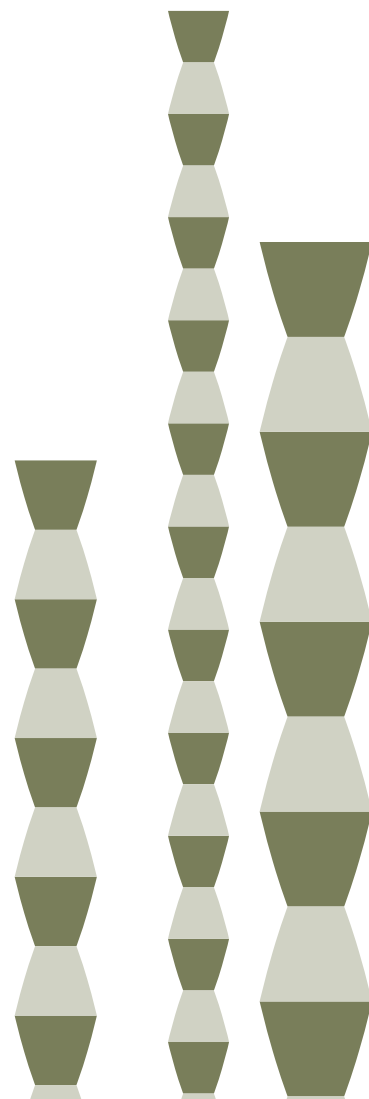


TOP 50 MOST VALUABLE ROMANIAN BRANDS

A premiere in Romania: Brandient realized for BusinessWeek Romania the first ranking of romanian brands value





1.

How did we calculate the value of Romanian brands?

Almost 20 years ago, Interbrand applied for the first time a brand evaluation model, which became internationally known through its publishing in Business Week. This model validated a basic principle: a brand can be measured in a way similar to a tangible asset, through the discounting of the cash flow (*Net Present Value*) generated by the brand compounded by its strength on the market. All the models that followed – especially by the brand consulting companies – respected this principle, which was also accepted by the international accountancy and evaluation standards.

The model used by Brandient for the evaluation of the *Top 50 Most valuable Romanian brands* applies the same principle, starting from the *royalty relief* method, which reflects the savings made by a brand owner by being exempted from the payment of a brand licence.

The calculation model cumulates the following elements:

- the financial strength proved on the market (the sales evolution) – starting from the financial records for 2005 (brand sales in Romania);
- the growth perspectives of the respective category/industry for 2006-2008;
- the risk-free rate – in this case, we considered the yield of the Eurobonds with the longest maturity issued by Romania;
- category risk – from Ibbotson statistics (USA) for the risk premium per industry;
- royalty rate – the range of royalty rates for the category;
- brand equity - obtained through the processing and indexation of an extensive national research done by D&D Research in 22 different categories, covering over 200 Romanian brands.

WHAT DOES THIS VALUE REPRESENT?

The value calculated this way is the *value in use as of 1st of January 2006*, which means the value brought to the actual owner under the assumption of continuing to exploit the respective brand. The purpose wasn't to find out the selling value of the brands, which depends on factors other than those considered for this evaluation.



2.

The initial selection and constraints

The initial selection criteria refer to brands launched and developed in Romania, regardless of the owner's nationality, in categories addressed directly to the consumer (Business to Consumer), known and active nation-wide, launched before January 1, 2005. The brands having a joint vocation (corporate/retail) were considered only through their retail segment (e.g. banking, insurance, oil). In all situations, the premise was that the activity of using the brand will continue and the owner has full privileges over the brand name and other brand-related intellectual property rights.

IN ADDITION TO THESE CRITERIA, THERE WERE EXCLUDED FROM THE EVALUATION:

- Companies that were monopolies until recently (e.g. Romtelecom, CFR, Tarom, Distrigas, Electrica, etc.). Here, the brand is an insignificant demand driver. The consumer doesn't actually have a choice, they are "trapped". The monopoly itself is the main asset of the company, the brand plays only a marginal role in adding value.

- Publishing and media brands, business-to-business brands – measuring the brand equity for such companies implies separate research in several segments and the allotted time and resources didn't allow for this;
- Gerovital brand - the brand was split in 4 different entities, which independently develop the brand in 4 directions;
- Holdings and brand portfolios (e.g. pharmaceutical companies)
- Brands that obtained a low Brand Equity Index (less than 20-30%, depending on the category);
- Brands with insufficient information on sales for 2005, in spite of significant market shares (e.g. Frutti Fresh, Izvorul Minunilor, etc.).



3.

