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## GLOBAL BRANDS UNDER THE INFLUENCE OF COVID-19

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### ABSTRACT

The development of modern business depends to a large extent on the ability of companies to compete. More and more companies engage resource in creating a unique product capable of satisfying and the most demanding users. The protection of these products of unlawful use is carried out through intellectual property sites which are defined as intangible assets. Objects of scientific interest in this study are trademarks as an intangible asset that, through the use of marketing tools, turn into powerful brands for billions of dollars. The **purpose** of this article is to present the change in the value of world brands under the influence of COVID-19. By using **empirical methods** (study, comparison and analysis of expert assessments), the paper clarifies the role of intangible assets for the competitiveness of companies and the importance of trademarks and brands as a competitive advantage. The **results** of the study show predictions about the most valuable global brands for 2021. In **conclusion**, the role of trademark and brands for society as a whole and in particular for consumers is summarized.

**Key words:** intangible assets, trademark, brands, pandemic COVID-19.

### INTRODUCTION

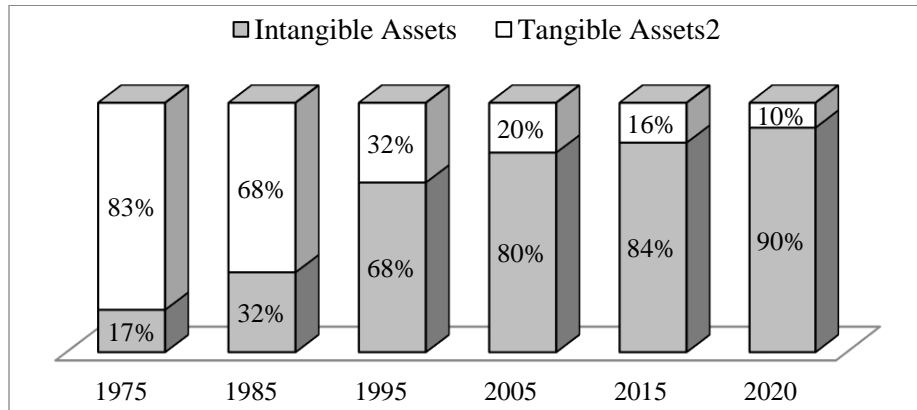
Enhanced use in recent years of information technology and changes caused by the development of a "knowledge-based economy" (1) are the impulse that provokes the change in the structure of enterprise assets. Knowledge is becoming a dominant resource by offering in intangible assets and is a source of value creation. The intangible asset is generally defined in international accounting standards (IAS 38, intangible assets) as "*an identifiable non-monetary assets without physical substance*" (2). The following requirements for intangible assets are also set to the definition: „*identifiability, control (power to obtain benefits from the asset) and future economic benefits (such as revenues or reduced future costs)*“ (2). We focus on the differentiation of intangible assets, which by

definition means distinguishing the asset from goodwill. The asset is identifiable if it can be separated from the enterprise (sold, transferred, licensed, etc.) or arises under contractual or other legal rights. Control relates to an entity's power to obtain future economic benefits arising from the asset, which in turn include sales revenue, cost savings, etc. benefits based on the entity's use of the intangible asset.

