	Internet	▲	▲
Campbell's	19	18	14	-5	Food	=	=
Twitter	20	20	n/a	n/a	Internet	=	=
BMW	21	22	17	-4	Motor Vehicles	=	=
Harley-Davidson	22	19	5	-17	Motor Vehicles	=	=
Yahoo	23	23	28	5	Internet	=	=
ExxonMobil	24	27	29	5	Petroleum Refining	▲	=
eBay	25	25	59	34	Internet	=	=
McDonald's	26	21	12	-14	Restaurants	=	▼
Hilton	27	33	n/a	n/a	Hotel & Entertainment	▲	=
Morgan Stanley	28	37	72	44	Brokerage	▲	▲
Sony	29	29	31	2	Electronics, Electrical Equipment	=	=
Nike	30	32	44	14	Athletic Equipment & Apparel	▲	=
General Electric	31	24	20	-11	Electronics, Electrical Equipment	▼	▼
Whirlpool	32	30	46	14	Home Appliances	=	=
Bank of America	33	47	86	53	Commercial Banks	▲	▲
Nestlé	34	31	35	1	Food	=	=

▲ Indicates a higher Familiarity/Favorability score vs. 2018

▼ Indicates a lower Familiarity/Favorability score vs. 2018

= Indicates a change of less than +/-1 or fewer ranks year-over-year

2019 TOP 100 RANKED BY BRANDPOWER

COMPANY	2019 RANK	2018 RANK	2014 RANK	5-YEAR VARIATION	INDUSTRY	2019 FAMILIARITY	2019 FAVORABILITY
Revlon	35	34	24	-11	Toiletries, Household Products	=	=
Estee Lauder	36	36	25	-11	Toiletries, Household Products	=	=
Starbucks	37	28	19	-18	Restaurant	=	▼
Samsung	38	41	52	-14	Semiconductors	▲	=
Clorox	39	38	71	32	Toiletries, Household Products	▲	=
Bristol-Myers Squibb	40	58	n/a	n/a	Pharmaceuticals	▲	▲
AT&T	41	35	33	-18	Telecommunications	=	▼
Barnes & Noble	42	39	34	-8	Retailers	=	=
L'Oréal	43	40	53	10	Toiletries, Household Products	=	=
St. Jude Medical, Inc.	44	44	n/a	n/a	Medical Supplies & Services	=	=
Toyota	45	48	37	-8	Motor Vehicles	▲	=
Dr. Pepper Snapple Group	46	42	n/a	n/a	Beverages	=	=
Avon	47	50	n/a	n/a	Toiletries, Household Products	=	=
Procter & Gamble	48	52	66	18	Toiletries, Household Products	=	=
Ford	49	61	57	8	Motor Vehicles	▲	=
Volkswagen	50	56	27	-23	Motor Vehicles	▲	=
Mattel	51	54	40	-11	Hotel & Entertainment	=	=
Michael Kors	52	45	n/a	n/a	Apparel, Shoes	=	=
Honda Motor Company	53	55	30	-23	Motor Vehicles	=	=
J.M. Smucker	54	64	n/a	n/a	Food	▲	=
FedEx	55	46	21	-34	Transportation	=	▼
Volvo	56	57	36	-20	Motor Vehicles	=	▼
Boeing	57	67	n/a	n/a	Aerospace	=	▲
UPS	58	43	22	-36	Transportation	=	▼
Chevron	59	63	n/a	n/a	Chemicals	▲	=
Netflix	60	49	n/a	n/a	Internet	▲	▼
Gap	61	62	47	-14	Retailers	=	=
Sharp	62	51	60	-2	Electronics, Electrical Equipment	▼	=
Walmart	63	53	62	-1	Retailers	=	▼
HP Inc.	64	65	75	9	Computers & Peripherals	▲	=
Sunoco	65	71	54	-11	Petroleum Refining	▲	=
General Motors	66	75	67	1	Motor Vehicles	=	▲
Target	67	59	43	-24	Retailers	=	▼
Capital One	68	81	n/a	n/a	Diversified Financial	▲	▲
Kodak	69	72	42	-27	Scient, Photo, Cntr, Eq	=	=

