INTELLECTUAL PROPERTY VALUE CAPTURE

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- **IP Value Capture or IP Business assesses the way distinctiveness translates into major price differences in retail markets and**
- **Where in the supply and distribution chain farmers, producers and artisans can "capture" more of that price value**
- **To return more income to the rightful owners of the distinctiveness.**

Upon completion, participants will:

1) Better understand how many African and developing country products are distinctive and how this distinctiveness can translate into higher prices in the retail markets
2) Understand concepts of 'distinctiveness' and 'intangible value' and be able to distinguish distinctive and non-distinctive products.
3) Understand the steps of the IP Value Capture or IP Positioning process.
4) More clearly understand how IP Value Capture strategies can be used to return income from distinctive products to the African producers of these products.
5) Gain clarity on what this means for the future of Ethiopian Fine Coffee.
6) Consider other African distinctive products for which an IP Business strategy can return income to producers.

The purpose of these training materials is to teach Intellectual Property Value Capture (IPVC), an IP business strategy to return income that is currently being lost to foreign markets and return it to African farmers and producers. IPVC works to help African farmers, producers, and exporters gain and improve their income by taking more control of the distribution of their distinctive products and capture a larger share of the retail price. IPVC has a proven track record of helping to return income to African producers. This training booklet will include exercises explaining concepts such as distinctiveness, intangible value and the steps of IP Value Capture in an interactive and participatory way. Most importantly, gathering expertise about returning income from Ethiopian fine coffee has future implications for more income and more stable income.

The distinctiveness of these products often is the outcome of years of hard work, knowledge of processing that has been refined over time, reflective of justifiable pride, significant talent and oftentimes community effort. Yet, rather than returning reasonable income to the creators of the distinctiveness, the products earn far more money for retailers and wholesalers in foreign markets, outside of the country boundaries.

Exercise 1

1. Light Years IP studied 20 distinctive African export products (special types of products farmed or produced in Africa, such as Ethiopian coffee, Ugandan vanilla, Mozambique cashews, Tanzanian tea, etc.). These products often sell for high retail prices in foreign markets. How much of the profit from the final retail price do you expect the African producer usually receives?

   A. 35-50%
   B. 20-35%
   C. 10-20%
   D. 5-10%
   E. 3-5%

2. How much money do you think African farmers and producers lose every year by allowing exporters, distributors and foreign retailers to enjoy the value of these 20 distinctive products?

   A. $270 Million
   B. $500 Million
   C. $810 Million
   D. $1.1 Billion
   E. $1.4 Billion

A SOLUTION

Light Years IP has assisted Ethiopian coffee farmers to break out of the commodity market in 2008 with a return of about $US 101 million, and the increased price has been sustained since then.

Ethiopia implemented a groundbreaking initiative with design and assistance from Light Years IP to change the existing order in fine coffee. Ethiopian fine coffees are recognized globally as some of the best tasting coffees in the world. Before 2007, wholesalers and retailers outside of Ethiopia were enjoying almost all of the retail price value of Ethiopian fine coffees with only about 5-10% being returned to Ethiopians. A coalition of stakeholders, including growers, exporters, and government representatives established the Ethiopian Fine Coffee Trademarking and Licensing Initiative. The purpose was to manage the brands of Ethiopia's most famous coffees – Harrar, Sidamo, and Yirgacheffe – Ethiopia registered trademarks of the brands in countries around the world. Since there are now almost 110 licensed distributors those that wish to sell one of these trademarked Ethiopian coffee must obtain a license from Ethiopia.1 Since there are over 4 million Ethiopian coffee farmers and roughly 15 million Ethiopians involved in coffee, IP Value Capture has made a major difference.

Exercise 2

1. How much did Light Years IP's Intellectual Property Value Capture Method secure for Ethiopian farmers in 2008?

   A. Over $50 million
   B. Over $75 million
   C. Over $100 million
   D. Over $150 million

2. Who was enjoying the majority of the retail price value Ethiopian fine coffees before this initiative? (circle all that apply)

   A. Producers
   B. Exporters
   C. Wholesalers
   D. Retailers

3. What legal action did Ethiopia take to manage its coffee brands?

   ____

   ____

4. What must a distributor do to sell Yirgacheffe, Harar or Sidamo coffee (note: this was done free of charge)?

   ____

   ____

5. What strategies did Ethiopia use in addition to legal tools?

   ____

   ____

1.2 How IP Value Capture works?

First, IP Value Capture is based on the simple reality that many products across Africa are distinctive and hold value called Intangible Value. With intangible assets being so important to their income, producers and businesses in the developed world use IP (Intellectual Property) management as the core of business strategies. Whether they produce computer software, cars, soft drinks, artisanal products or music, producers from rich countries use various forms of IP tools to own and control income from their products. For them, IP is not merely a "legal issue," it is the base of their business strategy, the means by which they achieve their business objectives. This is true for modern companies the world over. For example, Coca Cola brand is estimated at $US 23 trillion and Sunkist Oranges, as a brand is worth far more than oranges with hundreds of products under this umbrella brand.

