

role in comprehensive brand appraisal. Standardised customer surveys make it as objective as possible. The segmentation of customer-related brand value factors into brand iconography and brand assets facilitates both understanding of the method itself and of coherences on the qualitative side of brand value.

However, it too cannot tide over the fact that merely one important segment of brand value, the qualitative value building or distracting factors in the eye of the consumer, is being illuminated. Financial and other crucial aspects are left aside. The valuation outcome is a point score, which means that the Brand Iceberg is merely suitable for a limited number of valuation scenarios, such as comparative industry studies, for which a purely qualitative, non-monetary value outcome is sufficient.

In connection herewith, the fact that the brand value score is merely a relative figure stands out negatively as well. Brand Iceberg merely enables the appraiser to find out whether the brand under scrutiny is stronger or weaker (by points) than other brands in the industry. An absolute value cannot be attained. This is, however, a necessary characteristic of a sound brand valuation methodology as defined in this work.⁴⁸²

Furthermore, Brand Iceberg does not deliver clarification of the issue to which extent the value outcome is in fact attributable to the brand itself and to which extent it is product or service related.⁴⁸³ For example, the fact that the impact which short-term marketing-mix⁴⁸⁴ components such as product packaging have on consumers is measured in the context of brand iconography begs the question how much of a positive consumer feedback would in fact be attributable to quality of the branded product or service and not to the brand itself.

All in all, the Brand Iceberg valuation tool constitutes a viable method for all those valuation purposes in the context of which a relative, benchmarked point score result is sufficient. Qualitative comparative industry studies for example fall in this category. However, the methodology is inadequate for strategic future-oriented brand valuation purposes as introduced in the course of this work. Such type of valuation necessitates a monetary value outcome

482 Cf. above at 1.4.3.2.

483 Cf. *Zimmermann/Klein-Bölting/Sander/Murad-Aga*, Brand Equity Excellence, Volume 1: Brand Equity Review, p. 50.

484 For a short introduction to the marketing mix, see 2.3.1.1.

which reflects (amongst others) both financial and qualitative customer-related aspects. Brand Iceberg is incapable of providing this.

3.2.3.3 Intermediate Findings

The main advantage of psychographic brand valuation methods lies in their operationalisation of customer-related brand value parameters. This is an important aspect which financial brand valuation tools are lacking. The degree of brand recognition, loyalty and other such factors have to play an important role in brand value assessment processes, since they are related to measurable marketing and sales success.⁴⁸⁵ Insight into these parameters provided by customer-behavioural methods facilitates management and control of means to strengthen brand value in this regard.⁴⁸⁶

Most customer-related tools are sufficiently transparent,⁴⁸⁷ flexible, future-oriented and bring about adequate degrees of inner logic in order to be sufficiently comprehensible.

However, there are a number of problems associated with these methods which, as a whole, clearly outweigh their advantages. Systematically inherent in solely psychographic valuation models is the central and major drawback that they do not enable the realisation of most types of brand transactions. Monetary output parameters are but an essential precondition for execution of financial transactions such as brand securitisations, acquisitions, divestitures and licensing, to name a few.

What is more, since there is no transformation of psychographic value output into financial parameters, the creation of comparability with other valued assets in a company is made impossible.⁴⁸⁸ Yet such comparability is impor-

485 *Spannagl*, markenartikel 2001, 38, 39; *Esch/Geus*, Ansätze zur Messung des Markenwerts, p. 1288.

486 *Frahm*, Markenbewertung. Ein empirischer Vergleich von Bewertungsmethoden und Markenwertindikatoren, p. 20.

487 However, Brand Iceberg includes a step in the course of which brand iconography and brand asset scores are compared to data sets from a proprietary database, which thwarts transparency.

488 This presupposes that other assets are valued with a monetary outcome, which is usually the case. Supposing this was not so and other assets were valued non-financially, comparability would *a fortiori* not be existent since assets other than brands cannot be valued with a psychographic method. Psychographic tools are specific to brands since they are the only intellectual property asset / IA the value of which to an essential part is influenced by consumer perception. On the other hand, all IP assets can

tant for purposes of portfolio management, resource allocation, controlling and general management tasks.

Moreover, the above analysis has shown that there is no general consensus with respect to the selection and weighting of salient input data.⁴⁸⁹ As a consequence, different methods are likely to show considerably diverging valuation results, even if they were applied to the same asset at the same time. This questions composition and systematics of these methods as a whole.