Top 50 Most valuable Romanian brands

Place	Brand	Brand Value (EUR Mil)
1	Dacia	387.4
2	BCR [retail]	355.6
3	BRD-GSG [retail]	208.3
4	Petrom [retail]	86.4
5	Sensiblu	82
6	Rompetrol [retail]	72.5
7	Cristim	62.8
8	Asirom [retail]	60.9
9	Altex	59.4
10	Domo	41.4
11	Banca Transilvania [retail]	40.5
12	Flanco	39.3
13	Mobexpert	34.6
14	Romstal	32.1
15	Poiana	29.9
16	CEC	27.9
17	Leonardo	27.8
18	Aldis	27.2
19	Borsec	27.1
20	Bergenbier	21.8
21	Arctic	21.7
22	Bunica	21.1
23	Ursus	20.2
24	Primola	19.6
25	LaDorna	18.5



Place	Brand	Brand Value (EUR Mil)
26	Flamingo	16.8
27	Dorna	14.2
28	Scandia	13.7
29	Helpnet	13.3
30	Golden Brau	12.1
31	Timisoreana	10
32	Elvila	9.8
33	Joe	9.5
34	Kandia	9.1
35	Napolact	8.3
36	Heidi	7.7
37	Kober	7.5
38	Caroli	7.5
39	Jolidon	6.9
40	Ciuc	6.3
41	Unisol	6.2
42	Viva	4.9
43	Dero	4.8
44	Superweiss	4.5
45	Alka	4.4
46	Stalinskaya	3.9
47	Spor	3.7
48	Fulga	3.6
49	Farmec	3.1
50	Croco	3



4.

Comments on this ranking by Aneta Bogdan

Top 50 Most Valuable Romanian Brands developed by Brandient for BusinessWeek and based on a national research made by D&D Research is a ranking that attempts to introduce a new and multidisciplinary perspective on the research, analysis and value estimation and the different ways in which it can be expressed; it is basically an attempt to professionalize versus the noise for increasing circulation (last years in Romania we had many rankings that attracted mass audience), albeit not as “juicy” as most “mass” rankings. It is not about a ranking made up by a bunch of people, but rather the appreciation consumers bestow on certain products/services, by trusting them and, finally, by purchasing them.

A brand’s performance denotes performance for its owner (through the business that it generates and the people it attracts into the organization) and performance for the consumer. This ranking opens a complex and long discussion not only among journalists but also among managers – in the companies’ board of directors, among consultants, analysts, bankers, and marketing and communication professionals. It is a discussion for example, about how much we can invest in a brand with a limited market due to “low perceived quality” (the negative perception about the quality of a product), about why we spend so much on advertising campaigns instead of clearly positioning beforehand, about how important is market segmentation before we create the product, about what agency is appropriate for sustaining an asset that is worth millions and that they have to manage not by experiments or ego, but with the obligation to increase it, and last but not least, about the professional standards of the employees who have to protect and multiply this value.

Nobody can deny that any brand (especially a young one) no matter how well was built or how successful it is, can be damaged in a relatively short amount of time (comparing to the time needed to get established on the market) by a weak CEO who works with a team

of ineffective directors and a team of adventurous partners.

The ranking of the 50 Most Valuable Romanian Brands is also a possible answer to the question “how many Romanian entrepreneurs set as target to make money through organizing all their business around a single idea (read brand) and not only through exceptional business opportunities that they had?” Unfortunately, still too few (according to this ranking).

Becoming rich through branding is not so easy as it is through speculations, transactions, opportunities etc, isn’t it? All entrepreneurs say they own brand(s). No exception. I haven’t met one to say “I don’t have a brand, I have a good product, some good and efficient advertising campaigns that brought me sales beyond my expectations and I have also an exceptional distribution chain or the smallest price on the market.” The truth is that we have valuable local businesses the success of which is based on branding; but, still, will this success stand the test of time, considering the new context of a market entering a new stage of development? Will these businesses be able to grow beyond national borders? Will they be capable to generate loyalty when the offer for each category will be way bigger than it is now and the context way more complex?

We know for a fact that our EU integration will influence either positively or negatively the success of local companies; yet another certitude is that the best-protected businesses will be those whose brand will be sustained by yet another type of relationship with the consumer, other than price or accessibility. Only those who will innovate will survive, those who will invest a significant percent from their incomes in research and development and those who will invest in human resources capable of creating value.



Brave entrepreneurs (let's call them this way) such as Sensiblu, Cristim, Jolidon, Mobexpert, Altex, Transilvania Bank, Romstal, Domo, Flanco or LaDorna not only believed in their dream and looked up for resources to fulfill it, but also demonstrated that the entrepreneurial companies can dominate the market with the same power and seduction as multinationals do.

It is obvious that for a brand-dominated market we need consumers with incomes capable of sustaining their spendings, but also experts capable to help building brands. Although we have a population of over 22 millions, almost 40% of the people are living in rural areas and are relevant only for the political vote, not for the consumption of goods and services. Most of the population live on the meagre average income, while the fragile middle class is approximated at only about 7% of the total population. In this context, many companies built their portfolio based mostly on value brands (inexpensive products) and neglected the other territories. By noticing how badly many local product/services from the bottom part of each category perform in the brand equity index, I would say that their future is probably uncertain, because the price advantage itself is no longer sufficient for long-term success.

According to the same ranking, the answers to: "what do Romanians love, in what do they believe and what do they buy most of all" are: credits, Dacia car, salami, beer, home appliance and electronics, chocolate and again beer and salami... in other words – we are still at the bottom of Maslow's pyramid (meanwhile prestigious brands such as publishing houses did not meet the minimum ranking criteria).