▲ Indicates a higher Familiarity/Favorability score vs. 2018

▼ Indicates a lower Familiarity/Favorability score vs. 2018

= Indicates a change of less than +/-1 or fewer ranks year-over-year

2019 TOP 100 RANKED BY BRANDPOWER

COMPANY	2019 RANK	2018 RANK	2014 RANK	5-YEAR VARIATION	INDUSTRY	2019 FAMILIARITY	2019 FAVORABILITY
Walgreens	70	60	23	-47	Pharmacy Serv.	=	▼
Panasonic	71	68	n/a	n/a	Electronics, Electrical Equipment	=	=
Goodyear	72	70	73	1	Rubber & Plastics	=	=
Intel	73	82	n/a	n/a	Semiconductors	▲	=
Charles Schwab	74	74	80	4	Brokerage	=	=
Marriott	75	79	81	6	Hotel & Entertainment	▲	=
American Airlines	76	88	n/a	n/a	Transportation	=	▲
LG	77	94	n/a	n/a	Electronics, Electrical Equipment	▲	=
J.P. Morgan Chase	78	78	95	17	Commercial Banks	=	=
Home Depot	79	66	n/a	n/a	Retailers	=	▼
Pfizer	80	114	n/a	n/a	Pharmaceuticals	▲	▲
Lowe's	81	69	n/a	n/a	Retailers	=	▼
Wendy's	82	73	51	-31	Restaurant	=	▼
T-Mobile	83	80	n/a	n/a	Telecommunications	▲	=
JetBlue	84	86	n/a	n/a	Transportation	=	=
Verizon	85	83	77	-8	Telecommunications	=	=
J.C. Penney	86	76	79	-7	Retailers	=	▼
La-Z-Boy	87	85	76	-11	Furniture	▲	=
Canon	88	95	n/a	n/a	Electronics, Electrical Equipment	▲	=
Sherwin-Williams	89	89	78	-11	Chemicals	=	=
Bed Bath & Beyond	90	77	58	-32	Retailers	=	▼
Macy's	91	91	n/a	n/a	Retailers	▲	▼
Hanesbrands	92	101	n/a	n/a	Apparel, Shoes	▲	=
Michelin	93	97	89	-4	Rubber & Plastics	=	=
Kohl's	94	87	70	-24	Retailers	=	=
Heineken	95	108	n/a	n/a	Beverages	▲	=
Yamaha	96	84	68	-28	Motor Vehicles	=	=
Tyson Foods	97	90	64	-33	Food	=	▼
Adidas	98	96	n/a	n/a	Athletic Equipment & Apparel	=	=
Kraft Heinz	99	93	50	-49	Food	▲	▼
Wells Fargo	100	100	n/a	n/a	Commercial Banks	▲	=

▲ Indicates a higher Familiarity/Favorability score vs. 2018

▼ Indicates a lower Familiarity/Favorability score vs. 2018

= Indicates a change of less than +/-1 or fewer ranks year-over-year

A TIME OF GREAT CHANGE

A DRAMATIC REORDERING OF CORPORATE BRANDS

For 2018 and into 2019, a massive reordering of America's most iconic brands has been taking place. Disruptors, innovators and mega-cap brands are asserting newfound power in markets. Some of these fast risers are also learning tough lessons in corporate brand, image and reputation management. At the same time, iconic American corporate brands are either finding new footing or struggling to hold on to their stature. But across the board, all brands are realizing that the rules for establishing and maintaining competitive advantage are changing fast.

HIGHLIGHTS FROM THE TOP 100



2019 RANK	5 YEAR VARIATION	VALUATION (IN BILLIONS)
5	6	\$142.9

Microsoft, 5th in the Top 100, has bounced back and given the world a lesson in how a smart business strategy and an assertive marketing and communications posture shapes a rebound. Topping the Tenet CoreBrand brand valuations at a staggering \$143 billion, Microsoft edges out Apple, which comes in at \$135 billion. A renewed sense of purpose, excellent leadership visibility and healthy communications investment is driving this brand forward.