Generally speaking, as much as purely financial brand valuation models unilaterally reflect monetary value components, psychographic methods represent the opposite extreme. They can therefore be used, with appropriate caution, for limited purposes which exclusively involve customer-related, non-financial aspects. However, they are unsuitable for comprehensive brand value assessments.

3.2.4 Financial-Behavioural (Hybrid) Models

Hybrid brand valuation methods combine *modi operandi* of financial and psychographic methods, amalgamating their positive and negative aspects to varying degrees.

The following exemplary discussion of hybrid brand valuation tools will address ‘Brand Performance System’ developed by the marketing research company *ACNielsen* and the *Interbrand* valuation model.⁴⁹⁰

The Brand Performance System has, according to *Günther* et al. and *Schi-*

be valued with a financial outcome. Hence, if the same methodology was applied to all IP assets within a company, decisions relating to (for example) resource allocation could be taken not just within a portfolio of assets of the same kind, e.g. all patents, but also between e.g. patents and copyrights.

489 Amongst others, *Kranz*, *Markenbewertung – Bestandsaufnahme und kritische Würdigung* and *Bekmeier-Feuerhahn*, *Marktorientierte Markenbewertung* come to the same conclusion.

490 Other hybrid brand valuation techniques include ‘Brand Equity Evaluation System’ (BEES) by *BBDO*, ‘MarkenMatik’ by *McKinsey*, *BBDO*’s, *Linxweiler*’s and *Meffert/Koers*’ ‘Brand Scorecards’, ‘Market Oriented Brand Valuation’ (‘Marktorientierte Markenbewertung’) by *Bekmeier-Feuerhahn*, ‘Brand Valuation’ from *Brand Finance*, ‘Brand Rating’ by *B.R. Brand Rating*, the methodology by *GfK/PricewaterhouseCoopers/Sattler*, *Kapferer*’s ‘Brand Value Model’ (‘Markenwertmodell’), the ‘Brand Power Model’ (‘Markenkraftmodell’) by *GfK*, *Sattler*’s indicator model, ‘Semion Brand Evaluation’ by *Semion*, ‘Brand Equity Frame’ (‘Brand-Equity-Modellrahmen’) by *Srivastava/Shocker*, the ‘Brand Analytics Model’ by *FutureBrand* and others. For references cf. footnote 386.

mansky et al., reached a market share of 10.4% and 3.8% respectively (which amounts to an average of 7.1%).⁴⁹¹ The method developed by *Interbrand* attained distribution rates of 3.0% and 6.1% respectively (i.e. an average of about 4.5%), according to the same studies.

3.2.4.1 Brand Performance System by *ACNielsen*

The Brand Performance System (also known as Brand Performancer⁴⁹²) was first introduced in the year 1991 as an advanced version of an earlier brand value measurement system called Brand Balance Sheet (Markenbilanz).⁴⁹³ Within Germany, it is marketed in co-operation of *ACNielsen* and *Konzept & Markt*.⁴⁹⁴ It is one of the most widely known proprietary tools for monetary brand valuation in Germany as yet.⁴⁹⁵

Brand Performance System consists of four modules, which can be employed independently or in combination with each other:⁴⁹⁶ Brand Monitor, Brand Value System, Brand Steering System and Brand Control System. The first three of these modules are concerned with brand strength, financial value and brand image as components of overall brand value respectively. Brand Control System is used for brand controlling purposes only⁴⁹⁷ and is not involved in the value finding process. For this reason, it will not be dealt with here.

The central one of these modules, Brand Monitor, allows for assessment of brand strength of all relevant brands within a certain pre-defined market,

