



IP Challenges in the 21st Century

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**We are in the ideas
economy.**

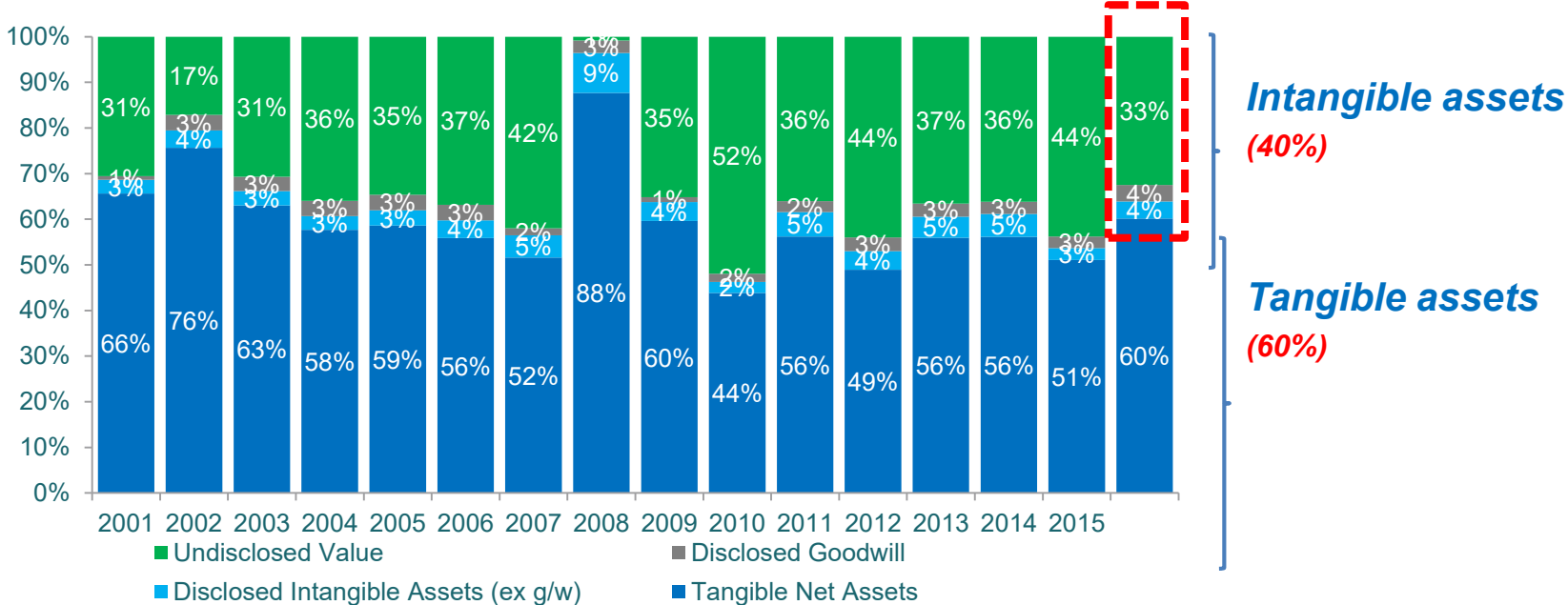
**The economy of
intangibles**

The BRAND is the most powerful intangible for creating shareholder and business value.

It's also under maximum threat in the 21st Century.

IP/Intangible assets account for almost half of global enterprise value

ASEAN Members Enterprise Value 2001 – 2016 (%)