2019 RANK	5 YEAR VARIATION	VALUATION (IN BILLIONS)
18	73	\$123.1

Amazon rounds out the One Hundred Billion Plus elite group at a \$123 billion brand valuation. Since 2015, Amazon has risen in the CoreBrand Index from 54th to 18th. The sheer momentum displayed by Amazon is breaking the rules of what a corporate brand can achieve using new business models and an aggressive customer acquisition strategy. All notions of industry boundaries, speed and agility make Amazon look and feel unlike any other corporate brand in the Top 100 and should make brands in narrowly cast industries nervous.



2019 RANK	5 YEAR VARIATION	VALUATION (IN BILLIONS)
1	0	\$40.6

Sitting comfortably at the Top 100 number 1 position in terms of BrandPower is Coca-Cola. This perennially iconic brand continues to endure by illustrating the value of consistent brand investments, excellent execution and strategic communications to deliver stability to its brand, and to its investors. It's clear the company understands that investing in the brand is a long-term strategy through good times and bad. Maintaining BrandPower gives the company the opportunity to outperform when the stars align in its favor.



2019 RANK	5 YEAR VARIATION	VALUATION (IN BILLIONS)
11	n/a	\$58.7

For the first time, Facebook experienced a decline in its BrandPower. After a meteoric rise, the company is learning hard lessons in corporate brand management. Challenges with consumer trust and headwinds navigating global policymakers are big issues for a relatively new company. Recent problems with privacy, data and platform manipulation have put its lofty brand value at enormous risk. Facebook is making investments in managing brand image and reputation, but it's important to look at the details, which mostly involve actions in regulatory mitigation versus brand building with consumers.



2019 RANK	5 YEAR VARIATION	VALUATION (IN BILLIONS)
58	-36	\$11.2

UPS fell 15 spots from 2018 to 2019, illustrating the challenges facing industries that have played an important role in the U.S. economy, but are now becoming commodities. FedEx also fell 9 spots. While early declines can be reversed, these iconic corporate brands are experiencing mounting pressure from new players. All the talk of drones delivering packages, Amazon transportation services and the gig economy handling delivery, puts traditional business models in question. UPS and FedEx are not going away anytime soon, but as eCommerce giants gain the upper hand in shipping relationships, these brands must invest and innovate to maintain relevance and BrandPower.

Logos are trademarked and are used for client identification purposes only.

FOCUS ON INNOVATION

SECTORS WITH THE MOST INNOVATORS

A handful of sectors were heavily represented with companies scoring the highest for the attribute of innovation. Companies from the pharmaceuticals and medical supplies sectors as well as the computers and peripherals, chemicals, food and financial sectors dominate the list of top performers for innovation.

MOST INNOVATIVE PHARMACEUTICALS BRANDS OF 2019

Eli Lilly
Merck
Pfizer

MOST INNOVATIVE MEDICAL SUPPLIES BRANDS OF 2019

Baxter International
Abbott Laboratories
Johnson & Johnson

MOST INNOVATIVE COMPUTERS & PERIPHERALS BRANDS OF 2019

Apple
Western Digital
HP Inc. - Hewlett Packard

MOST INNOVATIVE FINANCIAL BRANDS OF 2019

Visa
American Express
MasterCard

MOST INNOVATIVE COMPANIES BY INDUSTRY

INDUSTRY	COMPANY RANK
Aerospace	Lockheed Martin
	Boeing
	General Dynamics
Auto Parts	Johnson Controls
	Genuine Parts
	Tenneco
Beverages	Coca-Cola
	PepsiCo
	Anheuser-Busch InBev
Chemicals	Avery Dennison
	Dow Chemical
	DuPont
Commercial Banks	Bank of New York Mellon Corp.
	PNC Financial Services Group
	KeyBank
Computers & Peripherals	Apple
	Western Digital
	HP Inc. - Hewlett-Packard
Diversified Financial	Visa
	American Express
	MasterCard
Electronics	GE - General Electric
	Corning
	Harris Corp
Food	Hershey
	General Mills
	Campbell's
Medical Supplies	Baxter International
	Abbott Laboratories
	Johnson & Johnson
Motor Vehicles	Harley-Davidson
	General Motors - GM
	Paccar
Pharmaceuticals	Eli Lilly
	Merck
	Pfizer
Toiletries	Procter & Gamble - P&G
	Colgate-Palmolive
	Clorox

Note: Innovation metric applied to 160 companies

“By adding Culture of Innovation to the historical attributes measured by CoreBrand, the predictability of the cash flow multiple improved from 64% to 77%.”

