



South Korea

50

2018

The annual report on the most valuable South Korean brands
August 2018

Foreword.



David Haigh
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams. Marketers then have the ability to communicate the significance of what they do, and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.

About Brand Finance.

Brand Finance is the world’s leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of ‘bridging the gap between marketing and finance’. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world’s biggest brands to the test every year, evaluating which are the strongest and most valuable.

For more information, please visit our website:
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For further information on Brand Finance®’s services and valuation experience, please contact your local representative:

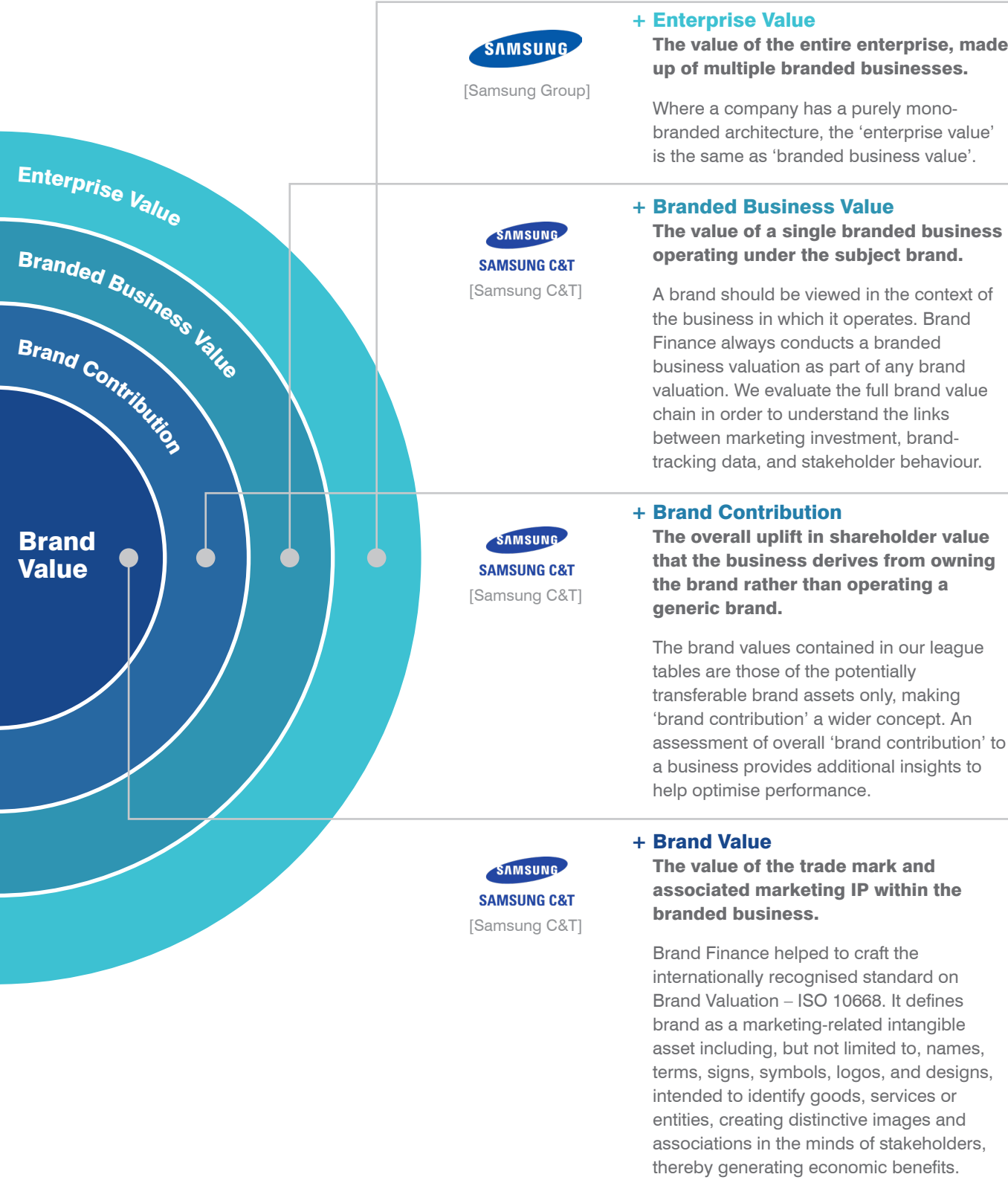
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Contents.