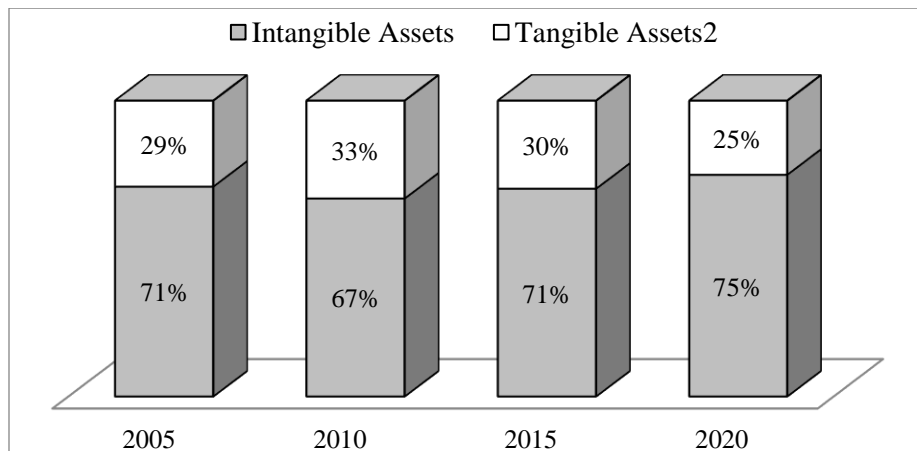
The growing importance of investments in intangible assets is revealed by the analyses of specialized organizations. These include Ocean Tomo – Intellectual Capital Merchant Banc™ firm (3), which examines the components of the market value of intangible assets and examines their role in a number of global indices. **Figures 1 and 2** show the ratio of the market value of tangible to intangible assets in the US and European markets. The data are indicative of the increasing value of intangible assets in the value of companies and the displacement of the source of value formation from tangible to intangible assets.

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**Figure 1.** Components of S&P 500 USA market value  
 Resource: (3) Ocean Tomo, Intangible Asset Market Value Study 2020,  
<https://www.oceantomo.com/INTANGIBLE-ASSET-MARKET-VALUE-STUDY>

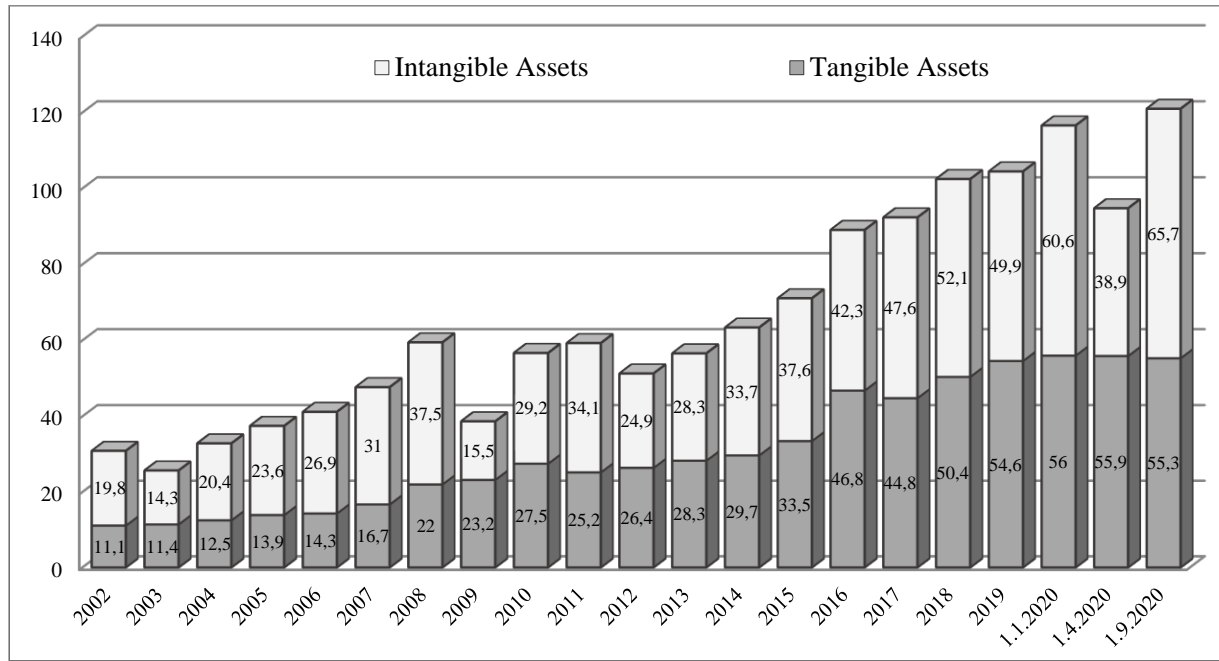


**Figure 2.** Components of S&P 350 Europe market value  
 Resource: (3) Ocean Tomo, Intangible Asset Market Value Study 2020,  
<https://www.oceantomo.com/INTANGIBLE-ASSET-MARKET-VALUE-STUDY>

In their article „A case for brands as assets: Acquired and internally developed“, the authors Sinclair & Keller conclude: „*The implication is clear: enterprise value increasingly has more to do with intangible assets such as brands, customer retention, licenses and franchises than with physical assets like buildings and machinery*“. (4, p.289)

A global overview of the ratio of the market value of tangible/intangible assets for the period 2002-2020 is presented by Brand Finance (Figure 3). The Company analyzes and provides information about the value of intangible assets on global stock markets.

