

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.<sup>543</sup> 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.<sup>544</sup> 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.

such valuation is neither needed nor beneficial. Even though there are more than 300 brand valuation methods available worldwide, none has achieved sufficient approval rates reflecting the necessary degree of trust which would help close the presently existing implementation gap.

Despite a quantitatively significant supply of proprietary brand valuation tools on the German market, a stable trend shown by a number of studies indicates that generic financial and customer-related methods are by far the most widely applied in practice. Compared to these, proprietary ones attain rather small market shares.

Generic valuation methods bring about – through their free availability – both full transparency and maximum cost efficiency. These are major advantages vis-à-vis proprietary tools. Brand managers are able to detect benefits and detriments of each method with little effort. They can therefore apply such methods as they deem appropriate and at relatively low cost, which to some extent compensates the fact that these techniques are of limited applicability.<sup>545</sup>

Proprietary tools are mostly hybrid in nature.<sup>546</sup> This effort to combine elements of financial and psychographic valuation methodologies is commendable, since all such factors are important value drivers or distractors. Therefore, in theory, the market share hybrid valuation tools attain should be substantially higher than it is at present.

There are, effectively, two reasons why distribution rates of such tools are still low: intransparency and lack of quality. First and foremost, even though a number of these tools are being sufficiently advertised, the fact that they are essentially kept secret plays a main role in causing reluctance of having them applied. The fact that the quality of hybrid proprietary methodologies is merely verifiable to a limited degree has not convinced most brand practitioners up to now. Secondly, despite commendable operationalisation of both qualitative and quantitative value factors, to varying degrees, this is not carried out in a fully comprehensive and coherent fashion.

The belief that there exists no suitable brand valuation technique is therefore justified to a considerable extent. It seems that, at least from a brand practi-

545 For example, the analysis of psychographic indicators can provide valuable information for brand positioning in a specific situation yet is not able to provide the appraiser with a holistic financial value outcome needed for budget allocation and other purposes.

546 Furthermore, all hybrid methodologies seem to be proprietary.

tioner's point of view, a possible added benefit of proprietary hybrid methodologies vis-à-vis generic tools, justifying allocation of resources to mandate valuations using such tools, is not existent or not high enough respectively.

Ultimately, all current monetary brand valuation methods (i.e. those with an outcome expressed in monetary terms) attempt to reflect an uncertain future in a financial figure on the basis of a fragmentarily comprehended present.<sup>547</sup>

This situation is not likely to change in the near future. Not until comprehensive, coherent and (more) transparent<sup>548</sup> brand valuation tools will be offered at competitive prices will the market allow for the best suitable methods to become widely utilised and trusted.

### 3.3.2 First Steps Towards a Possible Solution

The facts that the valuation methods and methodologies in use at present all have at least one serious flaw and that none is valid for all valuation situations causes a number of scholars and practitioners to recommend using several methods on one IP asset at a time.<sup>549</sup> Some suggest that it is best practice today to use as many valuation methods as possible to arrive at a reliable value outcome.<sup>550</sup> By aggregating multiple methods, a range of values or a weighted value can be arrived at. Some writers propose this solution but caution the valuator against taking a simple average.<sup>551</sup> Furthermore, it is advised to use a synthesis of several valuation methods in order to validate one of them. For example, a cost-based method could be applied in order to counter-check the result reached using an income-based method.<sup>552</sup>

Any of such procedures, however, would be logically incoherent due to a number of reasons. First of all, application of two or more questionable valuation methods or methodologies instead of just one does not improve the quality of valuation process and outcome. Such approach will not be able to provide the appraiser with more comprehensive and useful results than its component

547 *Strebinger*, Markenartikel 2005, 37, 38.

548 The author acknowledges the need for proprietary valuation techniques to be kept secret to some degree, yet as of today there is potential to increase acceptance of such tools by revealing more information.

549 Cf. e.g. *Anson/Suchy*, Fundamentals of Intellectual Property Valuation: A Primer for Identifying and Determining Value, p. 37.

550 Cf. e.g. *Woodward*, Valuation of intellectual property, p. 2.

551 *Gream*, Trademark valuation, p.14.

552 *Ibid.*