Foreword	3
About Brand Finance	4
Contact Details	4
Definitions	6
Executive Summary	8
Methodology	14
Understand Your Brand’s Value	15
Consulting Services	16
Communications Services	17

Definitions.

Brand Value



Brand Strength

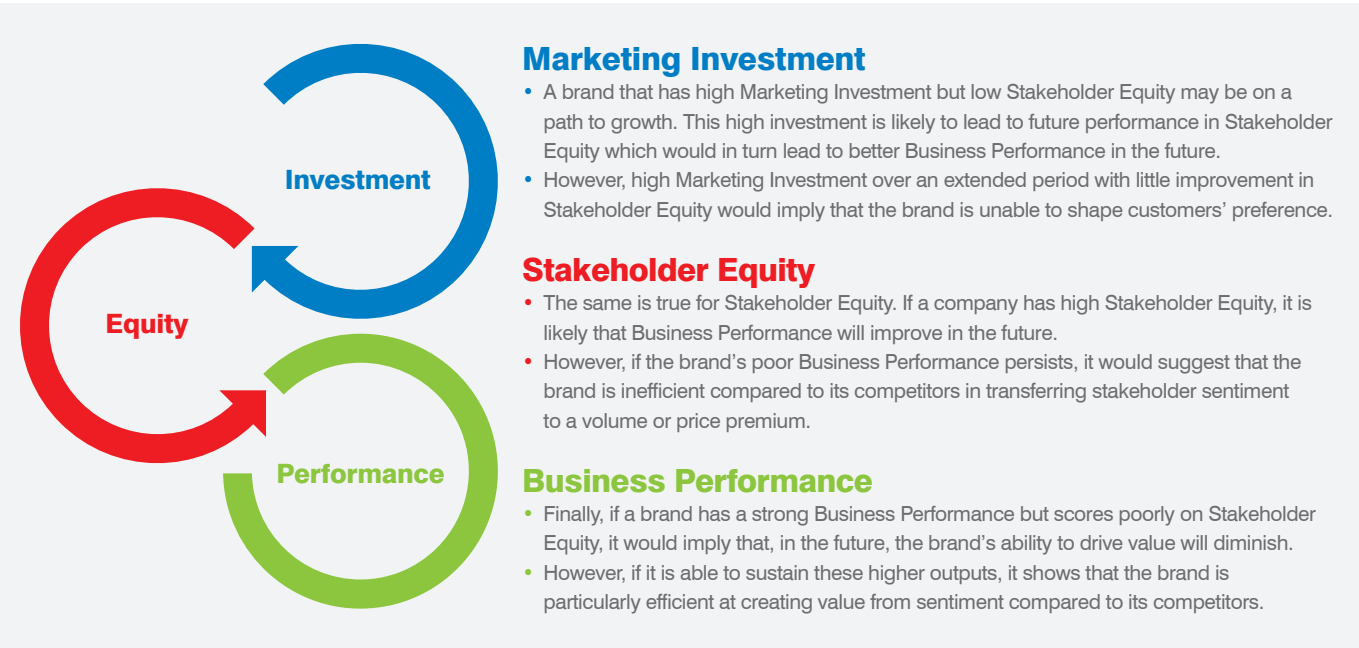
Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.

Brand Strength Index	Marketing Investment	Widely recognised factors deployed by marketers to create brand loyalty and market share.
	Stakeholder Equity	Perceptions of the brand among different stakeholder groups, with customers being the most important.
	Business Performance	Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.



Executive Summary.



Samsung races ahead

Samsung’s brand value has surged by 57% to a new national record of ₩88.8 trillion. Samsung is now worth eight times more than the next brand in the ranking – Hyundai (up 17% to ₩11.3 trillion). The figure refers to Samsung’s operations in the electronics industry alone, while Samsung’s total brand value across all of the chaebol’s operations has surpassed ₩105 trillion. This secures its position as the fourth most valuable brand in the world, behind only the American tech giants of Amazon, Apple, and Google. Samsung’s growth across all industries ensured it remained just ahead of Facebook in the global ranking.

