

BUSINESS SUCCESS THROUGH INTELLECTUAL PROPERTY

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ABSTRACT

The aim of this article is to present a new business model for business success based on intellectual property /IP/ capital of the company.

The author's thesis is: IP capital is a tool for company competitiveness and to achieve company competitiveness the company's management should form a business model based on IP capital.

The author presents definitions for the following terms: 'business success, IP capital, business model.

The structure of the article is:

1. Business success – general notes.
2. Intellectual property capital and company competitiveness.
3. Business model conception based on IP capital.
4. Implementation of the business model based on IP capital in Bulgaria

First of all the author presents hers point of view for a business success and the matrix for its evaluation including financial indicators and nonfinancial indicators such as purchases, turnover and profit, revenues from IP and profitability. Special attention is paid to IP capital as IP rights - list and structure, expert assessment of their value.

Then the author presents the relations between IP capital and company competitiveness through revelation of the aspects: IP as innovations and IP as business indicators and then IP as a market factor and as a factor of competitiveness.

The final part of this article is focused on the business model based on IP capital.

The author presents his point of view for the business model as a management term.

Then, special attention is paid to the business model based on IP capital which includes:

1. Analysis of current status of the business unity as general.
2. Identification of IP capital as elements and characteristics.
3. Forming the company's strategy for a development based on IP capital

The practical issue of the business model is presented as results of the implemented EC operational program for competitiveness of the Bulgarian economy /2007-2016/, protected IP rights within Bulgarian patent office and analysis of the figures and facts.

Key words: intellectual property, competitiveness, business success, business model

I.INTRODUCTION

The purpose of this article is to present a new business model for business success based on intellectual property /IP/ capital of the company.

Following this purpose the author reveals hers point of view for the discussed scientific terms: ‘business success’, ‘intellectual property capital’ and to present a conceptual business model based on IP capital.

Intellectual property rights /IPR/ comprises of patents for invention, certificates for the registered utility models, industrial designs, trademarks, new plant varieties and many other results of human intellectual work in the fields of science, arts, technique, technology and design. All of the above IPR are intellectual property of the company. These IP rights are good base to achieve positive business results of the company activity, company competitiveness and positive image.

The final part of this article is focused on the application and registration activity in IPR of Bulgarian companies and their participation in the EU operational program for innovations and competitiveness /OPIC/

II. RESEARCH METHODOLOGY

1. A MEASUREMENT OF BUSINESS SUCCESS

First of all the author is to present a definition for the term ‘business success’ and the matrix for its evaluation is the following:

Business success means positive economic result of the company activities. Economic result is divided into: financial and nonfinancial indicators.

The author’s point of view regarding the business success of the company is focused on the matrix for evaluation of the business success of the company. The matrix for evaluation of business success includes financial and nonfinancial indicators:

A. Financial indicators:

- Purchases - volume, turnover and profit; for the purchases of the products based on IP, revenues from IP – implemented in own business field and from license agreements;
- Profitability – expenses for obtaining and/ or sustain IP rights for element of IP capital a ratio of the sales revenue, a ratio of equity, the profitability ratio of liabilities and assets, rate of return on assets, rate of return on invested capital, margin and operating profit;
- Efficiency - the ratio of costs of transactions, operations, ratio of costs, efficiency ratio of income from the activity, ratio of the efficiency of the revenue;

B. Non-financial indicators:

- IP capital – IP rights as list and structure, expert assessment of their value;
- Image of business unit related to the IP capital as an intangible asset – elements and structure, the expert assessment of their value;
- Consumer loyalty based on relation to the IP capital.

2. INTELLECTUAL PROPERTY CAPITAL AND COMPANY COMPETITIVENESS

IP capital will be presented as the assessed IP rights of the company.

The non-exhaustive literature review for business success shows that there are many different approaches to this research area based on good business practices.