- 491 According to one of the experts involved in the development of this model, it has been applied to more than 400 brands hitherto, cf. *Franzen*, Das Brand Performance System von ACNielsen: Standardisierte Markenbewertung auf der Grundlage von Marktforschungsdaten, pp. 156 and 165.
- 492 Cf. e.g. *Bentele/Buchele/Hoepfner/Liebert*, Markenwert und Markenwertermittlung, pp. 113-116; *Gerpott/Thomas*, WiSt 2004, 394, 396; *Göttgens/Sander/Wirtz/Dunz*, Markenbewertung als strategischer Erfolgsfaktor, pp. 11-12; *Künzel*, die Marke und ihr Wert, p. 164 et seq.
- 493 *Franzen*, Das Brand Performance System von ACNielsen: Standardisierte Markenbewertung auf der Grundlage von Marktforschungsdaten, pp. 149 and 153.
- 494 *Konzept & Markt GmbH* is an advisory market research company, cf. <http://www.konzept-und-markt.com/> (last accessed March 26, 2007).
- 495 *Frahm*, Markenbewertung. Ein empirischer Vergleich von Bewertungsmethoden und Markenwertindikatoren, p. 109.
- 496 *Franzen*, Das Brand Performance System von ACNielsen: Standardisierte Markenbewertung auf der Grundlage von Marktforschungsdaten, p. 157.
- 497 *Zednik/Strebinger*, Marken-Modelle der Praxis. Darstellung, Analyse und kritische Würdigung, p. 112.



Figure 3.3: The four modules of the ACNielsen Brand Performance System (source: Franzen, *Markenbewertung*, p. 13.).

based on a point score model.⁴⁹⁸ Ten indicators in four categories are utilised in order to operationalise brand strength. These categories are market attractiveness (represented by market volume and market growth), penetration of the brand within the market (shown on the basis of current status and growth of market share (both in absolute and relative figures)), acceptance of the brand on the demand side (represented by brand awareness and existence of the brand in the so-called relevant set⁴⁹⁹) and distribution rate of the brand.⁵⁰⁰ The figures determined for each indicator are then transformed into a point score, whereupon the resulting scores are weighted with pre-defined factors⁵⁰¹ and as a next step totalled and scaled so that a maximum of 100 points can be attained.⁵⁰² The achieved percentage of this maximum score represents the absolute brand strength.

The fact that data on all four indicators can be obtained with respect to competitor brands means that a relative brand strength, i.e. of one brand

498 Franzen, ACNielsen Brand Performance System, p. 130.

499 A relevant set is the range of brands which would, in principle, be considered by potential consumers in the course of a purchase decision, cf. Künzel, *Die Marke und ihr Wert*, p. 168.

500 Esch/Geus, *Ansätze zur Messung des Markenwerts*, p. 1294; Frahm, *Markenbewertung. Ein empirischer Vergleich von Bewertungsmethoden und Markenwertindikatoren*, p. 111.

501 These factors have been pre-defined according to importance of each of the four indicators. Acceptance on the demand side accounts for 40%, market penetration for 35%, market attractiveness represents 15% and the distribution rates make up 10% (each approximately); cf. Esch/Geus, *Ansätze zur Messung des Markenwerts*, p. 1294; Franzen, ACNielsen Brand Performance System, pp. 131-132; Künzel, *Die Marke und ihr Wert*, pp. 167-168.

502 ACNielsen, ACNielsen Brand Performance. *Valide Markenbewertung*, slide 27; Frahm, *Markenbewertung. Ein empirischer Vergleich von Bewertungsmethoden und Markenwertindikatoren*, p. 111.

compared to one or several other brands, can be calculated as well as solely values of competitor brands, in a discrete manner.

Brand Value System, the second module, is based on the income approach and converts the psychographic brand strength obtained with Brand Monitor into a monetary figure. In doing so, brand strength of all brands in the relevant market is initially calculated and the relation between this total brand strength and strength of the brand under valuation is obtained (relative brand strength). Overall profit of the market is then calculated on the basis of operating margin and market volume.⁵⁰³ The brand being appraised is then allocated its proportionate profit, based on the relative brand strength obtained before. This profit figure is finally discounted to a net present value by an income-based DCF calculation, whereby infinite useful life of the brand and a constant profit margin are assumed.

Thirdly, Brand Steering System can be applied to determine brand-specific qualitative success factors such as brand sympathy and reputation. This facilitates brand management and its alignment with overall corporate strategy. The development of this third module reflects *ACNielsen's* primary objectives to both value a brand financially and provide a basis for its strategic management.⁵⁰⁴ It thereby provides a means of brand evaluation compared to mere valuation.^{505 506}

Like with all other hybrid brand valuation tools, one major advantage of Brand Performance System is its combination of qualitative psychographic and quantitative financial factors of brand value in one system. It is thereby able to arrive at a monetary value outcome even though non-monetary psy-

503 *Zednik/Strebinger*, *Marken-Modelle der Praxis. Darstellung, Analyse und kritische Würdigung*, p. 114.