Samsung’s success in the past year is a reflection of its remarkable brand strength, enabling it to overcome even the most difficult of challenges. It allowed the company to rebound from the reputational problems connected to exploding Galaxy Note 7s in 2016 and the jailing of Jay Y. Lee last year. Despite these issues, Samsung still recorded high-volume sales of LCD screens to manufacturers across the world, mobile phones to consumers, and other electronic components.

Samsung’s rebound from challenging times has been possible due to the remarkable strength of the brand and because Samsung has become a global byword for high quality products. Domestically, it has no equal. Internationally, it is the only non-American brand amongst the five most valuable brands in the world, and it has an opportunity to leverage its brand strength in manufacturing to other segments of the global value chain.

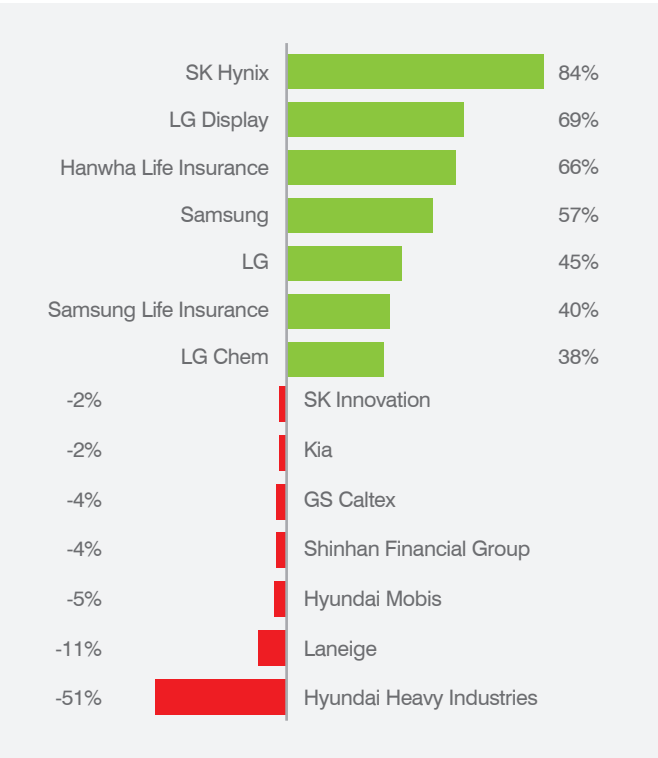
David Haigh
CEO, Brand Finance

In addition to measuring overall brand value, Brand Finance also evaluates the relative strength of brands, based on factors such as marketing investment, customer familiarity, staff satisfaction, and corporate reputation. Along with the level of revenues, brand strength is a crucial driver of brand value. According to these criteria, Samsung is South Korea’s strongest brand, earning the elite AAA+ rating. Samsung has managed to build and protect a very strong brand across many different industries with innovative product launches which have built on the brand’s reputation for high quality devices, while also taking advantage of new technologies. This innovative brand strategy ensures that the Samsung brand continues to be highly regarded.











SK Hynix outpaces competition

Following 84% brand value growth to ₩5.9 trillion, SK Hynix has claimed the title of South Korea’s fastest-growing brand this year, vaulting from 16th to 6th place in the ranking. This surge in value was driven by a