IPVC Step One: Is the Product truly Distinctive and how do we determine Distinctiveness?

In order to determine if there is an IP Value Capture strategy available for a product, it is first necessary to consider the following:

❶ Is the product truly distinctive? Many products are perfectly fine products with special characteristics. They may be of superior quality to other country products. The criteria of distinctiveness begin with assessing whether or not the product holds special qualities that are valued by buyers and consumers. These qualities include such things as special origin; reputation in the international arena; particular story; valued image or special characteristic that normally equate to higher retail prices.

❷ Some examples include: higher concentration of the main ingredient, such as Ugandan (vanilla which has 2-3% concentrated vanillin compared to Madagascar around 1.5% vanillin); a special feature such as Jamaican natural beauty products, as the island is home to a very high concentration of unique species; Cuban cigars that are made by highly skilled experts; or a pure honey from unique flowers that gives special flavor experiences. Even something as simple as a palm-like plant, grown on one of the Caribbean islands, that holds its green for 45 days would be considered distinctive among other similar products.

❸ Distinctiveness generally translates into intangible value – the non-tangible aspect of a product that consumers are willing to pay higher price for the products due to recognizable images or reputation associated with certain brands. Intangible value is discussed below.

1

Determine Distinctiveness

The first step in IP Value Capture is to determine a product's distinctiveness and assess whether or not it has intangible value.

Distinctiveness is the difference between the retail price of the generic or commodity price of the product and the retail price of the specific, special product.

Understanding the importance of the distinctiveness of the product and how this distinctiveness influences prices and the supply chain is crucial. The following exercise explains distinctiveness. Read, answer, and discuss.

Exercise 3

Why would someone choose to purchase Cuban cigars instead of other, cheaper cigars?

1. Discussion: Would you pay more for a Cuban cigar than for a normal cigar? How much more would you pay?

   A. None
   B. $10
   C. $25
   D. $50
   E. $100
   F. $200 or more

   Why?

   ____

   ____

Cuban cigars are expensive because they are distinctive. They have a special origin, an international reputation, highly skilled producers and a popular image that is associated with them. You might think it is unwise to pay so much for a cigar. But it is important to remember that other people will pay this much for a Cuban cigar's distinctive qualities.

Luxury cars are another example of distinctiveness. Why are luxury cars priced so much higher than other cars, when both types of cars have the same practical purpose?

(Base Price $66,650) Mercedes Benz SLK 55 AMG ($15,600) Toyota Corolla

3. Discussion: These are both new cars, but one is far more expensive. Would you pay more for the first car? How much more would you pay for the first car?

____

4. Why?

____

____

Consumers also pay high prices for distinctive African products. These products are expensive because they are distinctive. They have a special origin, an international reputation and a story or image associated with them. This distinctiveness increases their value in the marketplace. Why should profits from this value go to anyone but the producers of distinctive African goods?

Ethiopian specialty coffee blends such as Harrar, Yirgacheffe and Sidamo are prominent examples of distinctive products. They have long traditions of cultivation, global recognition as fine coffee blends and a higher than commodity price in retail markets.

Another great example of distinctiveness is Ugandan vanilla, which is arguably the finest vanilla in the world. It has the highest vanillin content of vanilla produced anywhere in the world. It, too, is sold for high prices as a specialty good in retail markets.

These products have special qualities that set them apart from other coffee blends or other types of vanilla, and their distinctiveness is recognized and appreciated by consumers. Many producers believe their products are distinctive because they work hard to farm and produce them. We are looking at products that have a genuine distinctiveness in the marketplace (again price differences between generic commodity product prices and specific special product prices), so there is income to be 'captured' back to the owners – farmers and producers.

Ugandan vanilla, for example, is not only distinctive because of its fine quality. It also has marketplace distinctiveness. Whole Foods, a US retailer, sells Ugandan vanilla pods at two pods for $12, whereas about $.08 goes to the farmer for two pods.

Exercise 4

To better understand whether a product is truly distinctive or not, the following questions will help. Many African products are good, but IP Value Capture strategies work with truly distinctive products. The following questions sometimes require more research, but they are important indicators of whether the product is truly distinctive.

What other similar products are on the market from other countries?
What makes this product special and different from the others?
What do experts say about this product?
How much does this product sell for in various markets? Is it worth more than similar products?
What is the price the producers are receiving? Is there a big difference between what they are receiving and what the product is being sold for in stores?