– Jim Gregory, Chairman Emeritus, Tenet Partners

Increasingly, companies that succeed in disrupting their industry are seen as innovators — especially in areas that go beyond product development, such as service delivery and customer experience.

Innovation plays a pivotal role in the strength of a company’s brand. This is important because companies need innovation to sustain competitive advantage and long term performance. Therefore, a culture of innovation that permeates the organization is a key factor driving brand success and creating solid brand equity.

However, achieving innovation success does not come easy. In an age of hyper-connectivity, consumers have more control over what they hear and watch. With the tap of a finger, banner ads can be blocked on devices and commercials can be bypassed thanks to on-demand streaming services.

Consumers also bring expectations from unexpected sources. They no longer think strictly in-category. When a brand delivers something of value to them, they expect other brands to do likewise — even when the industry is completely different.

HOW IMPORTANT IS INNOVATION TO A BRAND?

Innovation is key in differentiating brands that offer similar products and services. A company that can demonstrate its innovation by positively impacting its customers’ lives raises perception of the brand as an expert and leader in its industry. An innovative product or service becomes just one part of a much more profound experience that can motivate customers towards a purchase for fear of missing out on something that will make them feel good and bring tremendous value. But, how can this be achieved?

The answer lies in how innovation is built into the daily life of the company and its employees. True innovators are customer-focused, agile and adaptable, co-creating with their audiences and expanding the meaning of “innovation” beyond the expected.

CULTURE OF INNOVATION



James Gregory
Chairman Emeritus

“We’re
committed
to providing
reliable
measures of
intangible
assets.”

– James Gregory,
Chairman Emeritus,
Tenet Partners

CULTURE OF INNOVATION AND FINANCIAL PERFORMANCE

Dr. James R. Gregory

In business, Innovation is a concept that constantly re-invents itself.

Whether invigorating established business segments with fresh ideas or inventing entirely new business categories, innovation has become a foundational value for today’s successful corporations.

But to be more than a buzzword, innovation must be supported and promoted by management and employees throughout a corporation’s culture. This consistent Culture of Innovation (COI) can be seen in the ways a company puts a priority on advancing new ideas that will create value across all operations.

In theory, a Culture of Innovation would seem to be a worthwhile pursuit for any company to nurture. However, measuring and valuing the financial impact of a Culture of Innovation has eluded many corporations. Typically, organizations define innovation as a focus on R&D, or by the number of patents granted and new products developed.

While these are all significant quantitative components of innovation, a cultural definition for innovation must encompass the entire company, and the quantifiable results should be reflected in the financial performance as a whole.

These thoughts opened my doctoral dissertation that I defended last August at the Muma School of Business, University of South Florida. I was curious to find out how an engaged audience of impartial observers viewed the importance of a Culture of Innovation.

CULTURE OF INNOVATION AND ITS IMPACT ON THE CASH FLOW MULTIPLE

$$\boxed{\text{CBI} > \% \text{ Market Capital}} + \boxed{\text{COI}} = \boxed{\text{+/- \% Market Capital}}$$

Utilizing the quantitative research database of the CoreBrand Index my dissertation studied, for the first time, the impact of the Culture of Innovation attribute associated with 160 large public companies. The findings were then analyzed with the cash flow multiple (CFM), which is a firm-wide financial variable that explains the premium investors are willing to pay over the cash flow of the corporation.

The CFM is calculated by dividing the stock price per share by the cash flow per share, which provides a calculation that reflects the premium value of market capitalization. Since estimates of future cash flow are a component of quarterly reports, the CFM has the advantage of being able to project expected returns into the future; this helps a company to evaluate the potential return on investment (ROI) for capital spending required for improving — and innovating — intangible assets.