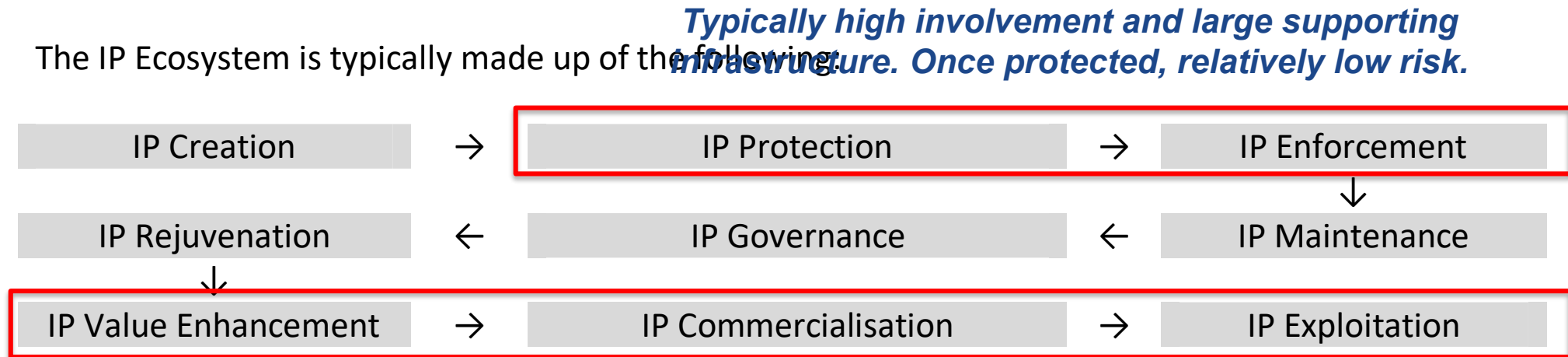


- Most Comprehensive Research ever compiled on Intangible Assets.
- Brand Finance analysis of top 120 national stock exchanges. 57,000 companies.
- **Over 41% of global enterprise value is intangible.**

Source: 2017 BrandFinance® Global Intangible Finance Tracker (GIFT™)

