

1.4.2 Widespread Acceptance

A point which is largely criticised today is the fact that there exists a plethora of brand valuation methods but none of them is generally accepted.^{48 49} Reasons for this are both deficiencies of the models themselves and the fact that more and more companies are discovering brand equity consulting as a lucrative area of business and therefore offer their own proprietary method.

Having a widely accepted valuation tool would not only contribute to clearing up the existing thicket of methods. It would also ensure comparable valuation end results, both with respect to different valuation objects and over time (provided the valuation method is comprehensive enough to be applied on all types of brands and ideally all IP and in the course of all forecasting valuation situations). Comparability of valuation outcomes,⁵⁰ in turn, facilitates strategic decision making, for instance in the course of resource allocation.

What is more, widespread utilisation of one IP valuation tool (or, more realistically, at least a very small number of them) would enhance the financial world's confidence in such valuations. Banks and other creditors would be more inclined to lend against IP assets than at present, which would contribute to lowering the debtors' cost of capital.

In addition, it could serve as a viable framework for IP asset markets, pro-

48 *Schunk/Lütje/Heil*, markenartikel 2004, 24, 30.

49 A number of standardisation efforts are therefore being made, both on national and international levels. For instance, the *German Institute for Standardisation (Deutsches Institut für Normung – DIN)* is working on a brand valuation standard. For this purpose, it established a working group in January 2005, cf. *Deutsches Institut für Normung*, DIN-Norm für Methoden der Markenwertmessung geplant. An Austrian Standard was publicised in March 2006 (Standard ONR 16800, see <http://www.on-norm.at/publish/2518.html> (last accessed May 2, 2006)). It is a financial formula based on company valuation methods. What is more, the German *Institut der Wirtschaftsprüfer (IDW)* has issued a draft standard of valuation of intangible assets, cf. *Institut der Wirtschaftsprüfer (IDW)*, Entwurf IDW Standard: Grundsätze zur Bewertung immaterieller Vermögenswerte (IDW ES 5). Furthermore, *DIN* has proposed to the *International Organization for Standardization (ISO)* (<http://www.iso.org/iso/en/ISOOnline.frontpage> (last accessed May 4, 2006)) to elaborate an international norm which lays down the basic requirements for methods of monetary brand valuation, cf. news of April 24, 2006 (<http://www.on-norm.at/publish/2518.html> and <http://www.on-norm.at/publish/2948.html> (last accessed May 2, 2006)). On the NGO level, the *International Valuation Standards Committee* is worth mentioning (<http://www.ivsc.org> (last accessed May 4, 2008)). Its International Valuation Standards contain – amongst others – guidance on the valuation of intangible assets, cf. *International Valuation Standards Committee (IVSC)*, International Valuation Standards, Guidance Note 4.

50 Cf. 1.4.3.2.

vided that the valuation method yields as much contextual information about the asset as it is proposed in the work at hand, as this is essential for assessing risks and lowering asymmetry of information, both of which are key market drivers. High risks and information asymmetries are the major reasons why workable large-scale IP markets do not exist. A widely accepted or even standard way of dealing with these issues could therefore mitigate these problems to an extent which makes markets for IP possible in a satisfactory way (even though participants in these markets would, in general, have to cope with higher information asymmetry and risk than those in markets for tangible assets due to the highly contextual nature of IP).

As expression of value in monetary terms is needed for most valuation purposes, a desired valuation tool should yield such a monetary outcome. Being able to be applied in many situations is prerequisite for becoming widely accepted.

1.4.3 Manageable Output

All scenarios in which a future-related valuation technique⁵¹ is needed involve a strategic management setting. Hence, a valuation method should provide a reliable basis for strategic decision making.

This is not only achieved by means of future orientation⁵² but also through comparability of outcomes.

1.4.3.1 Future Orientation

All strategic decisions are future-related. Valuation tools to be used in strategic scenarios need to take this into account. The implications hereof have already been introduced above at 1.1.1.6, to which shall be referred here.

The practical relevance of this requirement has been proven by a study of German companies which found future orientation to be the fourth most important requirement to be met by a sound brand valuation tool.⁵³

51 As explained above at 1.2, this work solely concerns itself with future-related, or forecasting, valuations.

52 *Esch/Geus*, *Ansätze zur Messung des Markenwerts*, p. 1282.

53 Out of 13 requirements; Günther/Kriegbaum-Kling, *Schmalenbach Business Review* 2001, 263, 284.