

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 technique<sup>51</sup> 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 orientation<sup>52</sup> 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.<sup>53</sup>

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

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

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

#### 1.4.3.2 Comparability of Results

Ideally, a valuation methodology shall provide for both absolute and relative, i.e. comparative, valuations. An absolute valuation result can be obtained by means of single application of any valuation method. It reflects value as expressed by that method at one specific point in time and with respect to the one asset under scrutiny. However, it is not until several available valuation results are comparable that they are considerably more meaningful, as this allows for comparison of these assets vis-à-vis each other as well as for monitoring of the development of one or several assets' value over time. Both is indispensable for thorough strategic decision making and can best be achieved by continuous application of the same valuation technique. In light of this circumstance, the classification into forecasting and reporting valuations<sup>54</sup> was, amongst others, carried out in order to single out an expedient group of valuation scenarios which have enough in common for one specific valuation methodology to be applicable to all of them.

#### 1.4.4 Findings

An ideal forecasting intellectual property valuation methodology should not only be widely recognised and utilised but also provide for conceptual and methodical soundness and a manageable end result. If these requirements are met, any intellectual property asset will be comprehensively and systematically assessable, for purposes of any strategic scenario, by means of one single tool.

This would not only thin out the existing thicket of valuation techniques. More importantly, it could make a considerable contribution to building confidence in the quality of IP and brand valuation, thus enabling IP market creation and increasing use of IP assets in finance (which could, for instance, lower proprietors' cost of capital).

What is more, as the respective method would provide contextual information about the asset under valuation in a transparent manner, the valuation client could be put in a position of not only being aware of a certain valuation outcome but also of the respective value determinants' status and possible relations of the valued IP to other assets, on a case-by-case basis. Hence, over

54 *Supra* at 1.2.