The analysis evaluated whether COI is more or less predictive of the CFM than historical attributes collected in the long running, and highly reliable CoreBrand Index. The dissertation verified CoreBrand's past research and reconfirmed that each of the individual attributes in the CoreBrand Index contributes a positive effect to the firm's market value.

The study supported the conceptual framework that adding the additional attributes to the intangible assets of a company could explain even more of the unexplained variable associated with stock market value, which is paramount to the development of the emerging theory of intangible capital.

By adding Culture of Innovation attribute to the historical attributes measured by CoreBrand, the predictability of the cash flow multiple improved from 64% to 77%. This is not only statistically significant, but also an important breakthrough on the ability to forecast the potential return for investments made in intangibles such as brands.

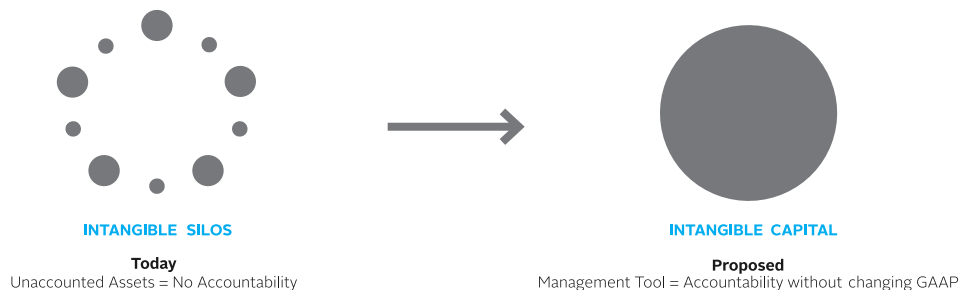
CULTURE OF INNOVATION STUDY REAFFIRMS & STRENGTHENS COREBRAND INDEX:

Historical attributes are reliable predictors of a company's CFM

Culture of Innovation predictability improved from 64 to 77%

Intangible Capital is a viable financial management tool

THE THEORY OF INTANGIBLE CAPITAL



For more information please contact James Gregory, jgregory@tenetpartners.com

BRAND VALUE MATTERS

Savvy marketing leaders have been tracking the impact of a company's brand on its stock value for decades. Recently, Wall Street has become more interested in the significance of the brand data collected by analysts whose proven investment theories leverage intangibles such as brand. Tenet CoreBrand Analytics has been aggregating internal analytics and external research on brands for decades to measure competitive valuation. Now, Brandometry, a forward-looking financial research firm, is working in partnership with Tenet to mine its brand data to identify unrealized investment opportunities.

By capturing intangible brand value in an investment product, the Brand Value ETF is able to gain exposure to often-overlooked, under-appreciated and mispriced investment opportunities. Brand value, as an intangible asset, is currently not reported on financial statements, creating a potential market inefficiency to exploit.

Brand value translates into pricing power, profit margins and strong sales. It's no wonder then, that an equal-weighted basket of the top 50 brands in EQM BVAL Index has beat out most major indices over the last 10-year time period, yielding superior investment results. While brand leadership varies each year, the rule-based methodology using Tenet's Brand Power Scores, has consistently identified not only the best brands to own, but the best time to own them.

According to the research firm Ocean Tomo, more than 84% of the value of the S&P 500 is now made up of intangible assets such as brand, data and intellectual property. Unfortunately, it's a fact that's gone unnoticed by many management teams, P.E. firms and corporate boards. Sooner than later, CEOs, CMOs and CFOs will need to understand their brand's value because investors will want to know just what their brand is worth.

Note: Brandometry has licensed Tenet's Brand Power Scores for their EQM Brand Value Index which is tracked by an ETF (NYSE Ticker: BVAL).



Photo: Brandometry's NYSE Bell Ringing

BACKTEST HISTORY



MEASURING SUCCESS

Brand value can be assessed in multiple ways. Tenet Partners looks at the financial side through Brand Equity Valuation, as well as the quantitative measurements of Familiarity and Favorability represented by BrandPower.