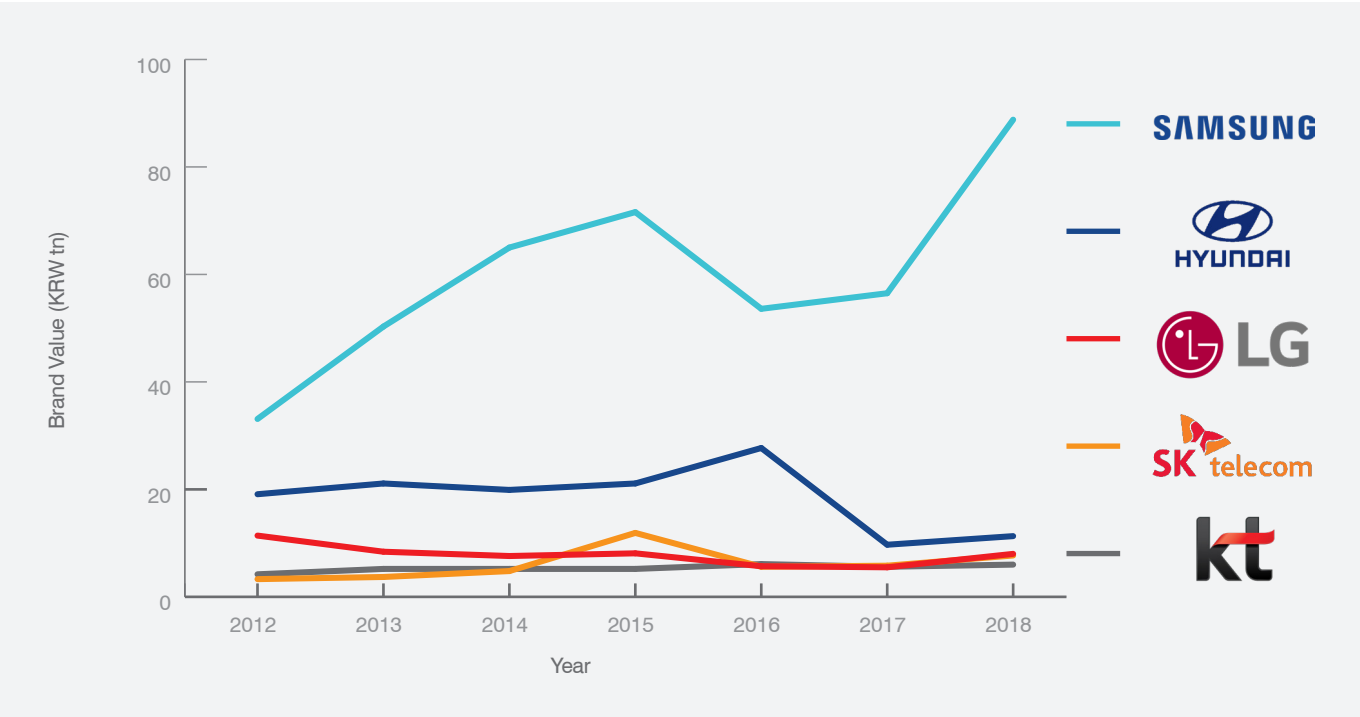
Brand Value Change 2017-2018 (%)