Some of the researches are pointed on the business success through innovations protected as IP rights¹, others are pointed on the company success as a result of the implementation in the production of the intellectual capital, human capital and structural capital or as a result of the decision-making process of the government²

The author of this article accepts IP capital as the assessed IP rights of the company and presents a working definition for the term ‘Intellectual capital’ as follows:

- a brief definition: quantitative assessment of the company’s IP rights

- a wide definition: assessed IP rights of the company divided into:

1. IP rights for the protected innovations /patent for inventions, utility model /UM/, industrial design /ID, plant variety, animal breed, topology on the integrated circuits, etc./;
2. IP rights for the protected business indicators /BI /trade marks /TM/, geographical indications /GI/, domain names, logos and others;
3. the company’s know-how /knowledge and skills of the company staff/;
4. IP as the established good relations with consumers, business units and institutions.

Intellectual property capital is a business resource which generates future revenues for the company.

This specific study of intellectual property capital is focused on IP in innovations as patent, UM, ID and on business indicators as TM and others BI.

1. Gao Fred, patent management, WIPO magazine, 2015 June

² Luthy, David H. "Intellectual capital and its measurement", Japan. 1998, Francesca Manes Rossi, Francesca Citro, Marco Bisogno, (2016) "Intellectual capital in action: evidence from Italian local governments", Journal of Intellectual Capital, Vol. 17 Issue: 4, pp.696-713

To not lose the focus of the article we will not pay attention of the company know-how and/or established business relations.

- ***INTELLECTUAL PROPERTY AS INNOVATIONS***

Undoubtedly, the products manufactured in a new project, model, design or other innovative solution add a value to the basic utility of the product at the level 'functionality' and increase the additional utility of the product at the 'symbolism' and 'aesthetics', which is most often done through design. The user gets a new level of functionality and use, new experience and pleasure by "possession of the product", which is attributed to a certain socio-cultural level and also increases his 'self-assessment' and this possession is a certain form of "self-realization". What is more this is most often achieved throughout user information and through image effect as a component of realized innovation or brand loyalty: the signs 'P'- invention, protected by a patent; ID - protected design, UM – certified utility model. The signed product provides a greater total utility, and therefore it increases the beneficial effects as one of the indicators of the analysis of the relationship "product - competitiveness".

- ***INTELLECTUAL PROPERTY AS A BUSINESS INDICATOR***

This point of intellectual property as a business indicator / communication and image value/ will be presented in terms of the following two functions "**corporate identity**" and "**differentiation**"³

Understanding the term '**identity**' as a set of methods, tools and programs through which the company is presented to the public, the author of this article accepts the thesis that 'identity' is achieved mostly by the company's products and the company's communication strategy. Undoubtedly, the product as a tool of the corporate activity is focused on the implemented innovative projects, protected as inventions, utility models, designs, or other objects. The company creates its identity throughout deliberate program that is intended to impose identity using communication means for instance - names, signs, symbols, atmosphere and events. Identity is established through the following business indicators: brands, logos, slogans and others protected most often - such as trademarks, designs, geographical indications or domain names.

'**Differentiation**' is "a set of significant differences that distinguish the firm's offers from those of the competitor's." The real or imaginary design parameters of the company's products is the grounds for distinction, qualification and these parameters make preferable certain company's products to others. Based on the fact that today the markets of consumers and producers are growing internationally and that the competitive struggle is no longer carried out on the level

³ Markova Maria. "Design Management", IK "Stoianstvo", 2010

"quality - price", we could infer that today's competition at the market is majorly in the field of corporate identity and company differentiation.

-INTELLECTUAL PROPERTY AS A MARKET FACTOR

The author's thesis is: IP capital creates a new company friendly market situation because of the new additional utility, new positive image of creativeness and respect to the IP.

The understanding of intellectual property as a key market factor will be analyzed towards determining the consumer behavior and through generating and maintaining the product and company competitiveness.

In today's global market, the user accepts 80% of the oriented towards him information by his eyes. This information is a set of elements and expressions of business identifiers of the company and is primarily expressed in the company's products, interior and exterior of the administration buildings and corporate visual communication tools - packaging, documentation, promotional materials, branded company vehicles and outlook of the company staff.

All of the achievements in aspect of corporate identity and differentiation are becoming a significant market factor that affects consumer attitudes and evaluations such as highly defined consumer behavior and choice. Of course, do not underestimate the importance of factors such as price, service, commercial and other techniques.