IP Ecosystem and Related Challenges

IP ecosystem is typically made up of the following

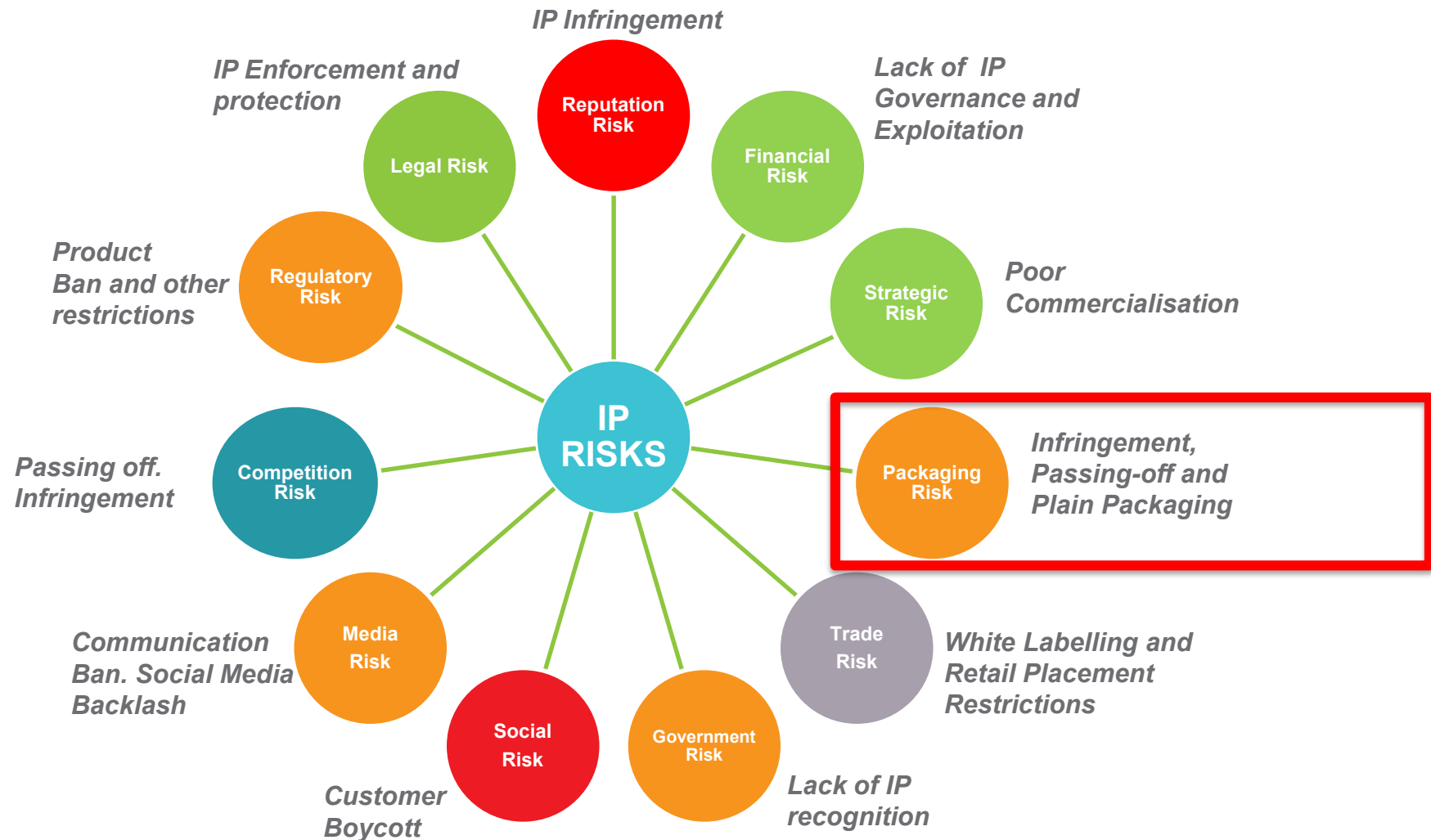


Typically low involvement and smaller supporting infrastructure.

Even if protected, IP always has a high “Encroachment Threat” and “Commercial Risk”

IP Risks & From Whom?

The commercial and encroachment risks will be equally via indirect stakeholders in the 21st Century



Packaging is just packaging, right?

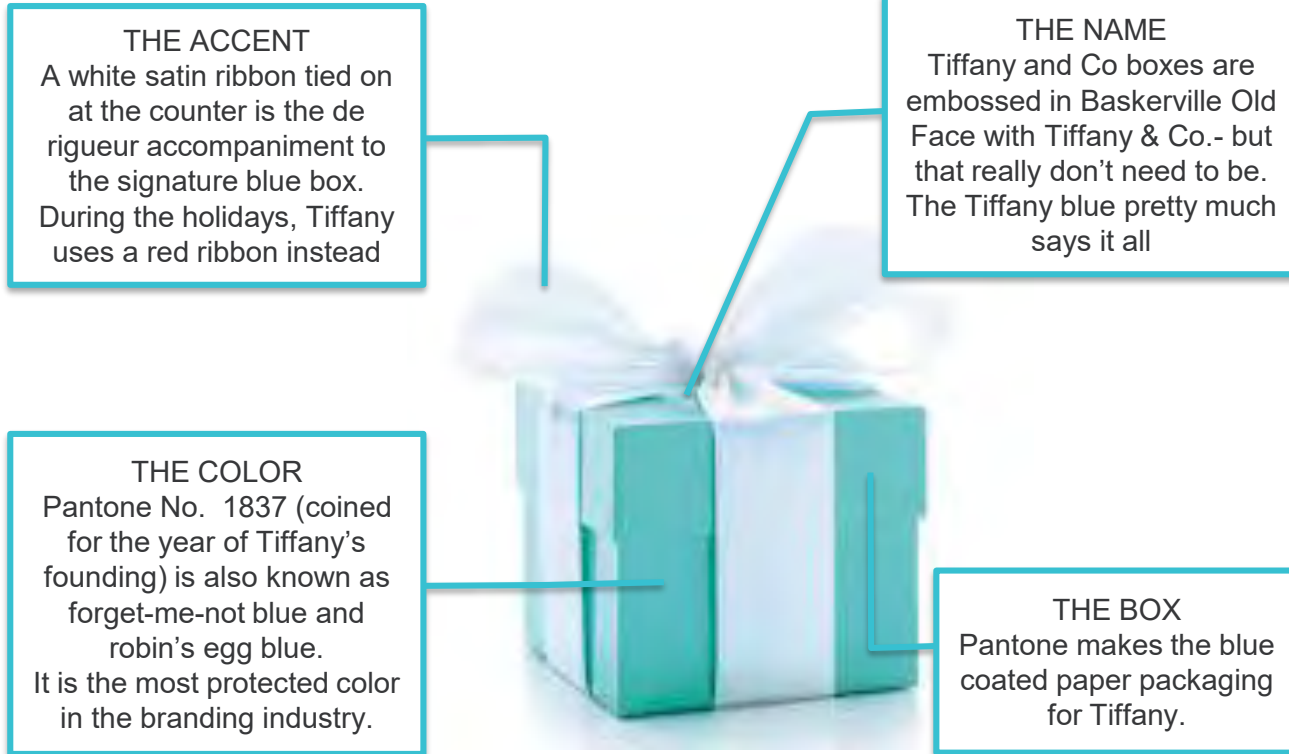
After all, it's the product that really matters.