The data in Figure 3 outline two stages of a significant decrease in the market value of intangible assets, respectively in: 2009 – a consequence of the World Economic Crisis (-\$22 trn compared to 2008) and in April 2020 – a consequence of the COVID-19 pandemic (-\$21.7 trn compared to January 2020). Five months after the reported decline in April 2020, as of September 1, 2020, the global market value of intangible assets has not only recovered, but also exceeds the pre-crisis level of 2019 by \$16.5 trn. This data proves the importance of intangible assets as key to the market and to the competitiveness of companies.



**Figure 3.** Global value composition trend (USD trn)

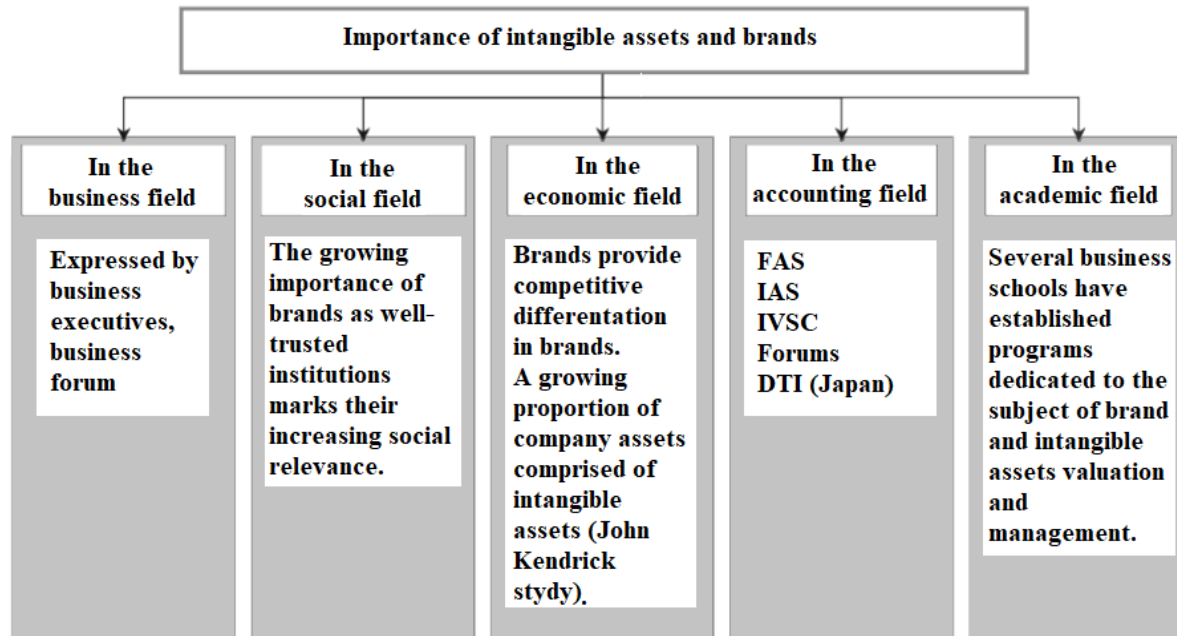
Resource: (5) Brand Finance, Why Brands Matter 2020, An analytical report on the role of brands in value creation, October 2020, <https://brandirectory.com/download-report/brand-finance-why-brands-matter-2020.pdf>

Brand Finance includes in its analyses three main groups of intangible assets: *rights; relationship; intellectual property objects* (6, p.8). The rights concern leasing contracts and distribution agreements, franchise contracts, licenses, certificates, etc. Relationships are directed to workforce, customers, distribution relationships. Intellectual property objects include patents, copyright and related rights, trade marks, geographical indications, trade secrets, knowhow and other specific objects.