What other African products can you think of that are distinctive?

1. ________________________________
2. ________________________________
3. ________________________________
4. ________________________________
5. ________________________________

Intangible Value

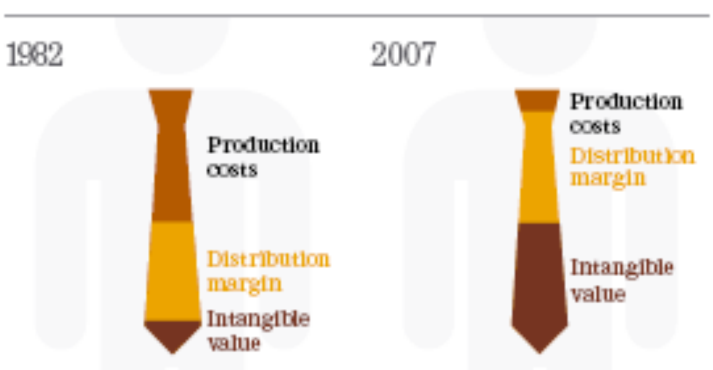
Distinctiveness usually translates into intangible value -- the non-tangible aspect of a product that leads consumers to pay higher prices for the products due to recognizable images or reputation.

In recent decades, the **intangible value** of products in developed country markets has overtaken the physical value.

Recall the Cuban cigar. This product's distinctiveness earns the company that produces it far more money than the materials used to create it. Tangible aspects include the tobacco, the wrapping, the label -- relatively cheap materials. Intangible aspects include its origin and the refined image associated with smoking it. Consider the low cost of the tangible aspects and the high price of the cigar. The intangible value of the cigar makes up much of the difference between the cost of the material and the price of the cigar.

The importance of intangible value has grown steadily. In 1982, 62% of the market value of Standard & Poor's 500 companies (an index of the leading US companies) could be attributed to tangible assets and 38% to intangible assets. By 1998, only 15% of the assets of Standard and Poor 500 companies were tangible, while 85% were intangible. This shift in the value of assets reflects the ability of these intangible assets to generate income. The good news is this can be an advantage for producers of African distinctive products.

Read the following description of intangible value associated with a man's tie. Then, answer the questions about it.



An everyday product, such as a man's tie, offers an example of the shift in the importance of intangible value. Just 25 years ago, about half the retail price of a tie represented its physical value—materials and manufacturing costs—while the rest went to the costs of distribution.

Little or none of the price represented the design, brand, or other **intangible value** of the tie. In contrast, today, around 85% of the price goes to the rewards for the design or brand (the product's intangible value) and to distribution. Today, as little as $0.75 is being returned to the producers for the materials and manufacturing costs of a good tie.

Exercise 5

1. What are tangible aspects of a tie? (circle all of the tangible aspects)

   A. cotton
   B. brand
   C. stitching
   D. story
   E. label
   F. polyester

2. What are intangible aspects of a tie? (circle all of the intangible aspects)

   A. reputation
   B. design
   C. cotton
   D. polyester
   E. tag
   F. brand

3. What are some tangible aspects of the following products?

   A. beaded necklace

   ____

   ____

   ____

   B. luxury car

   ____

   ____

   ____

5. What are some intangible aspects of the same products?

   A. beaded necklace

   ____

Review I   Distinctiveness and Intangible Value

1. "Distinctiveness is the difference between the retail price of the ________________ or ________________ price of the product and the retail price of the ________________, ________________ product."

2. Distinctiveness usually translates into __________________ value.

3. Are there distinctive African products?

   ____

4. How do we differentiate between commodity and distinctive products?

   ____

   ____

   ____

5. Who often enjoys the distinctiveness of African products? (think about the Ethiopian Fine Coffee and Trademarks Initiative)?