Individually, these metrics offer useful, but focused, information. When used in conjunction, they provide a complete, contextual picture that can establish a meaningful assessment of brand value.

As a result, brand managers and senior executives can identify the monetary contribution of the brand and uncover prescriptive insights to unlock its full potential. This multi-pronged methodology allows Tenet to use our analytic and brand strategy resources to predict valuation growth, model ROI, and inform strategic decision-making for our clients.

Assessment information is most useful if it is consumable, actionable and current. Tools like analytics and dashboard views can give brand managers and marketers the information they need to make smarter decisions and build a business case for investment. Through Tenet Partners' CoreBrand Analytics, these insights and tools are made available, offering companies a new depth of understanding into brand performance.

BRAND EQUITY VALUATION

Tenet Partners' CoreBrand Brand Equity Valuation model specifically isolates and quantifies the financial impact that the brand, as a strategic asset, brings to the enterprise. Tenet Partners' methodology has been independently validated by the Marketing Accountability Standards Board (MASB).

THE MODEL PRODUCES TWO NUMBERS:

1. The percentage of market capitalization attributable to the brand

The percentage tells how much value can be directly attributed to the corporate brand. It measures the overall impact of a company's brand-building efforts.

2. The corresponding absolute dollar value

The dollar value of the brand is used to help senior leadership understand the brand's asset value and is also a measure of the value that the market places on the brand.

The percentage contribution of the brand-to-market capitalization identifies how hard the brand is working over time to create value for the company. The absolute dollar value of the brand provides important context to senior leadership to help inform decisions such as brand investments, mergers and acquisitions, and licensing opportunities.

TOP 2019 MOST POWERFUL BRANDS BY BRAND VALUE

Rank 2019	Company	Brand Equity as a % of Market Cap	Brand Valuation \$Bil.
1	Microsoft	18.4	142.9
2	Apple	18.3	135.5
3	Amazon	16.7	123.1
4	BP	9.5	71.1
5	Johnson & Johnson	18.8	66.4
6	Google - Alphabet Corp.	18.5	65.8
7	Facebook	18.7	58.7
8	Toyota	16.0	53.2
9	J.P. Morgan Chase & Co.	14.9	47.8
10	ExxonMobil	16.6	47.5
11	Visa	19.2	44.2
12	Wal-Mart Stores	15.7	42.6
13	Coca-Cola	20.1	40.6
14	Nestlé	16.4	40.5
15	Bank of America Corp.	16.9	40.2
16	MasterCard	19.3	36.7
17	Pfizer	14.3	35.7
18	Verizon Communications	15.4	35.5
19	Procter & Gamble - P&G	15.5	35.4
20	AT&T	16.8	34.3
21	Walt Disney	19.6	32.0
22	Intel	15.2	31.9
23	Chevron Corporation	15.4	31.6
24	Home Depot	16.0	31.0
25	Wells Fargo	14.8	31.0

BRANDPOWER'S CONTRIBUTION

BrandPower's Familiarity and Favorability metrics allow executives to assess strengths and weaknesses of their company's brand and identify where greater attention is needed.

For example, a brand can still thrive with a low Familiarity score (awareness) if its Favorability score (perception of key attributes) is strong. When a brand has a higher Favorability score, it suggests the company has positioned itself powerfully in the marketplace, and is perceived positively — resulting in increased BrandPower. Conversely, when a brand has a lower Favorability score, it suggests the company has not positioned itself in the marketplace powerfully, and therefore is perceived less positively — resulting in decreased BrandPower. Measuring a company's Favorability attributes individually (Overall Reputation, Perception of Management and Investment Potential) allows it to more precisely target any weaknesses it may have, and strengthen them.

This information helps companies better manage communications to enhance brand performance. Tenet Partners collects BrandPower data on such a large scale that we're able to produce corporate brand data comparable to key financial fundamentals such as cash flow, earnings and dividends. The data, which is collected daily, provides a solid foundation of quantitative brand data that allows us to accurately generate metrics such as Brand Equity Valuation and ROI on a company's communications efforts.