Competitiveness of the company offer is an economic indicator representing the ability of the product to be distinguished based on the competitive advantage held among other products on the market and this is the base to be preferred by consumers. And there are phenomena such as 'price differentiation' and 'price inelasticity'. This illustrates the inelastic demand so-called "abnormal demand curve" which is based on the unique, possessing distinctive parameters product offered on the market, signed with P, ID, TM or other signs for possessing IP rights.

As a result, an implemented competitive advantage which is based on the distinctive qualities of the product makes up the value of the consumer through decreasing the production costs or through increasing the results of implemented innovations with IP rights. In this way the company is pursuing and realizing an effective competitive business strategy based on the owned and implemented in own products intellectual property.⁴ That's why intellectual property is a key factor in consumer influenced society for consumer behavior and consumer choice and also is a key factor for obtaining the economic benefits by the company. Intellectual property becomes a valuable market factor, generating and maintaining the competitiveness of the company.

⁴ Porter, M., Competitive Advantage of Nations, Classic style, 2004

-INTELLECTUAL PROPERTY AS A FACTOR OF COMPANY COMPETITIVENESS

The understanding of intellectual property as a key factor of competitiveness will be analysed towards determining the consumer behaviour and through generating and maintaining the product and company competitiveness. In today's global market, the user accepts 80% of the oriented towards him information by his eyes. This information is a set of elements and expressions of business identifiers of the company and is primarily expressed in the company's products as a high scientific and technological level, with new design as aesthetic and functional form, good and attractive packaging, accomplished with prestigious signs of granted IP rights; patents, UM or ID.

All of the achievements in aspect of corporate identity and differentiation are becoming a significant market factor that affects consumer attitudes and evaluations such as highly defined consumer behaviour and choice. Of course, do not underestimate the importance of factors such as brand, price, service, commercial and other techniques.

Competitiveness of the product is an economic indicator representing the ability of the product to be distinguished based on the competitive advantage held among other products on the market and this is the base to be preferred by consumers.

The second indicator of our analysis is the market price. The price is an economic indicator which informs the consumers of the company competitive strategy. Here, there are phenomena such as 'price differentiation' and 'price inelasticity'. This illustrates the inelastic demand so-called "abnormal demand curve" which is based on the unique, possessing distinctive parameters of the company offer launched on the market, signed with P, UM or ID or other signs for possessing IP rights.

3. CONCEPTUAL BUSINESS MODEL BASED ON IP CAPITAL

There are many scientific and practical definitions for a business model, based on different approaches how to analyze this research area and on good business practices.

The author's point of view for the business model as a management term is based on the understanding of business model as a tool for realization of the long term business strategy of the company and the theoretical model of M. Porter for the competitive company strategy based on the unique product and/or market differentiation.

The author's view for a business model based on IP capital includes:

4. Analysis of current status of the business unity as general.
5. Identification of IP capital as elements and characteristics.
6. Forming the company's strategy for development based on IP capital //IPC/.

The implementation of the business model based on IP capital starts with a review of the business environment. The company management should assess the current factors of the business environment:

- dynamics of processes; dynamics of communications based on new technologies – computer and communication; dynamics of business relations
- speed of identifying new possibilities – as a result of IP rights in the same/ related business areas; speed of reaction to the market need, speed of upgrading of the staff skills;
- high level of innovations protected as IP rights in new/ modern / perspective scientific areas of human creativity

Complex analysis is provided by the following popular marketing techniques: SWOT analysis, matrix of Boston consulting group, GE analysis, analysis of the competitors, etc.

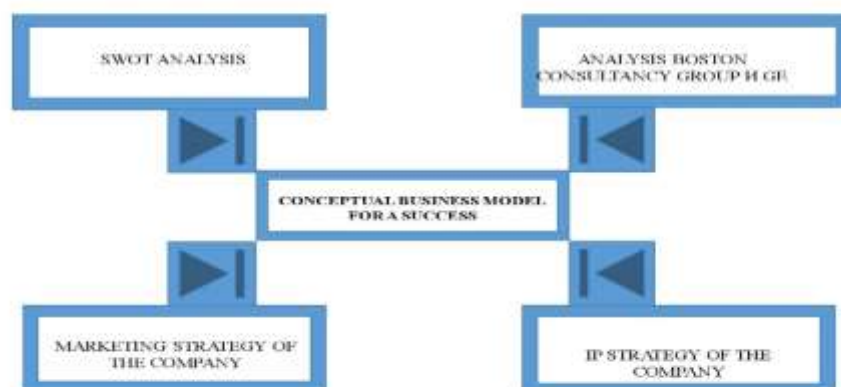
The company's management should take into consideration the most important current factors of the business environment mentioned before.