   __________________ & __________________

6. In the last 25 years, which assets have become more important to the retail consumer?

   ____

2

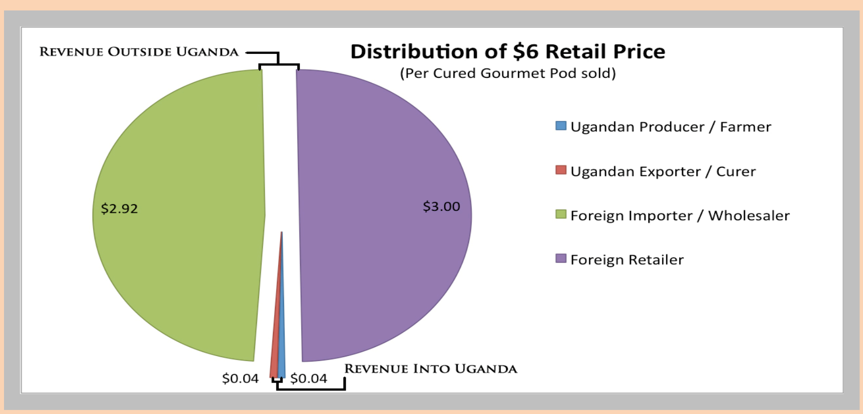
Retail Price Analysis and Difference

As discussed in the previous exercise, intangible value translates to higher prices in the marketplace. Determining the intangible value of a distinctive product requires a price analysis. Light Years IP research has found there is often a very large difference between the retail price in foreign markets and what the farmer, producer or artisan is receiving, which sometimes translates into millions of dollars overall. This creates an opportunity for intellectual property business strategies for the farmers, producers or artisans to intervene and potentially receive much larger income.

Exercise 6

Light Years' research on Ugandan Vanilla shows a large price difference.

Ugandan Vanilla



1. From the information provided, for how much is one cured gourmet pod sold at retail price after it has reached its final destination market?

   ____

2. How much is retained by the importer and retailer?

   ____

Example 2: Ethiopian Coffee

Ethiopian coffee was an example of a distinctive product with a large intangible value that was being captured outside of Ethiopia before Light Years IP initiated the Ethiopian Fine Coffee Trademarking and Licensing Initiative. Prices paid for Sidamo fine coffee from 2005-2007 were as follows.

Estimated Farm and Retail Price *(Sidamo fine coffee prices over 2005-7, per lb)*

Farm Price	Retail Price
$0.40-$0.60	$11.95-26.00

3. What were the smallest and the largest differences possible between the retail price per pound of coffee and farm price (the profit received by the farmer for a pound of coffee)?

   Smallest difference: ______________________________

   Largest difference: ______________________________

As is clear from both examples, there is a great disparity between the final retail price and the initial price paid to the farmer.

These price differences demonstrate the intangible value that consumers are willing to pay for in these distinctive products. They also demonstrate the great need for IP Value Capture strategies.
In the case of Ethiopia, a combination of legal and business strategies were engaged:

- Ron Layton approached the head of the Ethiopian IP Office (EIPO)
- A Trademarking strategy was engaged to secure the Trademarks for Sidamo, Yirgacheffe and Harrar.
- A licensing strategy was engaged to increase the power of the coffee exporters. There are now well over 100 licensees.
- Support was obtained from members of the International community who care about farmer's rights.
- Arnold and Porter law firm donated over $US 100million in pro bono legal work.

In other products, Light Years engages IP business strategies to enable farmers, producers and owners of cultural brands to use various combinations of legal and business tools such as owning a foreign export company, and controlling more of the supply chain to achieve greater leverage. These strategies can be found in a subsequent series of 6 training modules and upon request from Light Years IP. Each case is different, but each begins with a full analysis of Distinctiveness and Intangible Value and where in the distribution and supply chains the rightful owners and producers can achieve most leverage to return income.

THE METHOD: IP Value Capture is applicable to a variety of products. We follow this simple method.

What is the method?
Light Years IP conducts research to find products with genuine distinctiveness to uncover opportunities for IP Value Capture, examining the following:

1) **The product holds genuine distinctiveness:** For example, while there are many honey products, some honey is distinctive by its rareness, content quality, story of origin, reputation or perceived value in the marketplace.

2) **Retail market price and export price gap:** In many examples, there is a dramatic gap in export and wholesaler and retail prices. Light Years IP has found large price gaps for many African exports with the large majority of retail price value remaining outside of the export country.

3) **Potential for leverage in the supply chain:** The next step is to assess all aspects of the supply chain to determine where the best IP Value Capture opportunities are. This combines with legal strategies ranging from Trademarks to Licensing and other IP tools, specific to the situation.

4) **Clear social impact potential for low-income farmers and producers:** Light Years IP mission and purpose is to help achieve higher and more secure income for producers who most need it. Does this product have potential to generate significant income return for large numbers of low income farmers and producers?

5) **Local stakeholder interest and enthusiasm:** The farmers/producers own the projects and their full participation will take these business strategies forward if they so choose. Producers tend to become active stakeholders and own the business strategies, as in the case of the Ethiopians.

6) **Investment-ready projects:** Assistance can be provided to design initiatives ready for investment that will finance the new business strategies from social impact investors and other funders, once viable business plans are complete.

In the space below, write out the lessons learned from The Ethiopian Fine Coffee Trademarking and Licensing Initiative below, and what are, in your opinion, steps most needed to ensure the stability of the project; ensure the income return; and future gains.

The eyes of Africa and to some extent, the world are watching Ethiopia and taking inspiration, as well as genuine real steps to follow the Ethiopian success.