BRAND VALUE MEASUREMENT

The extensive research that makes up Tenet's CoreBrand Index has proven consistently that corporate brand performance correlates directly with long-term, sustained value creation. From the data we have collected over the past 25 years, Tenet Partners has developed and honed a precise methodology for analyzing brand value, targeting areas of weakness, and helping companies develop a clear, concise and enduring brand vision — the key to a superstar brand.

BRAND VALUE IS ESTABLISHED BY A BRAND'S STRENGTH IN FOUR AREAS:

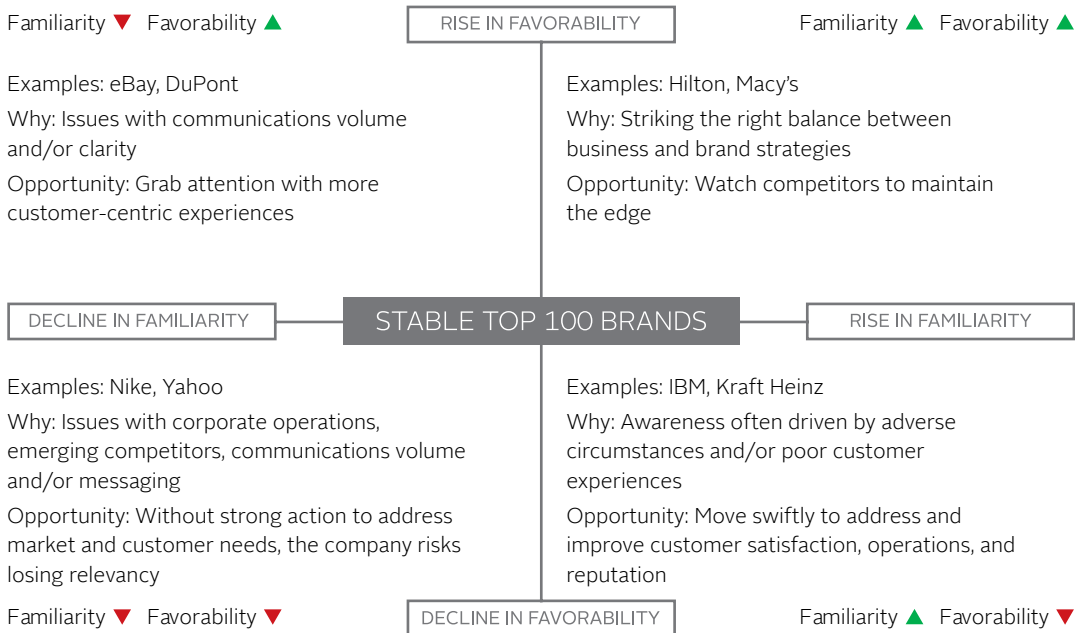
1. The familiarity and coherence of the brand
2. The reputation of a company's brand
3. The respect external audiences extend to the company's leadership and brand ambassadors
4. The investment potential financial audiences hold for purchasing decisions, including whether or not to invest in a company's stock

LESSON'S LEARNED ABOUT BRAND VALUATION

Tenet's quantitative research study began in the U.S. in 1990 from the data derived from Tenet's CoreBrand Index. Since then, we've learned that a company's brand has numerous vital financial valuation properties:

- It represents future cash flow
- It is accurately and consistently measured and valued
- It can be compared to competitive companies and industries
- It can be managed like other assets—including budgeting
- It can grow or lose value over time
- It can be evaluated on an ROI basis
- It can be used as a company-wide management tool
- It provides a dashboard measure on corporate health

WHAT FAMILIARITY AND FAVORABILITY MOVEMENT TELLS US ABOUT A BRAND



This chart represents Familiarity and Favorability movement over a 5-year period.

BRAND EVALUATION BECOMES A GLOBAL STANDARD

The International Organization for Standardization (ISO) is an independent, non-governmental international organization whose membership of 164 national standards bodies bring together experts to develop voluntary, consensus-based, market-relevant international standards that support innovation and provide solutions to global challenges.