The company's management should obtain a complex picture /information of the portfolio of IP rights of the company, the quantitative assessment and perspectives.

The management should rise and take an answer of the following questions:

- what is the portfolio of the IP of the company: innovations and BI,
- what are main characteristics of the product/ technology profile of the company and the place of IP in them;
- what are the main characteristics of the business environment of the company;
- what is the achieved company image and the future planned image.

The general view for this conceptual model is presented in the next figure.



Based on complex SWOT analysis, BCG analysis and GE analysis and achieved IP portfolio to the moment of assessment the company management should form strategies based on IP capital for the future. When implementing the formed business model based on IP capital the company

management has to take into consideration the risk factors, the business environmental factors and the company resources so that they could provide adoptable business model and achieve good economic results through this model.

III.IMPLEMENTATION OF THE BUSINESS MODEL BASED ON IP CAPITAL IN BULGARIA

Related to the mentioned above the method of this article and case study of the Bulgarian innovation activity and the participation of Bulgarian companies in the Operational program for innovations and competitiveness /OPIC/ has led to the following general conclusion:

The successful company has developed innovation and has put the focus on the innovations for their long term competitive business strategy.

As a result of the implemented company strategy based on innovations protected as IP rights the companies have pursued and have realized an effective competitive business strategy based on the owned or licensed intellectual property in product and technological innovations.

That is the reason for application and registration of patents, UMs and IDs very actively in the last 10 years in BPO especially for the purpose of participation in the European programmes related to the Innovations and competitiveness.

Analysing the specific results of the already completed operational programs focused on the competitiveness of the Bulgarian companies we have indicated the following measures:

- high level of application and registration activities of Bulgarian innovators;
- more than 2 protected as IP innovations are found in each of the projects that are ranked and implemented in OPIC business projects for a period 2007-2016⁵.

There are the presented data and facts for the application activity in IP rights by the Bulgarian innovators for 10 years period:

IP rights	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Patent application	210	250	243	243	264	245	282	218	280	241
Registered UM	214	135	178	167	205	190	363	220	265	453

⁵ www.mi.government.bg

Registered ID	356	270	292	201	189	221	273	218	197	166
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Tab. 1

During the period 2007 – 20016 approximately 40 innovations by the Bulgarian creators have been applied for PCT patent and around 4550 industrial designs have been registered in EUIPO for the Bulgarian proprietors.

During the period 2007 – 2016 the Bulgarian innovators have provided request with BPO experts of patent purity, legal options for patent application. Applications for UM and ID as follows:

- for patents and UM – as an average number – 120 per year;
- for ID – as an average number – 56 per year.

During the period 2007 – 2016 the Bulgarian innovators have provided request to BPO experts of legal status of patents, UM and ID as follows:

- for patents and UM – as an average number – 350 per year;
- for ID – as an average number – 23 per year.

This statistics shows that Bulgarian innovators have a growing knowledge in the field of IP rights as a legal protection as patents, UM and ID as a stable and effective way of protection of their innovations.⁶

Through the mentioned before business environment and good IP practice, Bulgarian companies should define and implement business model based on IPC for their business success.

IV.CONCLUSIONS

The company's management should have a complex information about the portfolio of IP rights its quantitative assessment and perspectives in the purpose to implement the business model based on IP capital includes which includes: analysis of current status of the business unity as general; identification of IP capital as elements and characteristics and forming the company's strategy for development based on IP capital

The company's management should assess the current factors of the dynamic business environment using a complex analysis is provided by the following popular marketing techniques: SWOT analysis, matrix of Boston consulting group, GE analysis, analysis of the competitors, etc.

⁶ All figures and facts are accessible on the official web sites: www.bpo.bg, www.epo.org and www.euipo.europa.eu

The implementation of the presented business model based on IP capital leads to the stable company competitiveness.

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