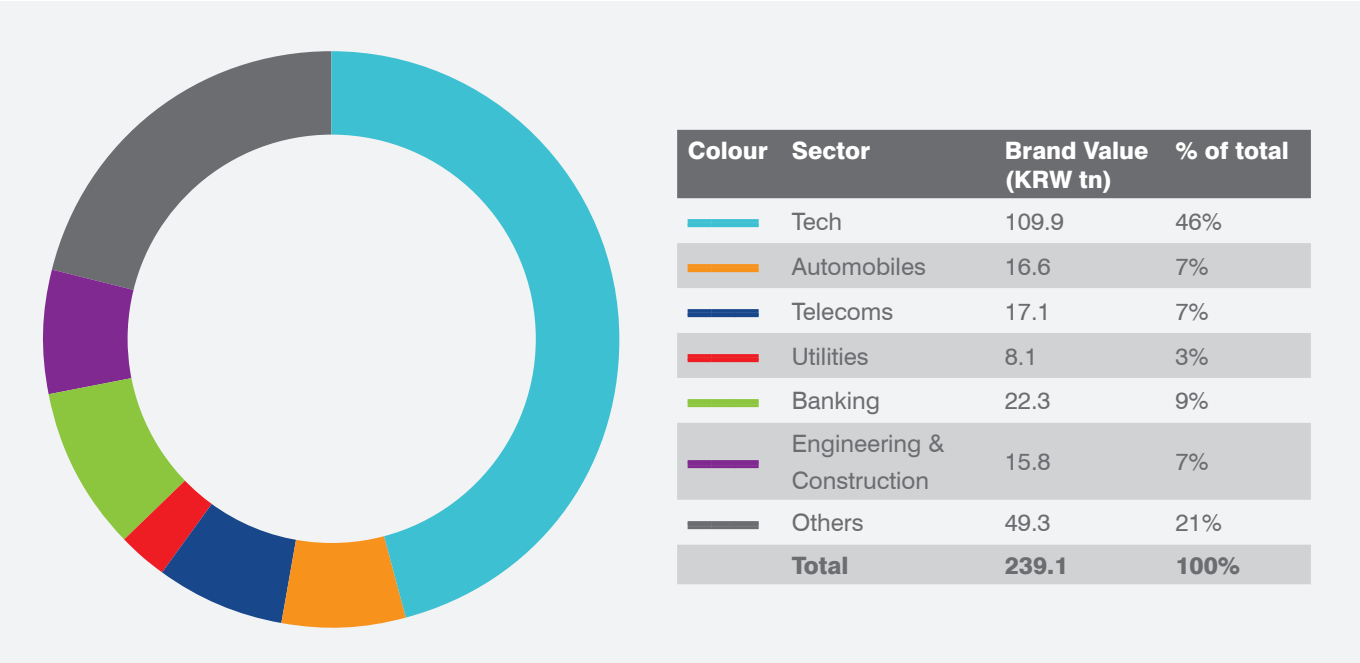
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: ₩88.8tn BV 2017: ₩56.5tn 57% Brand Rating: AAA+
	2	Rank 2018: 2 2017: 2 → BV 2018: ₩11.3tn BV 2017: ₩9.7tn 17% Brand Rating: AA
	3	Rank 2018: 3 2017: 5 ↑ BV 2018: ₩8.0tn BV 2017: ₩5.5tn 45% Brand Rating: AAA-
	4	Rank 2018: 4 2017: 3 ↓ BV 2018: ₩7.7tn BV 2017: ₩5.8tn 33% Brand Rating: AAA-
	5	Rank 2018: 5 2017: 4 ↓ BV 2018: ₩6.0tn BV 2017: ₩5.6tn 7% Brand Rating: AA+
	6	Rank 2018: 6 2017: 16 ↑ BV 2018: ₩5.9tn BV 2017: ₩3.2tn 84% Brand Rating: AA
	7	Rank 2018: 7 2017: 7 → BV 2018: ₩5.8tn BV 2017: ₩4.8tn 20% Brand Rating: AAA-
	8	Rank 2018: 8 2017: 6 ↓ BV 2018: ₩5.3tn BV 2017: ₩5.4tn -2% Brand Rating: AA
	9	Rank 2018: 9 2017: 10 ↑ BV 2018: ₩5.3tn BV 2017: ₩4.3tn 23% Brand Rating: AA
	10	Rank 2018: 10 2017: 15 ↑ BV 2018: ₩4.5tn BV 2017: ₩3.3tn 34% Brand Rating: AA+

Brand Value Over Time



Brand Value by Sector



universal increase in demand for computer memory chips caused by the global growth in internet data centres. This has been particularly lucrative for SK Hynix as their competitors have faced financial challenges in increasing their supply. In addition, SK Hynix has also benefited from growing demand for their mobile memory chips.

In the short term, SK Hynix has a clear plan to continue leveraging their brand value by developing their computer memory business, especially with planned implementation of new technologies and manufacturing techniques.

LG leads the chaebols

The LG conglomeration achieved strong brand value growth across several divisions, with their consumer-facing brand LG up 45% to ₩ 8.0 trillion and moving from 5th to 3rd place in the Brand Finance South Korea 50 ranking. The other brands in the LG family achieved similarly remarkable growth, including LG Display (brand value up 69% to ₩ 3.5 trillion), LG U+ (brand value up 20% to ₩ 3.5 trillion) and LG Chem (brand value up 38% to ₩ 2.8 trillion).

With an average growth of 43% across four brands in the ranking, LG has outperformed other two major chaebols, as Samsung's seven brands achieved an average growth of 28%, while Hyundai's five brands recorded an average decrease in brand value of 5%.



Top 10 Strongest Brands

SAMSUNG	BSI Score 93.0
SK telecom	BSI Score 82.2
KEPCO	BSI Score 82.2
innisfree	BSI Score 81.9
LANEIGE	BSI Score 81.4
LG	BSI Score 80.2
SAMSUNG C&T	BSI Score 79.3
ESSE	BSI Score 78.5
SHINHAN BANK	BSI Score 77.0
kt	BSI Score 75.7

Brand Finance

South Korea 50 (KRW tn).