Over the past several years, the ISO brought together standards boards from around the world to publish ISO 20671, a global standard for “brand evaluation.” This new standard was designed to help recognize and grow brand-owner value. Not to be confused with brand valuation, the brand evaluation standard helps create a virtuous feedback loop to assist management. According to the Marketing Accountability Standards Board, brand evaluation refers to the measurement of a brand using relevant indicators that assess the impact of the brand on customers. It includes both non-monetary and monetary considerations.

“Accountable marketers should love ISO 20671 because to be in compliance, they will have to value their brands regularly,” – Tony Pace, MASB President/CEO

Too often, brands have been treated as incidental business expenses. Now, the new standard calls for brands to be managed and measured on an ongoing basis to increase enterprise value. From our perspective, a model that measures the impact of brand building efforts should be established that is continuously updated using data gathered from external and internal resource.

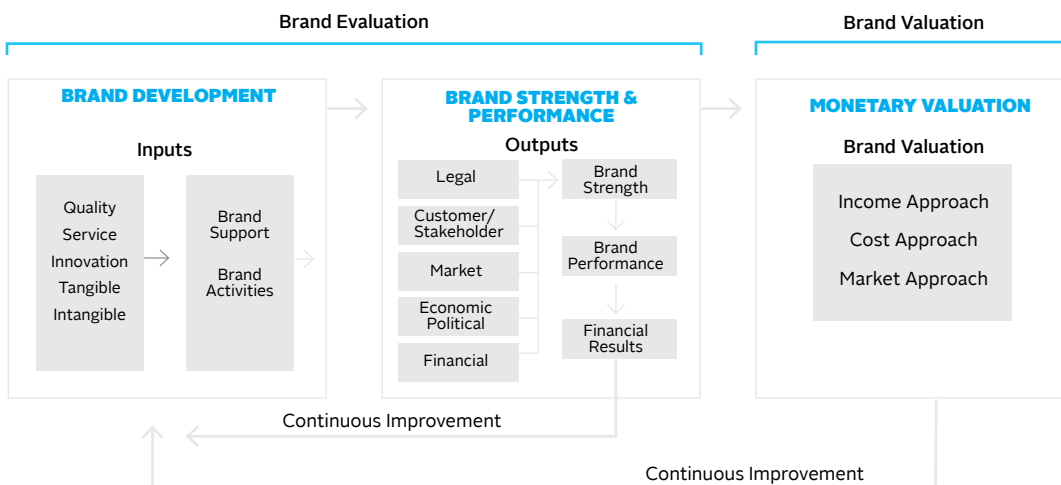
The new standard represents a tool for marketers who provide management, boards and capital markets with greater accountability and transparency.

“Accountable marketers should love ISO 20671 because to be in compliance, they will have to value their brands regularly,” says MASB President/CEO Tony Pace. “That will be marketers’ Golden Ticket — not only to fund measurable brand value growth initiatives, but also to measure the marketing contribution to enterprise value.”

Applying ISO 20671 creates a feedback loop for the continuous improvement of a brand that leads to greater value for the entity over time. By investing in changes to the composition and level of brand input elements based on such feedback, brands can be improved to provide greater benefits and better experiences to customers and other stakeholders. In turn, this will produce higher returns on the brand asset to the entities that control the brand.

Tenet Partners’ CoreBrand evaluation and valuation model, the only purely data-driven approach among U.S. analysts, has followed this measurement concept for over 25 years, making the tools and techniques for evaluation of brand performance, optimization of communications investment and brand contribution to stock price a perfect fit with the ISO standards. The methodology was the first to be certified by MASB in 2011 and complies with the ISO 20671 standard and is easily implemented.

ISO BRAND EVALUATION FRAMEWORK



ABOUT TENET PARTNERS

Tenet Partners is a brand innovation firm that transforms organizations through a blend of research, strategy, design and technology. Our mission is to help companies create brand value and unlock real-time solutions and possibilities in today's digital-driven, customer-focused world.

TENET PARTNERS.
WHERE BRAND MEETS INNOVATION™.

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2019 Top 100 Most Powerful Brands

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