Review II **Summary**

This first section illustrated critical concepts toward understanding IP Value Capture. To review key terms and concepts, please take a moment and write out your understanding of the following:

1. Intangible Value

   ____

   ____

2. Distinctiveness

   ____

   ____

3. Commodity Product

   ____

   ____

4. Export and Importing Market

   ____

   ____

5. Price Difference between Farmer/Producers and Importer/Retailers.

   ____

   ____

6. Where do you feel your understanding of IP Value Capture is strongest?

   ____

   ____

7. What is the most difficult concept so far?

   ____

   ____

8. Explain Intangible value in your own words.

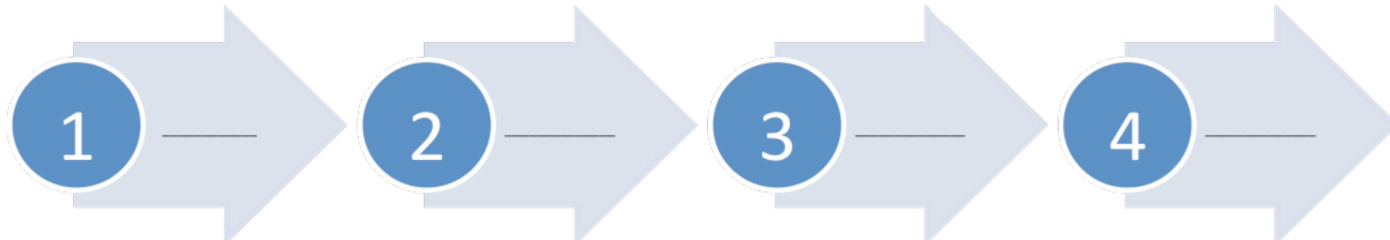
   ____

   ____

3 Value Chain Analysis

The next step in IP Value Capture method is to conduct a value chain analysis.
In IP Value Capture analysis, supply chains are simplified to four elements to help understand where value is assigned out of the total amount paid by a retail buyer.
The supply chain will be different for each product or service.

Farm/Producer Price	Export Price	Importer/Distributor Price	Retail Price



Any supply chain analysis requires four figures.

1. First take the information from step 2 'Retail Price Analysis and Difference' to record the retail prices.

2. Then establish the price at which the product is being exported. An IP Value Capture strategy applied by the export sector will be aimed at increasing the export price to a higher percentage of retail prices, so it is valuable to examine the percentage currently earned by other producers.

3. Extend the two point value chain analysis to producer prices, by examining research papers or conducting primary research through farmer cooperatives.

4. Estimate the price paid by retailers buying from importers, to understand how much of the intangible value in the final market is going to importers or to the retailers.

From the above value chain analysis, the forecast impact of IP Value Capture strategies in capturing existing retail intangible value can be estimated and compared.

Exercise 7 Value Chain Analysis

Arrange a chart for another product, Namibian marula oil, putting each value in the correct place. Currently, producers are receiving $2.35 per kilogram. The exporter sells the oil for $23.45 dollars per kilogram. The distributor sells it for $131.25 per kilogram. The final retail price is $262.50 per kilogram.

Namibian Marula Oil Supply Chain (per kilogram)

Producer Price	Export Price	Importer/Distributor Price	Retail Price

1. Calculate the gross margin the exporter made from the sale of 1 kg. of marula oil to the importer/distributor.

 ____

2. Calculate the gross margin the distributor made from selling the oil to the retailer.

 ____

3. How much money did the store make selling the kilogram of marula oil for $262.50 and buying it for $131.25?

 ____

4. What is the difference between the amount the oil sold for in the retail market and the amount the producer received for making it?

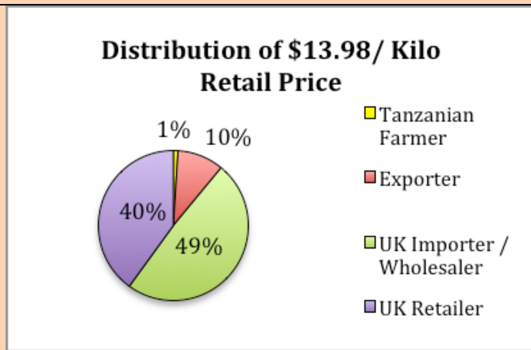
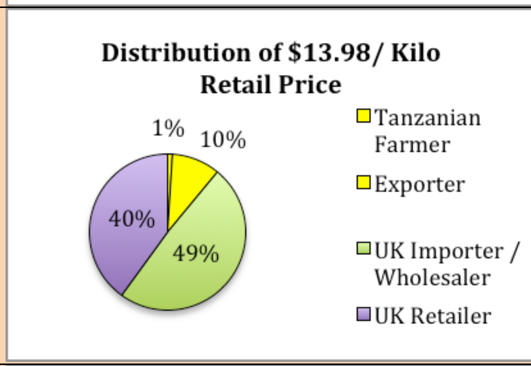
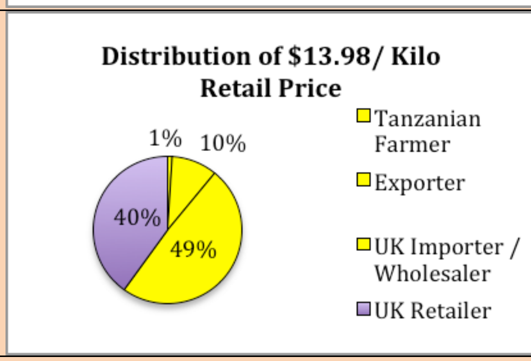
 ____