- Every year, 95%* of new products fail. The reason is packaging.
- Most customers don't have the time or energy to weigh the advantages and disadvantages of the products in their shopping carts, so they use a shortcut to make their decision. That shortcut is “PRODUCT PACKAGING”
- Packaging is one of the most crucial IP for brand recognition and sales. Not the product category recognition but the brand.
 - Shape and form
 - Colours
 - Graphics



Packaging is just packaging, right?

After all, it's the product that really matters.



You cannot buy an empty Tiffany box, ever.

People rarely consciously look at logos.

Shopping habits are formed years ago, and don't change. But when packaging suddenly changes in a big way, people definitely notice.

After its package redesign, sales of the Tropicana plummeted 20% between Jan. 1 and Feb. 22. On Feb. 23, the company announced it would bow to consumer demand and scrap the new packaging. It had been on the market less than two months. Unit sales dropped 20%, while dollar sales decreased roughly \$33 million between Jan. 1 and Feb. 22.



Several of Tropicana's competitors appear to have benefited from the misstep. Minute Maid, Florida's Natural and Tree Ripe all posted double-digit unit sales increases during the period. Private-label products also saw an increase during the period, in keeping with broader trends in the food and beverage space.

Packaging Under Threat in the 21st Century

- **Passing-offs**
- **White Labelling**
- **Counterfeiting**
- **Plain Packaging**



Plain Packaging: Consumer Protection or Economic Destruction

Packaging Passing-off is a highly profitable business

Ghost brands and counterfeits trade on the halo value of an established brand



Spirits



Utilities

Packaging Protects. Plain packaging will take passing off and counterfeiting many steps further.

Food



Personal Care



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The £2billion hidden world of black market cigarettes revealed

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Counterfeit tobacco and cigarettes sold on Facebook

Nov. 2017 → Why fake cigarettes are a lose-lose for all
By CNBC Africa • November 28, 2017

What is Plain Packaging?

Removal of all branded features from external packaging, except for the brand name written in a standardised font, with all surfaces in a standard – often drab brown – colour.

Plain Packaging for tobacco:

- Australia, France, Britain, and Ireland have already implemented plain packaging for tobacco products.
- Many others, including Norway, Georgia, Slovenia, Hungary, and New Zealand have legislated for it.



Is it imminent?

Increasing calls to extend the legislation

- In 2015, the WHO-backed *Tobacco Atlas*, called for extending plain packaging to alcohol and some food and drink products.
- The Ontario Medical Association has mocked up images of plain packaging on food and drink products.
- In March 2017, Cambridge academic Wolfram Schultz, winner of the €1 million Brain Prize for the understanding of decision-making, made a widely publicised call for plain packaging to be applied to fatty, salty foods to improve public health.
- In November 2017, medical journal *The Lancet* called for plain packaging to be considered for alcohol, issue previously raised by Public Health England.
- Also in the past month, Canada's Yukon became the first territory in the world to introduce sizeable health warning labels on all alcohol products, cautioning against the risk of cancer. **NOW RETRACTED**
- **LATEST LEGISLATION IN IRELAND ON FOOD & DRINK**