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

505 As to the difference between valuation and evaluation cf. 1.1.1.4.

506 In the study “Markenbewertung. Die Tank AG” of 2004 (*Hanser/Högl/Maul* (ed.): *Markenbewertung. Die Tank AG*. Düsseldorf 2004), *ACNielsen* was one of the expert companies which were asked to value a fictitious petroleum brand. It would therefore have been desirable to outline *ACNielsen's* contribution to the study at this point in order to illuminate Brand Performance System with an example, especially given that the article in “Die Tank AG” seems to be the most detailed one on Brand Performance System publicly available. However, this contribution remains too vague in many important aspects to be a meaningful example of how Brand Performance System is to be applied in practice. It shall be noted, however, that value of the brand “Die Tank AG” as calculated by means of Brand Performance System amounts to € 958 million excluding value added tax – a figure interesting to compare with the one attained by *Interbrand* (below at 3.2.4.2), which amounts to € 463 million, i.e. barely half of *ACNielsen's* result.

chographic factors are operationalised.

Furthermore, it is a procedure which is relatively easy to follow and reproduce since the number of criteria applied is rather small. Since all data necessary to process the indicators used within Brand Monitor is either already publicly available, included in company statistics or can be independently obtained by market research, competitor brands, as well as internal ones, can be valued or evaluated discretely. However, the general statement that this data can be obtained at relatively small effort⁵⁰⁷ cannot be followed as market research, if necessary, can become both relatively costly and time consuming, especially in the case of qualitative market research.

Striking an appropriate balance between transparency and cost-effective applicability on the one hand and a sufficiently detailed valuation process on the other is one of the key methodical issues in the context of brand valuation methods. In the case of Brand Monitor, the fact that merely ten partially similar psychographic indicators in four groups⁵⁰⁸ are used causes serious doubt as to whether enough comprehensiveness and depth is achieved. For example, psychographic success factors are merely expressed through degree of brand awareness and existence of the brand in the relevant set (indicators in the category 'acceptance of the brand on the demand side').⁵⁰⁹ However, there are a number of other factors playing a role in this regard, such as brand loyalty. This indicator, for instance, operationalises the question whether customers are actually prepared to re-buy the branded product or service. It is therefore an important complement of indicators relating to mere brand awareness.

In addition, qualitative factors or indicators relating to future potential of a brand have been omitted. However, it is recognised that this future potential is a decisive aspect of brand value.⁵¹⁰ The same applies to possible future risks, for example with respect to competitiveness of the respective brand. A mere inclusion of estimated future brand-related profit in a DCF calcula-

507 Zednik/Strebinger, *Marken-Modelle der Praxis. Darstellung, Analyse und kritische Würdigung*, p. 115.

508 In the predecessor method, Brand Balance Sheet, 19 indicators were utilised which caused considerable criticism of interdependencies and overlap amongst the indicators, cf. Künzel, *Die Marke und ihr Wert*, pp. 165-166; Zimmermann/Klein-Bölting/Sander/Murad-Aga, *Brand Equity Excellence, Volume 1: Brand Equity Review*, p. 59. This criticism will have dried out in the light of the small number of indicators used in the new methodology yet it seems that comprehensiveness has been sacrificed for the sake of excess simplicity.

509 Künzel, *Die Marke und ihr Wert*, p. 172.

510 Sattler/Högl/Hupp, *Evaluation of the Financial Value of Brands*, p. 11.

tion does not constitute a sufficient treatment of future-related brand value influencers.

What is more, determination of brand value can, in the course of Brand Value System, only be achieved indirectly through feedback from brand strength of all brands in the relevant market as a whole. This seems to be a rather laborious process.

Furthermore, the brand values attained through the *ACNielsen* methodology depend to a considerable extent on the definition of size of the relevant market. For example, the brand LAMBORGHINI may not be assigned considerable value with respect to the overall car market (since for example market share and existence of the brand in the relevant set are very low), yet the situation is different concerning the luxury car market. Hence, extremely low brand values would be calculated in cases in which the respective market is defined too widely.⁵¹¹

On top of this, it needs to be noted that there are certain types of brands, e.g. umbrella and company brands, the value of which cannot be operationalised in view of narrowly-defined markets.⁵¹² At this point, it becomes apparent that Brand Performance System has been developed mainly for fast moving consumer goods brands and can not be utilised on other types of brands without considerable difficulty.⁵¹³

All in all, Brand Performance System is a relatively comprehensible and transparent⁵¹⁴ tool, since the data pool employed is well manageable. The fact that relevant competitor brands must be analysed is useful, even though it increases complexity of the valuation process.