5. Approximately what percentage of the final retail price is returned to the producer?

 A. less than 1%
 B. 1-2%
 C. 2-3%
 D. 3-5%
 E. 5-10%

A value chain analysis helps to show which IP Value Capture business strategies will be most effective. Study the information below about Tanzanian tea then answer the questions.

Tanzanian Tea Value Chain Analysis

	This chart shows the current income of the Tanzanian tea farmer IN YELLOW
	Now if the Tanzanian farmers owned and managed their own export company of their own brand, their share of profits would increase.
	If the Tanzanian tea stakeholder group were able to create their own import company and distribute the tea in the UK, they would be able to earn an even larger share of the profit.

1. What percentage of the retail price are Tanzanian farmers currently earning?

____

2. What percentage would they earn if they owned and managed their own export company?

____

3. What percentage would they earn if they owned and managed their own export company and created their own import company in the UK?

____

4. Which part of the supply chain commands the largest percentage of the profit?

____

5. How would you advise the Tanzanian farmers stakeholder group to proceed (what is the most effective way for them to use their resources to capture a larger share of the profit)?

____

Review III **IPVC Steps 2-3**

1. If a distinctive product has a large price difference between the commodity and distinctive product is this product a good or a bad candidate for an IP Value Capture strategy? Why?

   ____

   ____

2. How many elements are in a simplified supply chain? (Of course, supply and distribution chains are not always simple).

   A. 2
   B. 3
   C. 4
   D. 5

3. What are the elements?

   ______________________________ ______________________________

   ______________________________ ______________________________

4. If an IP Value Capture strategy is successfully implemented, intangible value currently enjoyed by the distributors and retailers will be returned to whom?

   ____

4 Potential to Return Income to Large Numbers of Farmers/Stakeholders

An important goal of our work is to be sure that low-income farmers and producers benefit from the IP Value Capture strategies.

There are two important questions we must ask:

❶ Approximately how many farmers, producers or artisans work in this sector?

❷ Is the Supply chain constructed in such a manner that income gains achieved through IP Value Capture are likely to return income to the farmer/producer artisans?

There are situations where the first question involves large numbers of people who could be impacted with an IP Value Capture strategy, however, the supply chain may be constructed in such a way that income gain is not likely to be returned to the farmer, producer or artisan.

For example, one industry that utilized the skill and hard labor of hundreds of thousands of low-income people is in rum making. However, a closer examination of Caribbean rum's supply and distribution channels reveals that it is largely owned and controlled by a very large corporation, known as Bacardi. This corporation is unlikely to enable low-income sugar cane producers to earn more income, even if higher prices are achieved outside of the Caribbean borders. This is not a commentary on this particular company, as much as it is a commentary on our need to understand the Supply and Distribution channels, so pivotal toward whether or not a particular product qualifies as a good IP Value Capture opportunity.

KEY POINTS:

Does the product have the potential to return REAL income gains to low-income producers?

In summary: a product has POTENTIAL to return significantly more income to farmers, producers and artisans IF:

1. It has a distinctiveness that differentiates it from other products in the retail market place. That is because consumers are willing to pay more for products that are truly distinctive and this creates a potential opportunity. We are looking at products that have a genuine distinctiveness in the marketplace, so there is income to be "captured" back to the owners – farmers and producers.

2. There is a significant gap between the retail and wholesale price and what the farmer/producers are earning.

3. The produce and strategy affects significant numbers of low-income farmers, artisans or producers.

4. The supply-distribution chain has a point of genuine leverage. Leverage is determined based on whether or not there is an opportunity for the stakeholders to intervene. Caribbean rum is an example of a supply chain where the stakeholders do not have leverage. Ethiopian fine coffee production is an example of a situation where they do have leverage, achieved through stakeholder intervention and a strong combination of business strategies.