Sell high calorie foods in plain packaging to beat obesity, says Brain Prize winner

Peter Dayan, Ray Dolan and Wolfram Schultz share €1m neuroscience prize for work unravelling the brain's reward system



“It is not unimaginable that bottles of Château Mouton Rothschild, which once bore the artwork of Salvador Dalí and Pablo Picasso, might one day be required to have plain packaging and images of oesophageal cancer or a cirrhotic liver.”

The Lancet, November 2017

Key Findings

\$187 billion of total implied loss in value for 8 major brand-owning companies as a result of reduced brand strength and marketing effectiveness

At least **\$293 billion** of total implied loss across the beverage industry

Fig. 1 - Implied Loss for Analysed Brand-Owning Companies in the Sample if Plain Packaging Enacted Globally



Fig. 3 - Implied Loss for the Beverage Industry if Plain Packaging Enacted Globally



Fig. 2 - Breakdown of Affected Brands and Exposure to Legislation by Company

Parent	Brands Portfolio	Alcohol	Sugary Drinks	Savoury Snacks	Confectionary	Exposure	Implied Loss (USDm)	Loss as Proportion of Enterprise Value
PepsiCo	135	1%	17%	36%	8%	62%	-43,019	-27%
Pernod Ricard	218	100%	0%	0%	0%	100%	-10,029	-26%
The Coca-Cola Company	101	0%	50%	1%	0%	51%	-47,293	-24%
Heineken	196	100%	0%	0%	0%	100%	-12,223	-20%
AB InBev	234	100%	0%	0%	0%	100%	-43,331	-15%
Nestlé	114	0%	4%	1%	29%	33%	-24,344	-10%
Mondelēz International	105	0%	1%	8%	60%	69%	-6,156	-8%
Danone	139	0%	3%	1%	5%	9%	-299	-1%