Top 50 most valuable South Korean brands 1-50

Rank 2018	Rank 2017	Brand name	Sector	Brand value (KRW tn) 2018	% change	Brand value (KRW tn) 2017	Brand rating 2018	Brand rating 2017
1	1	Samsung Electronics	Tech	88.8	+57%	56.5	AAA+	AAA
2	2	Hyundai Motor Company	Automobiles	11.3	+17%	9.7	AA	AA+
3	5	LG	Tech	8.0	+45%	5.5	AAA-	AA+
4	3	SK Telecom	Telecoms	7.7	+33%	5.8	AAA-	AA
5	4	KT	Telecoms	6.0	+7%	5.6	AA+	AA+
6	16	SK Hynix	Tech	5.9	+84%	3.2	AA	AA-
7	7	Kepeco	Utilities	5.8	+20%	4.8	AAA-	AA+
8	6	Kia	Automobiles	5.3	-2%	5.4	AA	AA
9	10	KB Financial Group	Banking	5.3	+23%	4.3	AA	AA
10	15	Samsung C&T	Engineering & Construction	4.5	+34%	3.3	AA+	AA
11	8	Shinhan Financial Group	Banking	🔒	🔒	🔒	🔒	🔒
12	11	Posco	Mining, Iron & Steel	🔒	🔒	🔒	🔒	🔒
13	9	Hyundai Mobis	Auto Components	🔒	🔒	🔒	🔒	🔒
14	14	Samsung SDS	Commercial Services	🔒	🔒	🔒	🔒	🔒
15	12	SK Innovation	Oil & Gas	🔒	🔒	🔒	🔒	🔒
16	25	LG Display	Tech	🔒	🔒	🔒	🔒	🔒
17	19	LG U+	Telecoms	🔒	🔒	🔒	🔒	🔒
18	18	Samsung Fire & Marine Insurance	Insurance	🔒	🔒	🔒	🔒	🔒
19	20	Hana Financial Group	Banking	🔒	🔒	🔒	🔒	🔒
20	26	LG Chem	Chemicals	🔒	🔒	🔒	🔒	🔒
21	21	Hyundai Engineering & Construction	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
22	27	E-Mart	Retail	🔒	🔒	🔒	🔒	🔒
23	22	Naver	Tech	🔒	🔒	🔒	🔒	🔒
24	31	Woori Bank	Banking	🔒	🔒	🔒	🔒	🔒
25	29	Doosan Corporation	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
26	33	Samsung Life Insurance	Insurance	🔒	🔒	🔒	🔒	🔒
27	23	Kogas	Utilities	🔒	🔒	🔒	🔒	🔒
28	24	Shinhan Bank	Banking	🔒	🔒	🔒	🔒	🔒
29	30	Industrial Bank of Korea	Banking	🔒	🔒	🔒	🔒	🔒
30	28	GS Caltex	Oil & Gas	🔒	🔒	🔒	🔒	🔒
31	36	Doosan Heavy Industries &	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
32	40	Hankook	Tyres	🔒	🔒	🔒	🔒	🔒
33	32	Sulwhasoo	Cosmetics & Personal Care	🔒	🔒	🔒	🔒	🔒
34	35	Lotte Department Store	Retail	🔒	🔒	🔒	🔒	🔒
35	38	S-Oil	Oil & Gas	🔒	🔒	🔒	🔒	🔒
36	41	Samsung Card	Banking	🔒	🔒	🔒	🔒	🔒
37	37	CJ CheilJedang	Food	🔒	🔒	🔒	🔒	🔒
38	34	Esse	Tobacco	🔒	🔒	🔒	🔒	🔒
39	39	Korean Air Lines	Airlines	🔒	🔒	🔒	🔒	🔒
40	42	Innisfree	Cosmetics & Personal Care	🔒	🔒	🔒	🔒	🔒
41	17	Hyundai Heavy Industries	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
42	43	Hyundai Marine & Fire Insurance	Insurance	🔒	🔒	🔒	🔒	🔒
43	47	GS E&C	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
44	44	Hotel Shilla	Hotels	🔒	🔒	🔒	🔒	🔒
45	45	Daelim	Engineering & Construction	🔒	🔒	🔒	🔒	🔒
46	New	Cass	Beers	🔒	🔒	🔒	🔒	🔒
47	New	NH Bank	Banking	🔒	🔒	🔒	🔒	🔒
48	46	Laneige	Cosmetics & Personal Care	🔒	🔒	🔒	🔒	🔒
49	New	Hanwha Life Insurance	Insurance	🔒	🔒	🔒	🔒	🔒
50	New	Samsung Electro-Mechanics	Tech	🔒	🔒	🔒	🔒	🔒