Why do we drink more beer than wine – this is a question with a relative simple answer if we think that when the beer brands were using branding, Romanian wines were asking themselves who they were and whom they were targeting.

Another observation on this ranking is that many big companies that spend impressive PR budgets refused to give us access to the real number of the business generated (exclusively) by their brand; this shows, on one hand, the Romanian entrepreneurs' lack of transparency in communicating real numbers (not the ones artificially boosted in order to convey their success) and on the other hand, the fact that the companies aggregate to their corporatist revenue

various activities that although enlarge the perception of success through the sales indicator, in fact they dilute their focus and performance.

And last but not least, a remark regarding the quality of economical information (read accuracy, relevance), as we find it in our business newspapers and magazines. While social and political journalists reached the professional standards required by this profession, business and economical journalists are far away from performance (of course there are also exceptions here). As far as the branding is concerned, every day we can read at least one article dedicated to this subject; if we are looking for clear and relevant information, we won't find anything in the volumes of journalistic writing from the past years. Why? Because, on one hand the journalists are young and uneducated in understanding the business phenomenon (few of them attended business schools, not to mention a real business environment experience) so they don't have the capacity to make informed analyses and comments. On the other hand, they are continuously the target of manipulation by some entrepreneurs and top managers, who use them to show off their success but not with real information.

What kind of reactions will this ranking take out? First of all pride for whose how are in it – for sure Dragos Dinu from AD Pharma, Dan Sucu from Mobexpert, Mihai Ghika from Interbrew or Radu Timis from Cristim will have once again a certitude that they built something powerful and lasting and will celebrate this victory, together with the team who made it real. But the day after the celebration, they will have to worry about their huge intangible fortune that they "handed" to a brand manager or a marketing manager because they will compare it with the smaller amount invested in the car fleet or in various equipments. Businesses will have to face a new challenge: a higher standard for the team that deals with the internal and external brand and becoming aware of the human asset that is taking care of this intangible fortune which is the brand.

On the other hand, those who are not part of this ranking but consider that they have built a brand of comparable value, will probably want to prove this for the next opportunity. The recipe is a very simple one: vision, consistency, strengthen the market power and in the consumers' mind and, last but not least... transparency!

The lessons we can learn from this ranking are about bad positioning (irrelevant, undifferentiating, confusing, misleading etc), sloppy segmentations and hyped communications of some advertising agencies in their quest for awards (and not for clients) or bad strategies



based on too big investments for communicating brands with too small markets. This ranking shows how the times when the leader could make money through economy of volume and scale are gone, and now those who find a good niche through intelligent segmentation and focuses on a specific direction can be successful.

The problem with branding in Romania is that it became an overused term before the term "customer focus" was overused. Maybe that's why Sensiblu looks so good in the ranking, doesn't it? Because Sensiblu understood that focusing obsessively on customers' needs and wants is a marvelous and generous opportunity that you have and don't have to miss.

Which are the questions raised by our team as the final result of this ranking was unfolding? Here they are:

"How many entrepreneurs/top managers from this ranking invest in research? How many of them want to launch something new, to change something in their business model, in their market and consumer approach? How many see the brand as an inspiration source for innovation?"

In this ranking we have very few: Sensiblu, Transilvania Bank, Cristim, Rompetrol etc.

"How many entrepreneurs/top managers from this ranking invest in design?"

I remember Steve Jobs being asked in a presentation what is the difference between the new Mac OS and all the other platforms; he answered "We made the buttons on the screen look so good you'll want to lick them." (sic). How many Romanian entrepreneurs/top managers did you hear to say how cool or attracting is designed a product or a package?

"Where are the brands who speak to the most powerful and influential target of all – children and teenagers?"

There are not so many. And they should be more, as these brands are easy to build and long-term "runners".

"Where are the <great brands> in this ranking? Which are the names which make us feel unique on one hand and belonging to a group, on the other?"

The incertitude that comes from too many choices that we are facing every day can be "solved" with the

presence of <big> brands in our life - those which also deliver the <human touch>."

"How many of these brands will still remain in this ranking after 3 years?"

I hope that this classification will not be affected by the "short-term-ism" of the Romanian branding. For many reasons and mostly because of one that affects us all: that the local commercial brands can build our country image.

Instead of a wrap-up, the most important question in this article is:

"Is this ranking going to change the way in which the Romanian entrepreneurs and managers approach business?"

I would like to find out.
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5.

About Brandient

Brandient is the Romanian consultancy on brand strategy, design and value dedicated to creation and development of brands as signs of value™. Brandient is reputed to have a unique local specialists team, with remarkable experience in management, marketing, design and communication. Recently, Brandient associated with the global brand agency Enterprise IG, part of the WPP Group, in order to provide clients with extended competencies and expertise.

Among Brandient's most prominent projects are the rebranding of the retail chain Domo, Astral, the pharmaceutical group Europharm, TVR, the National Radio-Communication Society - Radiocom, Flanco, Novensys, Smartree, Albalact, Fabryo etc, brand engagement for Orange Romania and Volvo Trucks and also creating brands as Fulga, Credisson, Domenia, Tuca si Asociatii, Estima, Qualians, Zuzú, Metropotam etc.

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