

BRANDS FOR SUSTAINABLE GROWTH ON THE OCCASION OF WORLD IP DAY 2021

(Vienna, April 26, 2021)

by Gerhard Hrebicek, President European Brand Institute

"An increasingly digital economy is dominated by intellectual property and intangible assets, especially strong and valuable brands," said Gerhard Hrebicek, President of the European Brand Institute on the occasion of World Intellectual Property Day 2021.

Every year on April 26, we celebrate World Intellectual Property Day (#WorldIPDay) to highlight the role that intellectual property (IP) rights play in driving innovation.



"IP rights, especially brands, are today's most valuable and still least understood assets. Many companies but also policymakers are still unaware of the immense economic potential that can be unlocked through brands and IP rights."

87% of the corporate value in the S&P 500 Index is attributable to intangible assets, in addition they increase creditworthiness and enable easier corporate financing with debt capital.

Brands create sustainability

Brands are integral to innovation, helping companies adopt new technologies for the 4th Industrial Revolution. Especially in the age of digitalization, brands provide orientation, support, convey values, and create experiences and results that are important for achieving the UN 2030 agenda. Digitalization needs brands and brands need digitalization! Brands can be the key to sustainable growth, creating sustainable jobs, exports, value creation and fast return-on-investment."

Brands for society and the economy

The importance of intellectual property rights to society and the economy has become increasingly clear in recent years. For example, in the EU, they directly or indirectly support 35% of jobs, nearly 39% of EU GDP, and 90% of foreign trade. According to recent studies in the EU, large companies are four times more likely to own intellectual property rights than smaller companies - 40% of larger firms have registered rights.

91% of SMEs in the EU and an estimated 94% worldwide do not own registered trademarks, patents and designs. The task is therefore to make this system more democratic and allow wider access for a larger number of companies.

Companies that own intellectual property rights perform better.

Companies that own intellectual property rights generate more revenue per employee than those that do not, have more employees and pay their employees higher salaries. This relationship is particularly strong for SMEs.



Brands & IP as collateral for financing

Despite the recognized importance of intangible assets to the success of SMEs, these assets are of limited use when trying to access external sources of financing. This is especially true for innovative, fast-growing companies that typically have few tangible assets but are relatively rich in intangible assets.

These intangible asset-rich companies, which are mostly SMEs, regularly struggle to obtain debt financing because they lack the tangible collateral that both banks and the regulatory environment continue to view as a necessary safeguard and alternative "exit route."

Increasing the availability of debt financing based on the monetary valuation of brands and IP rights as assets should unlock more growth and enable companies to invest and innovate.

Brands as an engine for growth - especially in times of crisis.

Companies with strong, digitally present brands have a loyal customer base and high recurring revenues. They are supported by powerful intangible assets that are difficult to replicate.

Such sustainable brands can help companies navigate stably through the crisis and even emerge stronger. They add value (including regional value) and represent resources that support resilience and the ability to overcome crises.

"Our analysis shows very clearly that investments in brands support economic recovery from pandemic-related downturns, create growth, and ensure prosperity. Sustainably oriented brands encourage investment, deliver higher long-term returns, reduce downside risk, are less volatile and generally outperform in the capital market, which also makes them a good choice for long-term investors and capital providers."

ABOUT EUROPEAN BRAND INSTITUTE

The European Brand Institute (EBI), partner of UNIDO, is Europe's leading institute for intangible asset valuation. Its main activities have been focused on brand and patent valuation for 25 years. Through ongoing research and participation in the international standardization of brand and patent valuation - in particular the development of ISO standards for brand valuation - as well as advisory and consulting services in the areas of corporate finance, balance sheet activation, implementation of brand measurement and reporting as well as for investments in brands, EBI contributes to sustainable development in Europe and worldwide. EBI and its brand valuation company are the only ones worldwide certified according to ISO 20671, 10668: 2010 and ÖNORM A 6800 and offer the "ISO Certified Brand" program for companies, regions and managers. www.europeanbrandinstitute.com

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