As highly complex as they are, brands demand in-depth and well-informed management. Since one can only manage what one can (and actually do) value, valuation must play a central role for brand management decision makers. A lot has been achieved after first publications on brand valuation were made in the early 1960s.[338] New brand valuation tools were developed, old ones improved. Since the first major deals relying on brand valuation were concluded in the 1980s,[339] the number of similar transactions has grown considerably.

However, even though the practical necessity of brand valuation has become generally accepted (and it seems to have been accepted earlier than in the patent field[340]), there exists considerable disagreement as to which factors drive and distract brand equity, what their functions and interrelations are in detail and how to manipulate these factors in one's favour.

This is mirrored by the fact that there are dozens, even hundreds of brand valuation methods available today. Brand consultancies, advertising agencies, consulting companies and market research institutes alike are trying to value and evaluate brands applying a plethora of different tools. According to a current study carried out by the German *Institut für Markenwert* (Institute for Brand Value), there are more than 300 such methods worldwide.[341] In the German-speaking area, there are approximately 30 proprietary techniques on offer.[342] Proprietary means that such methods have been developed company-internally and are, in essence, not publicly accessible. Such methods have been created specifically for purposes of brand valuation. In addition, there are a number of generic, i.e. freely accessible and usable, approaches and techniques in place. Many of them, such as the cost approach, have been

338 See above, fn. 200 (*Kern*).
339 Cf. 2.2.1.
340 The first brand valuation literature was publicised in the early 1960s (cf. fn. 200) whereas valuation of patents was not beginning to be discussed until the 1990s. Cf. e.g. *Smith/Parr*, Valuation of intellectual property and intangible assets (1989); *Simpson*, Valuation of Scandinavian patent rights across industries, nationalities, and time: analysis, estimates, and applications (1992); *Simensky*, The new role of intellectual property in commercial transactions. Recent trends in the valuation, exploitation and protection of intellectual property (1994); *Pitkethly*, The Valuation of Patents: A review of patent valuation methods with consideration of option based methods and the potential for further research (1997).
341 *Amirkhizi*, "Suche nach der Weltformel". Q.v. *Bentele/Buchele/Hoepfner/Liebert*, Markenwert und Markenwertermittlung, p. 36, who have found a three-digit number of brand valuation approaches and models.
342 *Schimansky*, Markenbewertungsverfahren aus Sicht der Marketingpraxis, p. 15.

used in other fields before they were adopted for brand valuation.

Even though a number of such (generic and proprietary) methods attain greater popularity than others, none of them seems to have reached widespread acceptance as best practice so far.

This is – amongst others – rooted in the dilemma that, while professionals wish to choose at least one of these tools for practical application, all of these methods, ceteris paribus, bring about clearly deviating valuation outcomes. For instance, the VOLKSWAGEN brand was valued by the brand consultancy *Interbrand*[343] at € 7.6 billion in 2002 whereas their competitor *Semion*[344] arrived at a value of € 18.8 billion for the same brand at the same time,[345] which constitutes a difference of more than 140%. A 2004 study carried out in Germany shows similar results.[346] Nine companies offering brand valuation services were asked to value a fictitious petroleum industry brand. Even though all experts were provided with identical data sets, valuation outcomes varied between € 173.0 million and € 957.9 million,[347] a difference of approximately 554%. Such facts show that orientation in the thicket of brand valuation tools is intricate.

It is therefore hardly surprising that a considerable number of companies still do not perform valuations of their brands at all. A study by *PricewaterhouseCoopers* et al. has found that, in the year 2005, merely 38% of all surveyed companies had by then carried out non-monetary brand valuations and 23% had performed monetary valuations.[348] Data collected by *Günther* and *Kriegbaum-Kling* in 1999 show similar results. As little as 37.2% of the surveyed brand-focussed companies had valued their brands (in a monetary and/or non-monetary way).[349] This evidences that scepticism regarding monetary brand valuation methods has slightly decreased yet is still significant.

343 http://www.interbrand.com/home.asp (last accessed March 14, 2007).
344 Semion Brand-Broker GmbH; http://www.semion.com/ (last accessed March 14, 2007).
345 *Perrey/Riesenbeck*, akzente 2004, 2, 2. Both brand consultancies used their proprietary methods.
346 *Hanser/Högl/Maul* (ed.), Markenbewertung. Die Tank AG.
347 *Ibid.*, p. 226. Both generic and proprietary techniques were used. Although most applied tools were proprietary, *KPMG* used the incremental cash-flow, relief from royalty and multi-period excess earnings methods, all of which are generic tools based on the income approach.
348 *PricewaterhouseCoopers/GfK/Sattler/Markenverband* (ed.), Praxis von Markenbewertung und Markenmanagement in deutschen Unternehmen, pp. 17/18.
349 Cf. *Günther/Kriegbaum-Kling*, Schmalenbach Business Review 2001, 263, 278.

A substantial part of all brand experts specify the fact that there is no suitable method for brand valuation as a main reason for this abstinence.[350] Another paramount cause for refraining from brand valuation is the fact that such a valuation would be too time and/or cost intensive.[351]

Yet current literature shows that the belief in necessity and importance of brand valuation is undaunted. The abovementioned 2005 survey proves that – even though scepticism vis-à-vis current brand valuation tools is still strong – the majority of brand professionals is convinced of the importance of adequate valuation.[352]

Hence, despite the fact that most industry brand professionals have come to understand and appreciate that brand valuation is essential for a number of reasons, less than half of them actually perform such valuations. An implementation gap is slowly declining but still manifest.

The analyses following in this chapter will illuminate whether reasons having led to this gap are justified and if there are means to overcome it.

3.1.2 Systematisation of Brand Valuation Methods

As mentioned above, there are hundreds of brand valuation techniques available. Both practitioners and scholars divide them into groups in order to facilitate access to and understanding of the respective methodical information. More importantly, the analysis of some valuation techniques which will be performed later in this chapter can only be systematically carried out if the necessary degree of comparability between the discussed methods is reached. Such scrutiny therefore necessitates segmentation of methods into groups as a prerequisite for their analysis. Hence, the question how brand

350 *PricewaterhouseCoopers/GfK/Sattler/Markenverband* (ed.), Praxis von Markenbewertung und Markenmanagement in deutschen Unternehmen, p. 18, states that almost half of the surveyed experts saw this as a substantial reason for brand valuation abstinence (in 2005 – compared to 53% in the year 1999). *Günther/Kriegbaum-Kling*, Schmalenbach Business Review 2001, 263, 278 found that, in 2001, 36.7% of the respondents claimed there exists no suitable brand valuation method, this being the principal reason for not carrying out brand valuations.

351 *Günther/Kriegbaum-Kling*, Schmalenbach Business Review 2001, 263, 278; *PricewaterhouseCoopers/GfK/Sattler/Markenverband* (ed.), Praxis von Markenbewertung und Markenmanagement in deutschen Unternehmen, p. 18.

352 *PricewaterhouseCoopers/GfK/Sattler/Markenverband* (ed.), Praxis von Markenbewertung und Markenmanagement in deutschen Unternehmen, p. 9.