5. ALL of these questions must be affirmative for a genuine IP Value Capture strategy to return real income to the degree that makes an IP Value Capture business strategy worthwhile. It is not easy to change existing patterns – stakeholder change; investment and implementation for improved income over time requires tremendous effort. This means every effort must be taken to be sure the product qualifies upfront via serious scoping, feasibility study and business planning.

Let's consider some examples: The following chart lists the approximate numbers of people involved in a few of the many products Light Years has analyzed in Africa.

Product	Approximate # of farmers	Families/Others
Ethiopian coffee	4,000,000	15 million
Kenyan Tea	350,000	1,000,000+
Ugandan vanilla	100,000	4-500,000
Namibian marula oil	4,500 women	16-20,000
Togo black soap	100-200,000	800,000
Mozambique cashews	940,000	3-4 million

It is important that stakeholder groups form that are representative of those involved in the product sector, as the IP Value Capture strategies have potential to impact many millions of African farmers, artisans and producers.
For additional examples, please see Light Years IP, "Distinctive Values in African Exports" booklet, 2009.

Exercise 8

1. What are the two most important factors in determining whether or not an IP Value Capture strategy can return income to large numbers of farmers or stakeholders?

1 - ____

2 - ____

2. Why is an IP Value Capture strategy not likely to work for Caribbean Rum or Ugandan cotton?

____

____

3. Why must a product be distinctive for an IP Value Capture strategy to work?

____

____

4. Is an IP Value Capture strategy likely to work on a distinctive product that earns substantially more in the retail market than is returned to the producer and affects a few hundred producers who have leverage in the supply chain? Why or why not?

____

____

5. **Discussion:** Can you think of a distinctive product not studied by Light Years IP that meets all the criteria for an effective IP Value Capture Strategy?

____

____

5 Stakeholder Organization

The fifth step in IP Value Capture is ownership by a stakeholder group. The group will own the new business strategy, membership organization, cooperative or trust. The farmers/producers will get support if they are sufficiently motivated to take ownership of the strategy.

- The formation of a stakeholder organization to own and sustain the initiative is a critical component of a successful, ongoing and sustainable IP Value Capture opportunity. Stakeholder organizations require a level of government support and interaction for viability, and should be formed early-on in the process. Light Years IP has worked in African countries such as Kenya, Tanzania, Ethiopia, Uganda, Mali, Zambia and Mozambique:
- To create and support stakeholder organizations
- To provide education and workshops in IP Value Capture Workshops
- To support stakeholder groups in capacity building
- To provide legal expertise to form stakeholder organizations such as Trusts and Export companies
- Our goal is to support stakeholder organizations that can both own and manage the IP Value Capture strategies going forward.

Exercise 9

1. Is Light Years IP the primary agent of change in an IP Value Capture Initiative? Why or why not? How can the Ethiopian stakeholder group and government best work together?

   ____

   ____

2. Assume there is an IP Value Capture strategy that involves the formation of a new cooperative or trust. Should the stakeholder group be formed before or after the cooperative or trust?

   ____

3. The Ethiopian government's role in the IP Value Capture strategy is one of

   A. Leadership of the stakeholder group
   B. Intellectual property ownership
   C. Support for the stakeholder group in education and advocacy via the African IP Trust and network
   D. No involvement in the stakeholder group

6

Investment Ready

The sixth step of a full IP Value Capture strategy is to create a business plan and to attract financing to implement the IP business strategy. Our vision is to integrate this step in the overall strategy, so that as the stages of an IP Value Capture move forward, the potential impact of investing in the IP Value Capture strategy is readily apparent to business investors and governments, alike. For this, we have created a social enterprise called Position, Ltd. to enable investors to engage.

IMPACT:
The over-arching goal of IP Value Capture is to create a genuine impact on poverty for large numbers of farmers, producers and artisans. There are literally millions of African farmers, producers and artisans for whom IP Value Capture presents a viable means of generating higher income. Given that many African distinctive products are fetching low prices in foreign markets, the opportunity is large for the following reasons:

- In 20 products analyzed by Light Years IP across Africa, African farmers and producers were achieving a return of 2.9% from the retail prices. No company could remain in business with a 2.9% return to the producer.
- African farmers and producers need not be dependent upon a system that is fundamentally exploitive.
- African farmers, producers and artisans need to stop thinking like commodity producers and think outside of their borders.
- A replicable method does not mean an identical product, but a method that follows clear steps to rule-in and rule-out products, and apply a validated method for business success.

Exercise 10

1. Why is the situation of the 20 distinctive African products analyzed by Light Years IP described as 'fundamentally exploitative'?