PepsiCo Example

Fig. 4a - Effect on Individual Brand Contribution Values - PepsiCo

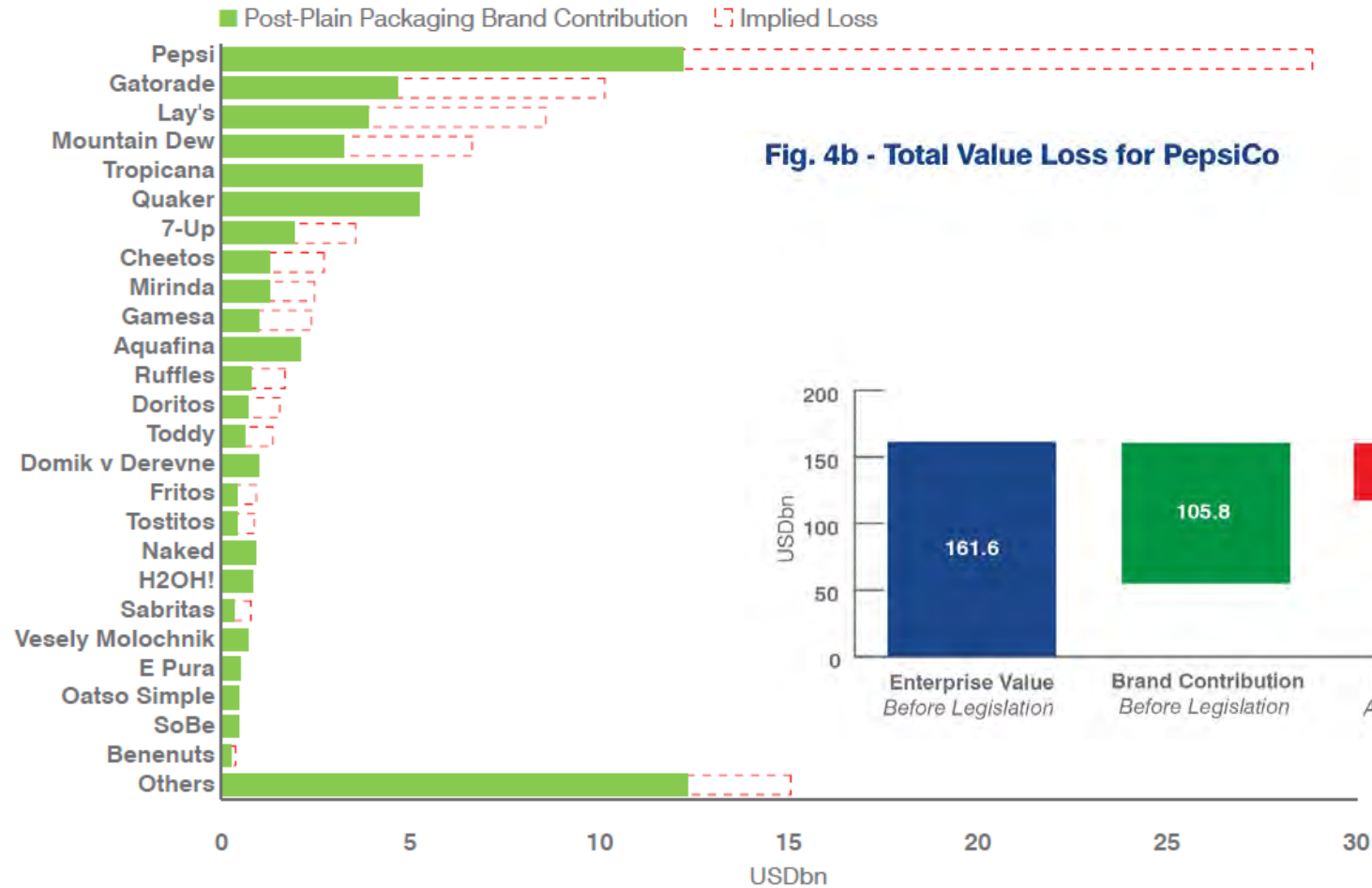


Fig. 4b - Total Value Loss for PepsiCo



Pernod Ricard Example

Fig. 5a - Effect on Individual Brand Contribution Values - Pernod Ricard

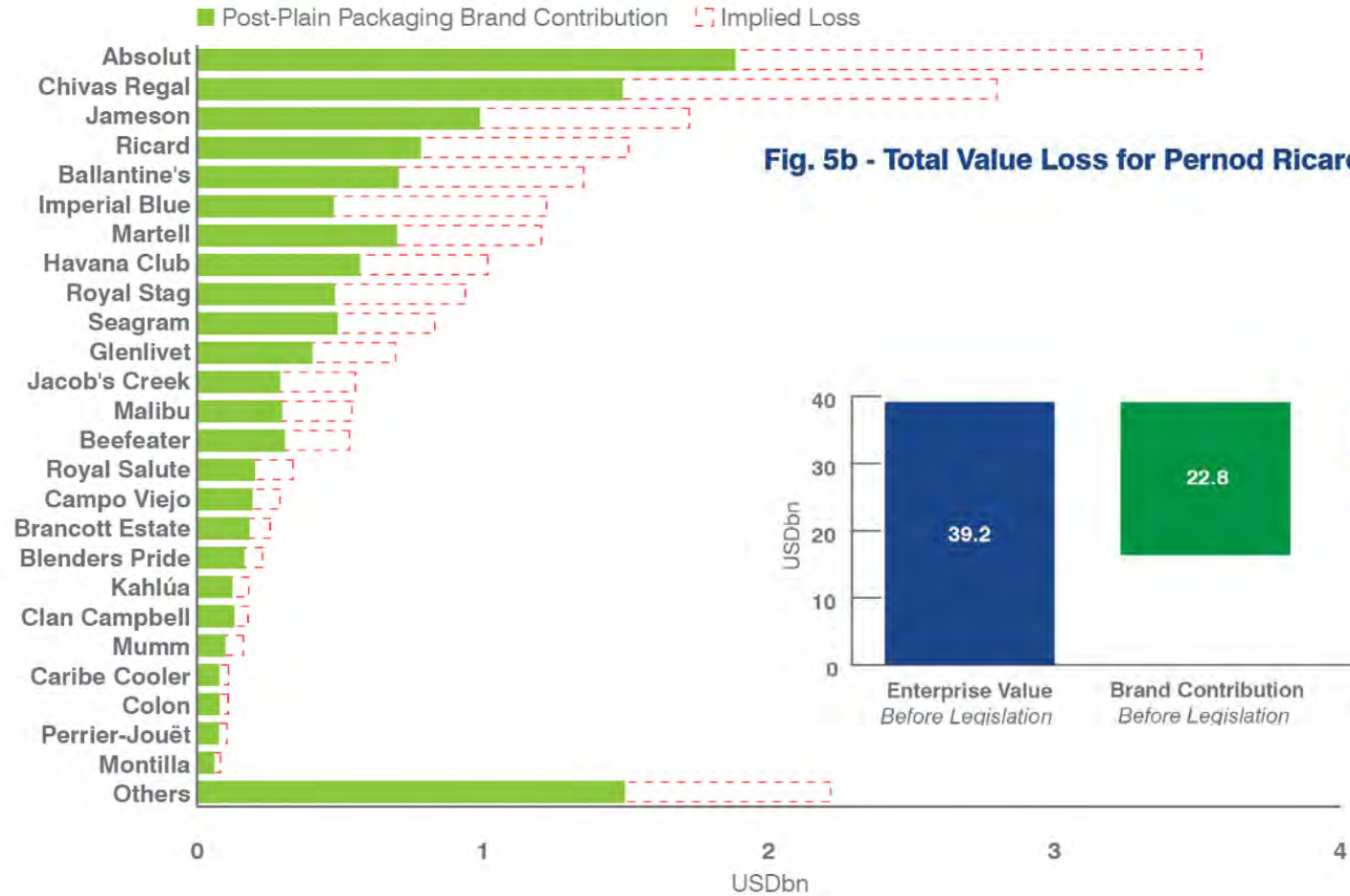









































Fig. 5b - Total Value Loss for Pernod Ricard



Methodology

Parent Company	Identify All Brands	Determine Whether Brand is Affected	Number Affected
 DANONE	139	 	13
		 	126
 Nestlé	114	 	38
		 	76
	101	 	52
		 	49
	105	 	72
		 	33
	135	 	84
		 	51
	196	 	196
		 	0
	218	 	218
		 	0
ABInBev	234	 	234
		 	0

Conduct before and after plain packaging analysis on each affected brand

Why losses to brands matter?

- \$ 5.9 trillion in 2014 of “intangible capital,” - Nearly one third of the value of manufactured products sold around the world, such as branding, design and technology
 - *According to a WIPO 2017 study of the global value chains companies use to produce their goods.*
- The total number of Intellectual Property Rights dependent jobs rises to 82.2 million (38.1%)
- IPR-intensive industries generated more than 42% of total economic activity (GDP) in the EU, worth € 5.7 trillion
- IPR-intensive industries pay a wage premium of 46% over other industries.
 - *According to European Union Industry-Level Analysis Report, October 2016*
- Globally, intangible value continues to soar, rising from \$19.8 trillion in 2001 to \$47.6 trillion in 2016, despite a drop of over 50% during the financial crisis of 2008
 - *Brand Finance GIFT Report 2017*



GIFT™
2017

To Conclude

Drinking is a serious addiction.

Fast food driven obesity is a global catastrophe.

Meat consumption causes cancer.

Smoking is a disease.

Sugar consumption drives more medical issues than all products combined.

Cosmetics related health problems have jumped 300%.

Should all these product packaging be banned and converted to plain packaging?

Should a fundamental IP right be denied basis an opinion?

Contact us



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Brand Finance is the leading brand valuation and strategy firm,
helping companies to manage their brands for improved business results.