

# Branding and other intangibles account for 30 per cent of product value – UN report

20 November 2017 – Intangible capital, such as branding, design and technology, is increasingly determining success in the marketplace, as nearly one third of the value of manufactured products comes from such capital, a study conducted by the United Nations intellectual property agency has revealed.

“Intangible capital will [increasingly determine the fate and fortune](#),’ of firms in today’s global value chains. It is behind the look, feel, functionality and general appeal of the products we buy and it determines success in the marketplace,” said Francis Gurry, Director General of the World Intellectual Property Organization (WIPO).

“Intellectual property, in turn, is the means by which companies secure the competitive advantage flowing from their intangible capital,” he added.

The WIPO’s study, ‘World Intellectual Property Report 2017: [Intangible Capital in Global Value Chains](#),’ released on Monday, looks at how much income is credited to labor, tangible capital and intangible capital in global value chain production across all manufacturing activities.

The report finds that intangible capital accounted, on average, for 30.4 percent of the total value of manufactured goods sold throughout 2000-2014. Overall, income from intangibles increased by 75 per cent from 2000 to 2014 in real terms, amounting to \$5.9 trillion in 2014, twice as much as tangible capital, such as buildings and machinery, contributed to the total value of manufactured goods.

## **Smartphones**

In the case of high-end smartphones, crucial intangible assets include technology, the design of hardware and software, and branding. Smartphone firms and technology providers rely heavily on patents, trademarks and industrial designs, generating a high return on their intangible capital.

For every iPhone 7 that Apple sells for about \$810, about 42 per cent of the sales price derives from intangibles. Huawei and Samsung also capture significant value in their top-end smartphone models.

Indeed, in the domain of patents, up to 35 per cent of all first filings worldwide may relate to smartphones. The report finds that the 4th-generation (4G) cellular standard used today is associated with close to four times more patents than the 2nd-generation standard.

## ***Coffee***

Technology plays a key role in turning a coffee bean into a cup of brew. Brand reputation and image allow companies to differentiate their offering from their rivals.'

Shifting consumer preferences have progressively transformed the global coffee value chain, moving from consumption in the home, then in coffeehouses and now to a new generation of discerning consumers who are interested in their coffee product's back story, willing to pay premium prices.

Prices commanded in this so-called 'third wave' market segment can exceed those in 'first wave' consumption by more than four times, with coffee farmers' incomes tripling. Information on the origin and variety of the coffee beans, how they were farmed and processed, and farmers' compensation become integral to selling coffee.

Responding to the shifting consumer preferences, coffee growers and even countries are investing in efforts to move beyond generic coffee, adopting their own branding strategies.

## ***Solar Panels***

Technological innovation is prompting profound shifts in the global manufacturing value chain for photovoltaic (PV) solar panels. Solar panels have moved from highly specialized products to low-cost commodities, putting pressure on producers.

Many companies are seeking growth in local service markets – such as the installation of solar panels in private homes. In such consumer markets, company and product branding are key intangible assets that help attract consumers and project finance.