However, two main negative aspects need to be recorded. First of all, the goal to create a lean and transparent tool has lead to over-simplification. A number of important value influencing factors such as future potential and psychographic aspects such as brand loyalty are missing. Future orientation has therefore only been achieved in part. Secondly, some assumptions, such

511 *Franzen*, Das Brand Performance System von ACNielsen: Standardisierte Markenbewertung auf der Grundlage von Marktforschungsdaten, p. 166.

512 See *ibid.*

513 *Künzel*, Die Marke und ihr Wert, p. 171. With respect to umbrella and company brands, for example, one would have to define all market sub-segments covered by the respective brand and value them separately. Ultimately, these partial values would have to be added up (*ibid.*, pp. 171-172).

514 Compared to other proprietary methodologies.

as the constant profit margin and discount factor, are not realistic.

Brand Performance System therefore cannot be recommended to be used extensively and certainly not on all types of brands. It may find limited application for FMCG brands.

3.2.4.2 *Interbrand* Brand Valuation

Interbrand and the *London Business School* jointly developed a brand valuation methodology in 1988 which was partially revised in 1993. Today, *Interbrand* claims their model to be one of the most frequently referenced internationally, to be utilised by (among others) courts in a number of countries and to be the only one which has gained consistent global acceptance during the past decade.⁵¹⁵

Like *ACNielsen's* Brand Performance System, this methodology seeks to combine an indicator-based point score with a discounted cash flow analysis. It comprises five steps: segmentation, financial analysis, demand analysis, brand strength analysis and the final calculation of the net present value (NPV) of brand earnings.⁵¹⁶

The *Interbrand* valuation model is based on the assumption that consumer behaviour varies from market sub-segment to sub-segment. Therefore, as a first step, the brand under valuation is divided, according to customer-related, product-related and geographic criteria, into the number of segments (i.e. specific and homogeneous customer groups⁵¹⁷) deemed appropriate. For instance, in the study “Die Tank AG”, for which a number of brand valuation specialists were asked to value the fictitious petroleum brand “Tank AG”, *Interbrand* divided the brand into the segments “Oil”, “Wash” and “Shop”.⁵¹⁸ The valuation in the steps following segmentation is carried out independently for each segment. The final brand value outcome results from addition of the segments’ values.⁵¹⁹

515 *Interbrand Zintzmeyer & Lux*, Wert haben und Wert sein. Die Markenbewertung von Interbrand, p. 2; *Interbrand Zintzmeyer & Lux*, Brand Valuation. The key to unlock the Benefits from your Brand Assets, p. 4.

516 *Interbrand Zintzmeyer & Lux*, Brand Valuation. The key to unlock the Benefits from your Brand Assets, p. 2; *Künzel*, Die Marke und ihr Wert, p. 130.

517 *Stucky*, Interbrand-Modell, p. 111.

518 *Ibid.*, p. 109.

519 *Stucky*, Monetäre Markenbewertung nach dem Interbrand-Ansatz, p. 438.

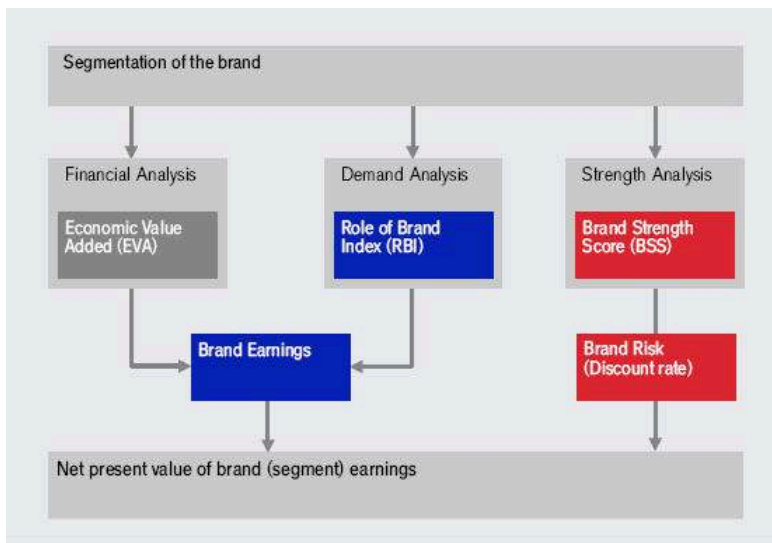


Figure 3.4: An overview of the Interbrand valuation methodology (source: Interbrand Zintzmeyer & Lux, *Brand Valuation. The key to unlock the Benefits from your Brand Assets*, p. 2).