   ____

   ____

2. Financing for IP Value Capture strategies will come from ____________________

   ____________________ and ____________________ alike.

3. IP business strategies in Africa have a ____________________ growth potential.

A. Low
B. Moderate
C. High

Review IV **Steps 4-6**

1. The ____________________ of farmers and the structure of the ____________________ ____________________ are two essential factors that can determine whether or not an IP Value Capture strategy can be successful.

2. What is necessary to do before starting an IP Value Capture strategy?

____

____

3. What party owns and manages IP Value capture strategies?

   A. Light Years IP
   B. National government
   C. Stakeholder group
   D. Foreign retailer

4. How will IP Value Capture strategies eventually be financed? Why does a replicable method to investors matter?

____

What IP Value Capture is Not:

IP Value Capture strategies are sometimes confused with other approaches. It is important for proponents of IP Value Capture to understand and clarify these differences and to understand that IP Value Capture is not:

1. Value-Added or
2. Branding

Value-added as a development strategic intervention focuses on making improvements to the manner a country's products are farmed, produced, marketed or advanced in some way from improvements in irrigation systems to processing agricultural products.

Upon closer examination, however, the factory work produced very low wage jobs under deleterious conditions, for an output with processed nuts that sold for slightly higher prices but not enough to offset the costs of processing. The price received by cashew farmers in Mozambique, for example, actually fell. While value-added strategies sometimes have merit, the underlying problem remains - the price and value of the processed exports are still determined in world community markets, returning too low export income.

If the price is mainly captured out of country in wholesale or retail markets, in-country processes don't change the income returns to producers. Thus, value-added often ends in frustration because costly strategic interventions are usually well-intentioned, but do not result in more income for the farmer and producer.

Light Year's view is that value-added and quality follow after there are incentives from improving farmer income. This occurs by enabling the farmer/producer to achieve better control in foreign markets.

Branding in isolation has become current in Africa and the Caribbean partly due to misunderstanding the strategies used in the Ethiopian initiative and the French-supported expansion of geographical indications (GIs) in developing countries. Brands registered as trademarks or GIs both have limitations if implemented without full business strategies to capture value.

Several recent examples highlight the well-intended, but disappointing outcomes of a branding strategy. IP Value Capture is distinguished from these examples by the creation of an overall business strategy that can be evaluated by company analysts who regularly research listed public companies. The completeness of the business strategy can be tested in forecasting the price change and export income results using analyst methodologies.

Many developing countries now comprehend and utilize the power of branding. Country brands may, however, fail to realize two critical things: branding alone does not improve prices or price-return to country and a country brand does not always create valuable distinctiveness. Similarly, African countries would likely be better-served by market-driven names for products over country names. Consider, for example, high-end shoes such as Nike or Air Jordan, named for the image they evoke.

Consider the names of popular brands such as Apple computer, Lexus cars, Coca Cola, Microsoft, Nestle chocolate, Sunkist Oranges, and Divine Chocolate. The most popular brand names are not about the product or the country, but have an intangible value element, evoking images.

Exercise 11

1. Why does branding alone not return income?

____

____

____

2. What are some common mistakes made in branding?

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3. What things should producers consider in addition to branding?

____

____

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4. What are some of the most lucrative brands in the world? What do they share in common?

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____

____

SUMMARY:

This module has presented the core concepts of IP Value Capture or IP Business. The goal has been to outline the concepts and strategic thinking inherent in IPVC and to develop a basic understanding of the systematic methodology. The modules that follow develop product-specific strategies bases on Scoping and Feasibility analysis and Business plans.

To review, prior to moving into the specific product modules consider the following questions for reflection, reinforcement and to test your own understanding:

1. ***Why is it important to understand Intangible Value?***
2. ***What does Intangible Value translate to in the marketplace?***
3. ***How and why do we determine the difference between specialty and gourmet products and commodity products?***

Ethiopian Fine Coffee Initiative:

4. ***What are some of the key Intellectual Property business strategies that were used in the Ethiopian fine coffee project?***
5. ***What lessons could be taken from the Ethiopian fine coffee project that could be applicable to the products you are considering for an IP Value Capture strategy?***
6. ***On a page, list out similarities and differences between Ethiopian fine coffee and your product(s)***

What is similar?

What is different?

IP Value Capture Strategies Discussion

Before moving forward to the next module, consider in discussion:

1. ***What research information will be critical to gather to determine whether or not your products could be successful in IP Value Capture?***
2. ***Of this information, what aspects will be important to gather in-country?***
3. ***What information will be necessary to gather with outside of country market experts?***

Questions and Notes:

1. ***Please consider for a moment how your own understanding has been advanced from doing this workbook.***

2. ***What are your pressing questions? What else would you like and need to know to advance Tanzania forward in its own IP Value Capture strategies?***