One of the intellectual property sites – brands – is of interest for this development. They are intangible assets for which a positive image is built through the marketing toolkit of companies in order to transform trademarks into brands (7). And while trademarks are seen as an object of ownership and asset, brands are created in the consumer consciousness by impacting on attitudes, associations, consumer impressions to build loyalty. According to the OECD “*The term “brand” is sometimes used interchangeably with the terms “trademark” and “trade name.” In*

*other contexts a brand is thought of as a trademark or trade name imbued with social and commercial significance. A brand may, in fact, represent a combination of intangibles including, among others, trademarks, trade names, customer relationships, reputational characteristics, and goodwill. It may sometimes be difficult or impossible to segregate or separately transfer the various intangibles contributing to brand value.*” (8, p.254).

Regardless of their differences, trademarks and brands are closely related, since registering a trade mark under national or international legislation in the field also ensures the subsequent protection of brands. The importance of brands has increased significantly in recent years „*The importance of brands is increasing more and more in the choice of goods... Brands promote increased sales in merchant outlets and contribute for customer loyalty*“ (9, p.80), with G. Salinas (10) defining five main directions in this direction (**Figure 4**).



**Figure 4.** Evidence of growing importance of intangible assets and brands

Source: (10) Salinas, G. The International Brand Valuation Manual. A Complete Overview and Analysis of Brand Valuation Techniques, Methodologies and Applications, John Wiley & Sons, Ltd, Publication, 2009, ISBN 978-0-470-74031-6, p.21.

These strands, representing the importance of intangible assets and in particular brands, explain the growing role of established brands, especially in times of economic shocks, such as the COVID-19 pandemic and the economic crisis that followed.

In order to reveal the role of intangible assets for the competitiveness of companies and the importance of trademarks and brands as a competitive advantage, the change in the value of the world's leading brands under the influence of COVID-19 is presented.

**MATERIALS AND METHODS**

The goal set: to present the change in the value of the world's leading brands under the influence of COVID-19 is achieved by choosing a specific method from possible methods for assessing the value of brands. An in-depth analysis of the known methods for evaluating the value of brands was carried out by Salinas (10), which, in a study together with T. Ambler (11), stated that the choice of a specific method for evaluating brands depends on the purpose of the assessment itself. The authors identify two separate assessments: "management assessment" for use

by management authorities in restructuring and management of investment and patent portfolios, etc. or "technical assessment" necessary for accounting purposes, litigation, securitisation, mergers, acquisitions, etc. Analyzing global agencies offering brand evaluation, the authors found that a large proportion of those offering "technical assessments" base their research on Royalty Relief method. This gives reason for the author of the development to use this value of the brands, calculated by the Royalty Relief Method. This study is based on an analysis of expert assessments (12) provided by Brand Finance, a leading global company in the preparation of independent brand evaluations and consultants. The choice of the author is dictated by the Royalty Relief method applied by Brand Finance, as well as by the widespread recognition of the company's assessments among stakeholders.

**RESULTS**

The analysis of the value of global brands shows that the COVID-19 pandemic has a significant impact on some of them. The direction of impact is positive for companies such as Tesla, Alibaba.com, Apple, etc., for which the pandemic creates favorable conditions for development and

value growth. Negative is the impact of the pandemic on the brands of CBS, NBC, BOEING, etc., for which the economic environment is a

prerequisite for a decline in the value of brands (Figure 5).