Financial analysis is the step following segmentation. Based on a five-year prognosis of future earnings,⁵²⁰ a post-tax figure of all such earnings accrued on the basis of all intangible assets in each respective segment is determined (EVA).⁵²¹

Thirdly, the share of this profit attributable to the brand itself is established by identifying the significance of the brand with consumers in each respective segment. This is operationalised by analysis of consumers' demand behaviour and influence of the brand on purchase decisions.⁵²² Relevant data, such as brand image, perceived product quality and product range, is collected mainly by means of market research and interviews with company representatives. In this step, the brand's contribution to purchase decisions is singled out from other contributions such as design and exclusivity of a certain product. Thus determined, it is expressed in a percentage figure. This figure is then multiplied by the abovementioned earnings attributable to all

520 A five-year period is used in general because most companies provide such prognosis anyway for purposes of budget allocation, see above at 3.2.2.1.3 and *Stucky*, Interbrand-Modell, p. 110.

521 *Esch/Geus*, Ansätze zur Messung des Markenwerts, p. 1291; *Stucky*, Interbrand-Modell, p. 110. The figure calculated is the so-called Economic Profit or Economic Value Added (EVA). It remains of earnings before interest and taxes (EBIT) after deduction of tax and cost of capital, cf. *Künzel*, Die Marke und ihr Wert, p. 131.

522 *Zednik/Strebinger*, Marken-Modelle der Praxis. Darstellung, Analyse und kritische Würdigung, p. 131.

intangible assets. The outcome of this calculation is said to constitute brand-specific earnings.⁵²³ For the study “Die Tank AG”, *Interbrand* estimated, e.g. for the year 2007, an EVA of € 55 million for the brand segment “Oil”. Multiplied by a brand significance figure of 33%, brand-specific earnings for 2007 were calculated to amount to € 18 million.⁵²⁴

Subsequently, in order to operationalise the respective brand’s earnings risk with respect to each particular segment, brand strength is determined by way of competitor analysis. This is performed utilising seven factors, comparing the brand under valuation to competitor brands and to a fictitious ideal risk-free scenario within the relevant market.⁵²⁵ These factors include market dynamics, brand stability and brand protection. The latter deals with legal issues such as type of trade mark registration, registration and defence strategies.⁵²⁶ With respect to the brand segment “Oil” of the fictitious brand “Tank AG”, for instance, it was found that a relevant trade mark is registered and being monitored; however, there is room for improvement since single elements of the signage (name, picture and/or additional elements) are not separately registered as trade marks and the mark is not registered as a community trade mark (hence, there is no automatic extension to EU accession countries).⁵²⁷ The weighted results are incorporated in a point score model, which – utilising a proprietary software – determines brand strength. This brand strength point figure, as representing brand risk, is subsequently transformed into a discount factor by means of a pre-defined s-curve function.⁵²⁸

The fifth and last step consists of application of this discount factor in the course of a DCF calculation, showing brand value as an end result. In this respect, the EVA values from step two are multiplied by the brand-specific earnings percentage which resulted from the third valuation step in order to calculate brand earnings for each segment. These are then offset against the discount factor, which results in net present values of these brand earnings forecasted for the respective five-year time horizon.⁵²⁹ In order to attain the

523 *Stucky*, Monetäre Markenbewertung nach dem Interbrand-Ansatz, pp. 440 et seq.

524 *Stucky*, Interbrand-Modell, p. 125.

525 *Künzel*, Die Marke und ihr Wert, p. 132; *Stucky*, Monetäre Markenbewertung nach dem Interbrand-Ansatz, pp. 443-446.

526 *Stucky*, Interbrand-Modell, p. 117.

527 *Ibid.*, p. 119.

