

ness. This means that brands such as Mars, which is privately held, cannot be valued.⁵³⁷ Neither can young brands, since they usually do not bring about a positive EVA.⁵³⁸

All in all, even though the *Interbrand* brand valuation tool comprises noteworthy advantages, the list of drawbacks prevails. Especially the partially lacking replicability and missing applicability for all types of brands make it a methodology which cannot be recommended for widespread utilisation.

3.2.4.3 Intermediate Findings

Brand Performance System, like *Interbrand* Brand Valuation, combines both financial and non-financial value parameters. However, underlying priorities are different. Whereas *Interbrand's* methodology originates from finance-oriented valuation uses such as accounting and focuses on the net present value of future income streams as representing utility of the brand and therefore its value,⁵³⁹ *ACNielsen* defines brand value more holistically,⁵⁴⁰ operationalising brand strength as the target figure resulting from brand value.⁵⁴¹

The various non-monetary factors playing a role within the *Interbrand* methodology cover brand value more comprehensively than those operationalised in the course of *ACNielsen* Brand Performance System. For example, contrary to the latter, legal trade mark protection is one of the seven non-monetary factors being examined in the course of the fourth valuation step of the *Interbrand* methodology.⁵⁴² On the other hand, *ACNielsen* achieve a better result with respect to separation of brand and product related success factors than *Interbrand*. However, the issue of overlapping criteria has been resolved by neither of these methodologies.

537 *Interbrand/BusinessWeek*, Best Global Brands 2006. A Ranking by Brand Value, p. 9.

538 *Berger*, MarkenR 1999, 271, 275.

539 *Stucky*, *Interbrand-Modell*, pp. 103-104.

540 Following *Domizlaff's* 'Markentechnik' ('brand technology') approach, defining a brand as a "system in which people and objects, mind and matter are linked to become one and interact", cf. *Franzen*, *ACNielsen Brand Performance System*, p. 129.

541 *Franzen*, *ACNielsen Brand Performance System*, p. 129.

542 Determinants of legal trade mark protection, such as the type of registration or the number of won or lost cases, are allocated 5% of overall importance of the seven factors, cf. *Stucky*, *Interbrand-Modell*, p. 117 and *Zednik/Strebinger*, *Marken-Modelle der Praxis. Darstellung, Analyse und kritische Würdigung*, p. 133. Yet all legal points playing a role in this context are not completely revealed.

Contrary to financial or customer-related valuation tools, which per se do not claim to allow for comprehensive valuations, hybrid methodologies aim at doing so and therefore need to be assessed in light of this goal. They can, hypothetically, be expected to meet all three requirements of an ideal valuation technique. Such techniques are theoretically capable of providing systematic and comprehensive valuations, as they seek to combine both quantitative financial (usually based on the income approach) and qualitative psychographic (generally operationalised by means of indicators) value elements. Such *modus operandi* can lead to manageable valuation output and widespread acceptance of the valuation technique. Hybrid tools are therefore, by concept, much better equipped to resemble or even to constitute an ideal valuation method, as defined in this work, than financial or customer-related techniques per se will ever be.

However, both hybrid methodologies discussed here merely meet the requirements of conceptual and methodological soundness, widespread acceptance and manageable output in part, each with a different focus. Despite a number of good elements, considerable shortcomings still exist. The methodologies use varying numbers of qualitative indicators, yet fail to treat all important aspects. The risk of overlapping value factors is not always sufficiently mitigated. The transfer of qualitative value parameters into quantitative monetary figures, one of the core issues of hybrid valuation tools, is carried out in various ways. Here, most *modi operandi* are left obscure to some degree, which hinders transparency and replicability.

3.2.5 Conclusions

The status of currently offered and applied brand valuation methods is characterised by a dichotomy. On the one hand, there are generic financial and psychographic methods which, although acceptedly of limited suitability with respect to reaching holistic valuations, attain highest market shares (they meet the demand of simple valuations focussing on one issue as, for instance, applied in brand management, such as determination of the strength of one's own brands vis-à-vis competitors'). On the other hand, hybrid methodologies, which all seem to be proprietary, hold the potential to be much better suited for purposes of comprehensive brand valuation, yet their market share is inversely proportional to that potential.

This is mainly due to two factors. Firstly, each of these methodologies seem to contain at least one substantial methodical flaw, for example the omission of important value-influencing factors. This causes none of these tools to be wholly convincing. Secondly, central processes within proprietary hybrid techniques are often inflexible and not made transparent, thus constituting ‘black boxes’. This impedes the necessary degree of replicability of and trust in such methodologies which would bring about greater market shares.

Hence, one of the main reasons why hybrid brand valuation tools have not yet been accepted more widely is that, in many cases, the additional quality they could add to the valuation process has not been realised so far. This circumstance causes many experts to refrain from allocating financial resources to such a valuation. It seems that, for many valuation scenarios, currently offered proprietary hybrid tools are not worth the investment compared to freely available generic ones.

3.3 Summary and Outlook

In the following, the most important brand valuation aspects, developments and trends derived from above analyses will be illuminated. Lessons to be learnt from these circumstances will be discussed.

3.3.1 Important Brand Valuation Developments and Issues

As seen above, business leaders have come to realise brands are oftentimes the most valuable assets in the company.⁵⁴³ However, there remains considerable discord with respect to the degree of significance to be allocated to brand valuation and how such valuation is to be carried out. This is mirrored by the current implementation gap: roughly 40% of all German companies with brands value these at all.⁵⁴⁴ This fact shows not only a detrimental situation for brand valuation service providers, but primarily that brands are neither managed nor leveraged as assets to their full potential.

This partial abstinence from brand valuation is mainly rooted in the belief that there exist no suitable valuation tools rather than the opinion that

⁵⁴³ Cf. fn. 1.

⁵⁴⁴ See above at 3.1.1.