In class exercise

Pick 3 companies that are also well known brands[1] and have had good financial performance over the last 5 years (positive net income) and are **NOT in the top 10 list of brands** with the highest brand equity (see the list in lecture notes). You can explore the financial statements through the *MergentOnline* Database found through the Cornell Mann Library Website (steps how to get to that database are posted in "Brand Equity" lecture slides)

Make sure that you have picked the right company. Usually when you search for a company/brand name e.g. "Coca-cola" you will get dozens of entries, look for the ones that are listed on NYSE or NASDAQ. In the case of "Coca-Cola," the appropriate entry is "Coca Cola Co" listed on NYSE.

Critical assumptions (should be applied to all 3 brand picks):

- Assume that we are T-5 years from the latest available financial statement. For example, if the latest financial statement is in 2013 assume we are in the year 2008.
- Standard analysis requires forecasting 5 years in advance. We will assume that the actual financial performance for the years 2009, 2010, 2011, 2012, and 2013 (obtained from financial statements) is the forecast as of 2008.
- Assume that Brand Strength analysis revealed that the appropriate discount rate is 8%
- Growth rate in the future after 5 years = 2%
- WACC = 10%
- Role of Brand Index (RBI) = 38%

1. Bearing in mind the simplifications listed above (similar to the ones in the example solved in class), calculate the brand equity of your selected brands.

2. Why is it important to build brand equity? What can you say about brands with high brand equity?

[1] E.g. *Procter and Gamble* will not work in this case, since it owns multiple consumer brands and brand equity calculation would be significantly more complicated.