A competitive product or a competitive strategy is not the same thing as a competitive organization.
THE RISE OF INTANGIBLE ASSETS

Company Market Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Tangible</th>
<th>Intangible</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>2005</td>
<td>25%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Kenton, Christopher, “Value Beyond the Balance Sheet,” Businessweek, February 1, 2005

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Financial Statement Reporting Brand Value

Microsoft
- Goodwill reported
- Brand not reported\(^1\)
- Current Market Cap: $260B\(^2\)
- Current Brand Value: $60B\(^3\)

PepsiCo
- Goodwill reported
- Brand reported\(^4\)
- Current Market Cap: $95B\(^5\)
- Current Brand Value: $12B\(^3,6\)

1. Microsoft 2005 Annual Report
4. PepsiCo 2004 Annual Report
6. Pepsi Brand

Adapted from “Brand and the Non-market,” Rachel Kolenda, Steve Lindheim and George DeVries, MBA Program, USF, 2005.
Why Companies Left

(1) Thies, Clifford S. "The Demise of Arthur Anderson" http://www.gold-eagle.com/editorials_02/thies041502.html

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Cost of Security Breaches

- Nearly 20% of victims terminated their relationships with the company immediately
- 40% were considering terminating
- 5% hired lawyers to seek legal recourse

Ponemon Institute Survey of 51,000 victims, sponsored by White & Case LLS 2005
Highlights of Program and Current Study Methodology

- Phase 1: In-depth interviews with prominent CEOs, thought leaders (principal investigator)
- Phase 2: 300 interviews by experienced brand valuation firm (CoreBrand)
- Corporate Branding Index®, Unique database of 1200 companies across 47 industries, 12,000 interviews per year
- Proprietary algorithm measuring brand equity, incorporating economic and financial performance data as well as image surveys
- 15 years of data

Highlights of Program and Current Study Methodology (cont.)

- Brand strength reflects perceptions of reputation, management and investment potential (Corporate Branding Index®)
- 40 sample firms, 3 sectors: Finance (21), Retail (8) and Healthcare (19)
- Subject of interest: relationships among true believers/strong endorsers
- Phases 3-4: Further interviews and survey samples with new protocols, data analyses
### Industry/Sector Analyses: True Believers/Strong Endorsers

#### Brand Strength (Image)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>35.2</td>
</tr>
<tr>
<td>Finance</td>
<td>26.2</td>
</tr>
<tr>
<td>Retail</td>
<td>70.3</td>
</tr>
<tr>
<td>Healthcare</td>
<td>26.9</td>
</tr>
</tbody>
</table>

#### Protecting customer information

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>50.9</td>
</tr>
<tr>
<td>Finance</td>
<td>54.9</td>
</tr>
<tr>
<td>Retail</td>
<td>52.2</td>
</tr>
<tr>
<td>Healthcare</td>
<td>42.5</td>
</tr>
</tbody>
</table>
Industry/Sector Analyses: True Believers/Strong Endorsers

Align privacy and IT with business objectives

<table>
<thead>
<tr>
<th>Industry/Sector</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>40.1</td>
</tr>
<tr>
<td>Finance</td>
<td>43.0</td>
</tr>
<tr>
<td>Retail</td>
<td>32.8</td>
</tr>
<tr>
<td>Healthcare</td>
<td>38.7</td>
</tr>
</tbody>
</table>

Relationship Between Brand Strength and Customer Privacy

True Believers/Strong Endorser relationships between protection of customer information and each of the image components of brand strength (aggregate sample):

- Overall reputation: .72
- Quality of management: .80
- Investment potential: .71
True Believers/Strong Endorsers Relationships

Perception that the firm does a good job in balancing the needs of various stakeholders correlates with each image component of brand strength:

<table>
<thead>
<tr>
<th>Component</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall reputation</td>
<td>.50</td>
</tr>
<tr>
<td>Quality of management</td>
<td>.50</td>
</tr>
<tr>
<td>Investment potential</td>
<td>.63</td>
</tr>
</tbody>
</table>

Profit

\[
\text{ROE} = \frac{\text{Net Income}}{\text{Assets}} \times \text{Leverage}
\]
Self Perpetuating Cycle of Innovation and Investment

- Growing consumer buzz
- Heightened dependency
- Passionate enthusiasts

- Stronger investor reaction
- Venture financing
- Enabling technologies proliferate
- Appetite for disruptive technology increases

- Explosive growth in new products and services
- Non-market response
- Corporate resilience

Governance and Leadership: Data Governance Illustration

- Adopt new security technologies, quicker
- Defend assumption of corporate liability
- Advocate tax policy for security investment
- Accommodate competing interests
- Advance international cooperation

(and always, walk the talk, as in security policy versus social engineering)
History punishes those who come late.

Russian Proverb

Thank you!
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