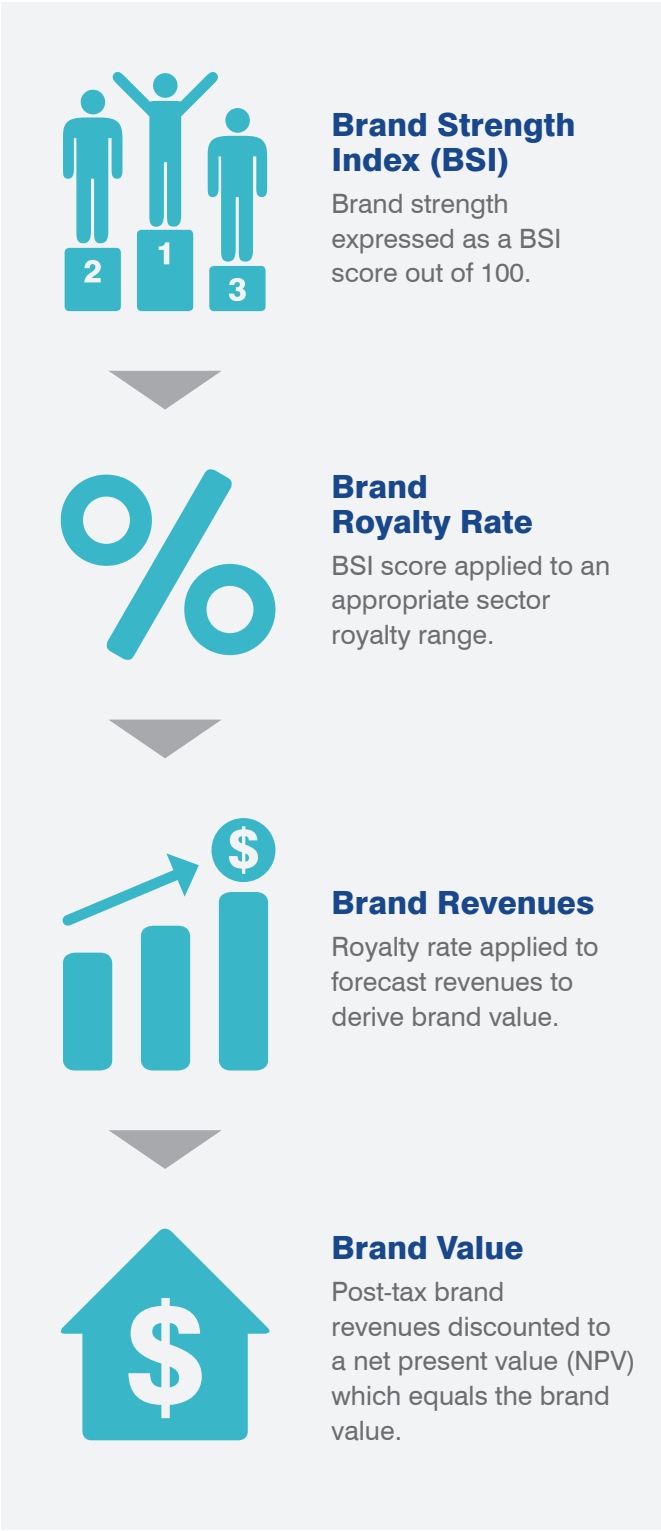
Methodology.

Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a ‘brand value’ understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast revenues using a function of historic revenues, equity analyst forecasts, and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post-tax to a net present value which equals the brand value.



Disclaimer
Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

Understand Your Brand’s Value.

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand’s value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

What is a Brand Value Report?

Brand Valuation Summary

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPIs
- + Competitor benchmarking

Royalty Rates

- + Transfer pricing
- + Licensing/franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

- + Independent view of cost of capital for internal valuations and project appraisal exercises

Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

For more information regarding our Brand Value Reports, please contact:

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What are the benefits of a Brand Value Report?



Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



Communication

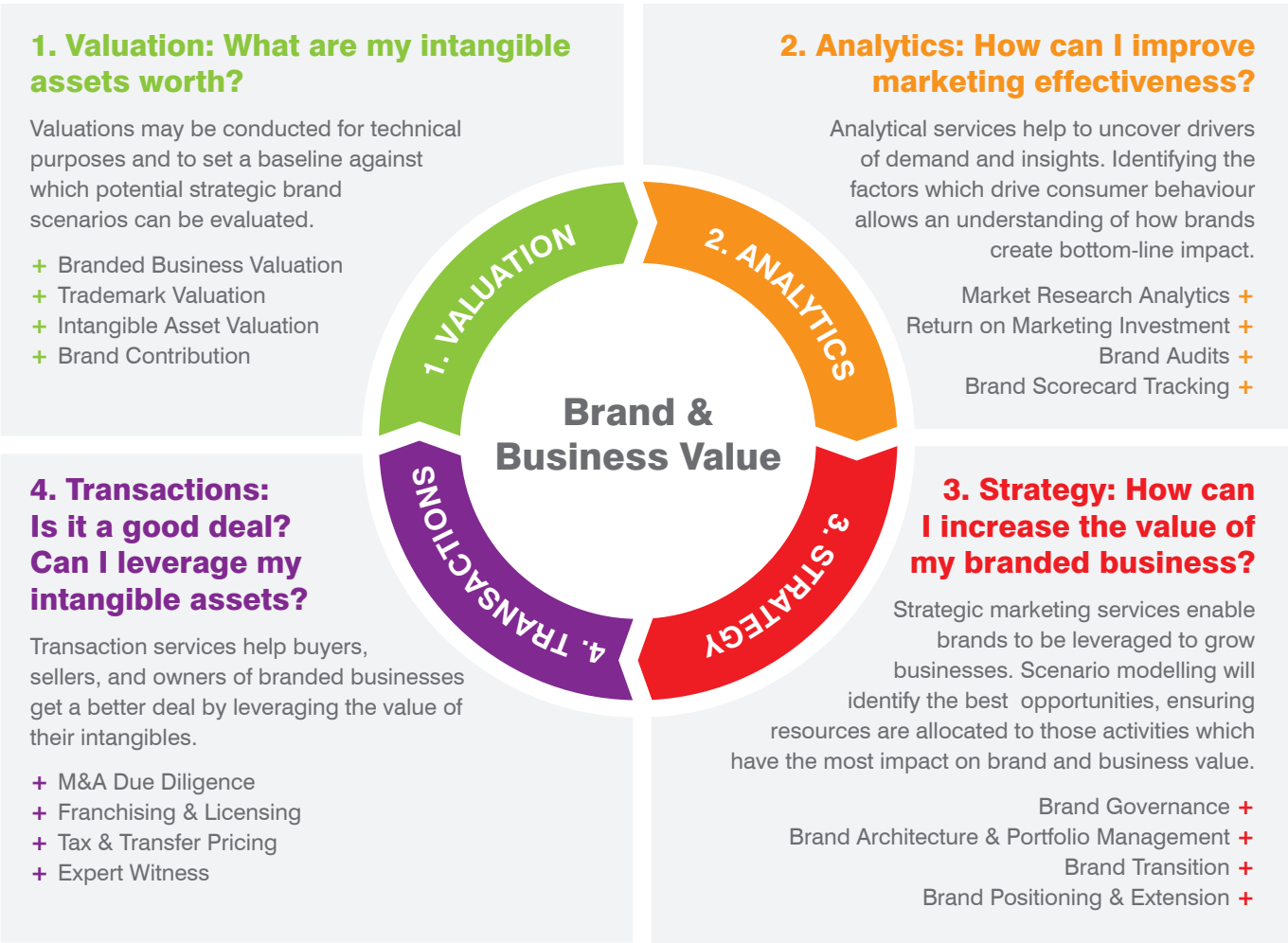
Communicate your brand’s success to shareholders, customers, and other strategically selected audiences.



Understanding

Understand and appreciate the value of your brand as an asset of the business.

Consulting Services.



Communications Services.

We offer a variety of services to help communicate your brand's success.



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Strongest Global Brand 2018

Your Brand

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



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