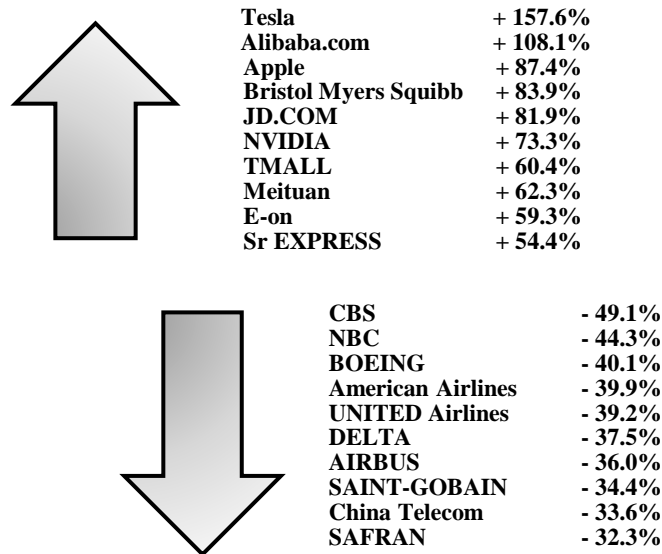


Figure 5. Increase and decrease in the value of brands in 2021 compared to 2020

Resource: according to data from (12) Brand Finance, Global 500 2021, The annual report on the most valuable and strongest global brands, January 2021, <https://brandirectory.com/rankings/global>

**Tesla** is the company whose brand reported the most significant increase in value (+157.6%) and climbs by 105 positions (from 147th place in 2020 to 42 position in 2021) in the ranking of the most valuable global brands. The rapid development of the company in the automotive sector proves the importance of technological innovation as a driving force building the value of the brand. The second most pronounced growth was **Alibaba.com**, whose brand achieved a 108.1% increase in value and placed the company 30th position in 2021 (92 place for 2020). **Apple's** brand value grew by 87.4%, which is enough to push it to the top of the ranking for the most valuable global brands. For **Bristol Myers Squibb**, the 83.9% growth gives the pharmaceutical company's brand inclusion in the rankings, albeit from 473 position. **JD.com** is a Chinese retailer whose brand climbed from 142 to 68th place through an 81.9% increase in value. The other companies whose brand value surged significantly in 2021 compared to 2020 were **NVIDIA** (+73.3%), **TMALL** (+60.4%), **Meituan** (+62.3%), **E-on** (+59.3%), **Sr EXPRESS** (+54.4%).

At the other pole are the companies for which the pandemic caused shocks in management and development. The most significant decline reports **CBS** (-49.1%) and **NBC** (-44.3%) media giants, which due to decreasing on advertisers' advertising budgets, lose a significant part of their revenue. The group of strongly negatively influenced by the pandemic also includes the brands of airline companies such as **BOEING** (-40.1%); **American Airlines** (-39.9%), **United Airlines** (-39.2%), **Delta** (-37.5%), **Airbus** (-36.0%) The cancellation of flights of a number of companies during COVID-19 and the decline of tourists using airline services is a prerequisite for the expected decrease in the value of brands in the sector. Other companies reporting a significant decrease in value were **SAINT-GOBAIN** (-34.4%) and **China Telecom** (-33.6%).

As a result of these changes in the value of the brands under the influence of COVID-19 and other factors remaining outside the framework of this study, information on the top ten brands achieving the highest value in 2021 compared to 2020 (see Table 1) is presented. In order to highlight the impact of COVID-19 from other influence factors occurring in the last years before the pandemic, the value of the brands was tracked for the period 2016-2021.

**Table 1.** Ranking the top ten brands for 2021. Development of value for the period 2016-2021

Brand	Origin	Value of the brand (USD m.)						Position		
		2016	2017	2018	2019	2020	2021	2020	2021	
Apple	United States	145.918	107.141	146.311	153.634	140.524	263.375	3	↑	1
Amazon	United States	69.642	106.396	150.811	187.905	220.791	254.188	1	↓	2
Google	United States	88.173	109.470	120.911	142.755	188.512	191.215	2	↓	3
Microsoft	United States	67.258	76.265	81.163	119.595	117.072	140.435	4	=	4
Samsung Group	South Korea	58.619	66.218	92.289	91.282	94.494	102.623	5	=	5
Walmart	United States	53.657	62.211	61.480	67.867	77.520	93.185	8	↑	6
Facebook	United States	34.002	61.998	76.526	83.202	79.804	81.476	7	=	7
ICBC	China	34.002	47.832	59.189	79.823	80.791	72.788	6	↓	8
Verizon	United States	63.116	65.875	62.826	71.154	63.692	68.890	12	↑	9
WeChat	China	6.496	13.189	22.415	50.707	54.146	67.902	19	↑	10

