

Sustainable Development Goals and Social Media – New Value Drivers for Start-ups

Part 3: Sustainability and social media as new value influencing factors – The new IP valuation model

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Today, there are often middlemen between brands and consumers. But within the next ten years, technologies will make it possible to interact more directly. That is expectable innovation. The next decade will be that of “Direct to the Customer” – D2C, where it used to be “Business to Middlemen/Re-Seller to the Customer” – B2B2C. That is a realistic future. D2C will take over and change brand awareness and impact how we know it.

(Source: 2b-AHEAD study 2021)

Follower and brand equity: How social media increases the value of trademarks

Intangibles are the most underestimated essential but most valuable assets of a company. Some speak of a ratio of 90 to 10. So the value dominates in intangible assets: the company name, brands, symbols, and slogans, their underlying associations, perceived quality, name awareness, customer base, and protected resources brands, and channel relationships. These assets, which include brand equity, are a significant source of competitive advantage and future revenue. The last decade has seen a digital transformation that has led marketers from offline marketing and one-way online communication to a dynamic digital dialogue with consumers. Customers are increasingly mindful of social and environmental footprints and participate as demanding customers or even thoughtful investors. It is one of the driving factors behind customer transactions in the millennium of demographic transition.

We – the micro-influencers and artificial intelligence (AI)

The beginnings of social media were very self-centered. But the medium continues to develop at an enormous speed. It produces new iterations of itself every day, influencing culture, advertising, how

brands present themselves, and how they are perceived by digital society in the new role they are perceived to play. In a post-pandemic world, the trend will intensify that social media's added value is its function as a social change driver. In the meantime, tech-, brand- and/or other early stage, often self-proclaimed influencers are more and more companies' "Values" voice. Within the next ten years, all customers are micro-influencers who indispensably amplify a brand's voice in the digital space. Algorithms and artificial intelligence will strengthen it. They play our topics and fields of interest in an increasingly targeted manner in the background of social media, thereby indirectly sharpening the perception of a particular topic. It is precisely these routines that decide about the future virality of content and thus massively enter into reading consumer behavior and accelerate it.

Influencers use this virality to shape influence the brand and its history by filling it with their content. It enables brands to unleash reach or 'clout' in a world where digital presence increasingly means everything. Self-appointed influencers (they make money with it) and micro-influencers and their followers formed by them will in the future take the form of authentic, highly successful, and free marketing. Marketing will play an increasingly dominant role for brands – no matter in Business to Customer – B2C and the but also in the Business to Business – or in B2B sector.

Social media success requires a strategy

The growth of social media is a revolution in marketing and brand value. For example, more than 2 billion Facebook users are currently using this social media site on a monthly basis, investing more time there than any other internet application. Recent analysis has revealed meaningful applications of digital communication technologies without discussing the company's social media success's internal operational context. Drawing on resource-based theory (RBT) and the idea of dynamic capabilities, it has been apparent that social media-specific tools and dynamic capabilities will improve social media's efficiency and, therefore, the brand's appeal. To address fundamental differences between traditional and social media marketing, companies (and in particular those with a sustainable business model) need specific social media marketing techniques, which in turn require specific strategic resources and capabilities, as suggested by both resource-based theory (RBT) and the concept of dynamic capabilities. Dynamic capabilities provide an internal, long-term perspective on how social media can be used effectively beyond the short-term tactics or instrumental uses described in most marketing studies. It is important not to regard the identified dynamic capabilities as "pure" resources. Such a view would mean, theoretically, that managers could purchase

them from vendors. Instead, managers need to understand that the related generation of knowledge requires them to organize multiple resources inside and outside of the firm to remain continuously innovative and adaptable to changing social media phenomena.

Trust and purpose – the brave new world?

The high speed of technology cycles, AI-driven marketing, and social media's influence on people's decision-making increasingly enhance people's uncertainty about their future development. In other words, technology is developing faster than society. People are no longer "carried along" and therefore increasingly yearn for orientation. Against the background of the complexity that the future will bring, society does not need tutoring in technology, but simply the good feeling that it can rely on and trust companies. As a result, purpose – the companies' *raison d'être*/right to exist – has become more prominent in recent years. The purpose provides the deeper reason why the company exists and what value the company adds to society. Therefore, companies are increasingly putting purpose at the center of their actions. Because:

- Companies with a purpose outperformed the overall market by a ratio of 15:1 (Collins/Rorras)
- Purpose-driven companies grow 4x as fast (Korn Ferry Institute)
- The purpose is one of the top growth drivers among particularly fast-growing companies worldwide (Malnight/Buche/Dhanaraj)
- Consumers expect companies to make a visible contribution to sustainability, fairness, and environmental protection (Rubin/Carmichael)
- 65% of customers prefer companies that support a good cause (McKinsey)
- One in two consumers turns away from brands that shirk social responsibility (McKinsey)

These insights are new for corporate management – but have always been latent in brand management somehow. Brands that do not offer customers any added value do not make sense. They are dispensable. There are some challenges to consider when defining purpose. Purpose needs content, i.e., factual foundations: responsibility, sustainability, service, economic strength, innovation, etc. The collective perception of these facts gives rise to attitudes that trigger positive behavior. The most efficient way to do this is to focus on content that meets customers' and stakeholders' expectations.

Recent studies show that sustainability is becoming increasingly important for society and is now one of the most critical success drivers. Particularly when it comes to sustainability issues, however, there is a tendency to operate with interchangeable empty formulas. Those who manage to combine corporate activities and socially relevant topics into a meaningful and coherent story gain relevance and credibility. Therefore, the purpose must not be used merely as a communicative slogan with which the marketing department takes its position on socially relevant issues. If corporate communications and actual corporate actions do not match, controversial discussions will arise. If a brand does not live up to the promises and expectations, it must expect criticism on social media and boycotts calls.

Within the next ten years, successful brands will be defined by an inner purpose, a sense of meaning, and drive in a broader context. Sustainability will be seen as a critical value for us, rather than merely an embellishment, will be a matter of most brands as a matter of course. And new technologies are driving a new dimension of corporate transparency and genuine authenticity.

In our part 4, "The three pillars of IP valuation: Technology, Legal and Market", we will introduce how the relationship between the technology, market, legal, and sustainability is integrated into a holistic approach to valuating a companies' intangible assets.

Sources:

- Die Zukunft von Marken, 2b-AHEAD study 2021
- Social media resources and capabilities as strategic determinants of social media performance, International Journal of Research in Marketing, 2019
- The Future of Intellectual Property 2030 – 2b-AHEAD study 2018
- Kemp, S. (2016). We are social. Digital in 2016. <http://wearesocial.com/uk/special-reports/digital-in-2016>
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

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