528 This function is said to have been developed on the basis of *Interbrand*-internal empirical studies on the risk behaviour of brands, cf. *Stucky*, Interbrand-Modell, p. 122.

total value of a brand for a market segment, these NPVs and a perpetuity representing the fact that the valued brand will probably exist beyond the forecasting horizon are added up. Finally, such brand values calculated for each segment can be summed up in order to attain total brand value.

For “Die Tank AG”, *Interbrand* identified a brand strength score of 44, which resulted in a discount rate of 9.35%. The brand-specific earnings estimated for the years 2003 to 2007 were discounted with this interest rate and then added, the result of which was € 66.49 million. As *Interbrand* supposes that a brand generally has an indefinite lifespan, a perpetuity of € 155.17 million was added, which resulted in a total value of the brand segment “Oil” of € 221.66 million. With the values of the segments “Wash” and “Shop” added, the total value of the brand “Die Tank AG” was calculated to be € 463 million.⁵³⁰

To *Interbrand's* credit, they have developed one of the first brand valuation methodologies operating from a holistic point of view.⁵³¹ By marketing it successfully,⁵³² they have indirectly contributed to making such tools more attractive and to raising their acceptance level.

A further positive aspect is the fact that *Interbrand* attempt to handle the complex holistic character of brands by involving a number of different value determinants. This, on the one hand, lowers the probability of omitting important value influencers and thereby reduces risk. The more various facets of brand value are operationalised, the more important information will be gained, which reduces asymmetry of information and risk.

On the other hand, the threat of including overlapping and correlating criteria is thus relatively high. However, point score methods like the *Interbrand* one function with the assumption that all utilised criteria, which are added up to a total point score, are independent of each other. In fact, this tool does for example not allow for separate treatment of product and brand related factors. Yet such separation is necessary since market leadership does not necessarily depend equally on both factors. It may well be brand indepen-

529 Künzel, die Marke und ihr Wert, p. 134; Stucky, Monetäre Markenbewertung nach dem Interbrand-Ansatz, p. 447.

530 Stucky, Interbrand-Modell, p. 124.

531 Künzel, die Marke und ihr Wert, p. 135.

532 Especially by the ranking of the 100 most valuable global brands which they issue annually in cooperation with the business magazine *BusinessWeek*, cf. e.g. http://www.interbrand.com/best/_brands/_2006.asp (last accessed March 28, 2007).

dent.⁵³³

What is more, even though *Interbrand* operationalise more criteria than others, they as well do not include all various kinds of criteria necessary. For example, consumer behavioural factors like brand sympathy, which are needed for purposes of efficient brand management, are not sufficiently considered.⁵³⁴

In addition, transparency and replicability of this methodology are lacking at a number of stages. For example, it is not comprehensible how the s-curve utilised in step four (the same curve is used in every valuation) is actually arrived at and whether it is valid. In addition, the criteria used to operationalise the seven factors in the course of the brand strength analysis are not completely disclosed.⁵³⁵ The *Interbrand* methodology is thus to some extent an inflexible and ‘black box’, i.e. intransparent or opaque, tool. Hence, the criterion of conceptual and methodical soundness is merely met in part.

While the *Interbrand* model attains the highest market share of all hybrid proprietary brand valuation tools, its market share is far behind compared to hybrid generic and most other ones. The prerequisite of widespread acceptance can therefore only be said to be met in view of hybrid proprietary brand valuation tools, which merely constitute a small fraction of all methods available.

A positive aspect of the methodology at hand is that future orientation is covered by both discounting estimated future income streams and handling a few non-financial factors such as brand trend, which includes attributes like future developments and prospects.⁵³⁶

However, comparability of results, a further prerequisite for attaining a manageable valuation outcome, is not achieved by the *Interbrand* tool. This is due to the fact that this tool is per se not applicable to all kinds of brands (let alone other IP assets). It is solely applicable if the proprietor company is publicly traded, earns at least one third of revenue outside its home country, EVA is positive, the brand is market facing and does not have a purely business-to-business single audience without wider public profile and aware-

533 Künzel, Die Marke und ihr Wert, pp. 137-139.

534 *Ibid.*, p. 138.

535 Bekmeier-Feuerhahn, Marktorientierte Markenbewertung, pp. 78-81.

536 Stucky, Interbrand-Modell, p. 117. This is an improvement compared to the ACNielsen technique, one of the shortcomings of which lie in the lacking operationalisation of future-related value influencers.