Resource: (13) Brand Finance, Global overview, <https://brandirectory.com/rankings/global/overview>

The data in **Table 1** are indicative of the development of the value of the top ten brands in the Global 500 2021 ranking. The alignment of the top ten positions makes it possible to draw conclusions about the strength and importance of intangible assets, and in particular brands, given that Apple, Amazon, Microsoft, Facebook, Walmart and Verizon hold first to 20th positions among the 100 companies with the highest total value of intangible assets held (6).

First position is occupied by **Apple**, whose brand is among the highest value growth (87.4%). For the period 2016-2021, the value of the brand decreased in 2017 compared to 2016 by \$38,777m and in 2020 compared to 2019 by \$13.11m. Growth of \$122,851m in brand value is expected in 2021. Second place is **Amazon**, the company whose brand has grown in value throughout the study period. In 2021, the value of the brand is 3.65 times higher than 2016 and \$184,546m more. The third brand in the ranking is that of **Google**, whose value has also grown consistently over the years. For 2016, the value of the brand is \$88,173m, and in 2021 it will be 2.17 times more (\$191,215m). **Microsoft** is among the

brands reporting a single decline in value reported in 2020 compared to 2019 (- \$2,523m). Over the entire study period, the value of the brand increased 2.09 times. Fifth position is **Samsung group's** brand, which with slight fluctuations in value in 2019 (down \$1,007m compared to 2018) is expected to achieve a value for 2021 of \$102,623m. Over the research period, a decline in the value of the brand was observed in 2018 compared to 2017 (- \$0.731m). In 2019, the brand increased its value to \$67,867m and maintained growth in value terms until 2021 inclusive. Seventh is **Facebook's** brand, which reported a \$3,398m decrease in its value in 2020, which prejudices a lower expected value for 2021 (\$81,476m) compared to 2019 (\$83,202m). Eighth position is the brand of Chinese bank **ICBC**, whose value has more than doubled over the entire period examined from \$34,002m in 2016 to \$72,788m in 2021. Ninth is **Verizon**, whose brand value is growing volatily for the period 2016-2021. Declines are reported in 2018 (- \$3,049m) and in 2020 (- \$7,462m), and despite the increase in 2021, the value of the brand remains lower than the level reported in 2019. Tenth place is for the second Chinese brand

among the top ten in the ranking – **WeChat**. Its value has grown steadily over the research period, with the increase more than 10 times from 2016 (\$6,496m) to 2021 (\$67,902m).

## CONCLUSIONS

The importance of intangible assets for companies is demonstrated by the data specified for the development of the value of brands for the period 2016-2021. Despite the reported declines in the value of brands during specific years of the analysis period, there is no long-term impact of negative factors on them. Moreover, during the period of the economic crisis due to COVID-19, the observed decrease in the value of some brands in 2020 is expected to be compensated in 2021. It should be noted that there are also cases where the pandemic is a major factor with a negative impact on individual sectors such as aviation, media, tourism, etc. The successful recovery of these sectors requires adaptive and adequate management, in line with changes in the business environment and striving to meet consumer requirements. This, combined with the proven competitive advantage of intangible assets and in particular brands, is capable of building sustainable competitiveness of companies.

In summary of what has been written so far, the role of brands as intangible assets and the brands built on them is found in the following guidelines:

- For society – the famous and marketed brands support a number of social causes, participate in socially useful initiatives and are a means of pushing socially significant policies. The example of brands such as Audi, Nike, Volkswagen, McDonalds, Coca Cola, etc., which in their advertising campaigns calls on consumers to respect social distance during COVID-19, is well known.
- For consumers – brands help consumers make informed and reasoned decisions in the purchasing process. Branded products are often associated with higher quality than similar products and bring certainty to consumers. This contributes to the market ejection of companies offering low quality products or the pursuit of an aspiration for improvement.

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