

Applications of Intellectual Property on Real Asset and the Valuation Dynamic between Intangible and Tangible Assets

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Collaboration between Brands

Trend of Brand Collaborations

- In the new economic era, corporate value is largely based on brand value, and brand value is the consumption behavior quantified by consumers based on their perception of the brand.
- A brand is not simply a logo design or a set of "neon signs". It carries a culture, a kind of trust, and is the connection between products and consumers.
- It reflects the company's overall marketing strategy and is also the carrier of the consumers' subjective perceptions of enterprises.
- Creating a brand, maintaining a brand, and reshaping a brand are all important elements for a company's success. Only companies that value brand value can stand out in a complex and ever-changing business environment.
- IP (Intellectual Property) licensing is one of the most direct business models that focuses on branding.
- Even during the pandemic, global sales of licensed goods and services still exceeded US\$300 billion in 2021, a year-on-year increase of 7.75% compared to 2019.

Trend of Brand Collaborations

- In recent years, **Brand Collaborations** can be said to be a designated move in marketing.
- In the past, there have been collaborations between different IP licenses, such as sports teams, fleets, cartoon characters, etc.
- In recent years, there have been some less well-matched brand collaborations, such as Yeezy Gap and Balenciaga, Gucci and The North Face, Omega and Swatch, etc.
- For example, the Yeezy Gap and Balenciaga collabs sweatshirts are priced around USD300. Compared with Balenciaga's sweatshirts, which often cost USD800 to 1,000, it does make people feel that they can enjoy the feeling of a luxury brand at a very affordable price.

Brand Collaborations - Examples



- YEEZY GAP collabs saw GAP's stock price (NYSE: GPS) immediately surge 39%. A year later, YEEZY and GAP demonstrated the success of the collaboration, in the Round Jacket that sold \$10 million worth of stock overnight.
- In addition, the cooperation between Yeezy and Gap has indeed awakened customers' attention to Gap.
- There are comments that "Maotai Latte" will lower the luxury brand image of Moutai
- the "Maotai Latte" will also make many people re-appreciate this national spirit brand with a history of high taste.
- Luckin is a brand with a large user base and a relatively young population.
- Moutai uses Luckin's channels to place advertisements in young people's circles of friends.
- Moonswatch: Omega X Swatch, also a big success.

2 IPs on Tangible/ Real Assets

IP Real Estate



- Beijing SKP-S Shopping Mall has successfully created a "Mars Project" themed commercial plaza using novel venue design and unique concepts, supplemented by technological special effects, subverting everyone's impression of traditional shopping.
- That was powered by a Korean sunglass brand: Gentle Monster
- Immersive experience places are, an emerging commercial real estate concept.
- "Immersive" refers to "using people's sensory experience and cognitive experience to create an atmosphere for participants to enjoy a certain state.
- Online to Offline to Online, that boosts up the sales

IP Real Estate



- The immersive wave has poured into the field of commercial real estate. From shopping blocks built according to a certain art theme to creative scene shopping malls designed with technology as the core, in the early years
- Traditional commercial retail real estate is striving to transform and innovate, striving to find development opportunities amid the impact of e-commerce and changing consumer demands.
- Beijing SKP-S has been the "King of Stores" in China for ten consecutive years. In 2020, it surpassed Harrods, the most iconic luxury department store in the UK, for the first time, with over 10 million visitors and annual sales. With a sales volume of nearly 20 billion yuan, it ranks first in the world in sales output value per square meter.

IP Real Estate



- As for Meow Wolf in the United States, it has received investment from the original author of "Game of Thrones" (George R.R. Martin) to renovate an abandoned bowling alley in Santa Fe, New Mexico, USA
- Cooperate with a group of local artists to turn it into an interesting The immersive entertainment venue attracts 1.25 million paying visitors annually and generates annual revenue of US\$36 million.

Immersive Experience



Case: Yoga Space, Taipei, Taiwan

Interactive giant projections and AR devices with planting decorations to create a secret urban environment, and uses looping videos to give the audience a glimpse of the changes in the four seasons in a short time. Whether it is dreamy bubbles, sunsets, bright moons, etc., they all symbolize the short life, and in the chirping of insects surrounded by the chirping of birds and music, taking a sip of red wine and then bending forward and then doing the downward dog pose will make you feel very relaxed both physically and mentally.

Immersive Experience



Case: Sportainment, Starfield Goyang Mall, Korea Republic

World's first sports-integrated theme park. It provides four divisions: basic sports, dynamic sports, challenge sports, and digital sports, so that people of all ages can enjoy sports in a highly entertaining way. With the use of technology, various sports can be performed indoors, and equipment such as VR and AR can increase the sense of reality and achieve an immersive sports experience.

Starfield Goyang Mall is a popular shopping mall in the suburbs of Seoul. Among many well-known brand stores, sports and cute animals have become a special entertainment place besides shopping, expanding the diversity of Starfield Goyang Mall to meet more different target groups.

Luxury Brands Collaboration with Real Estate

- Luxury brands have inherited European craft culture and even the aesthetics of the court class, and have continued to produce many classic and valuable consumer goods in the post-industrial revolution era. The brand uses indoor furnishings, smells, music and other elements to create a luxury shopping experience in the store. It is a kind of consumption that goes beyond functional rational behavior.
- In recent years, many luxury designer brands have been cooperating with products from other industries, and many of them have actively entered the real estate industry.
- Well-known designers such as Giorgio Armani are working with developers to develop "branded residences".
- Giorgio Armani opened his first hotel in Dubai in 2010, with brand founder Giorgio Armani overseeing the design details.
- Giorgio Armani developed its own brand home product series Armani/Casa, which is widely used in hotels.
- Some luxury brands have a development track similar to Giorgio Armani, which is a major trend in the development of luxury brand culture, because their consumers are pursuing taste, and taste is not only reflected in clothing, but life style is also a channel to express taste. Of course, the entire apartment, from the outside to the inside, is no exception.
- Crystal manufacturer Swarovski teamed up with Dubai real estate developers to develop the "Swarovski Wonderful Space" residential project, led by the Swarovski lighting and interior decoration product team
- Hermès also built Hermès apartments in Zhuhai, China and Singapore respectively. Hermès has a wide range of furniture collections.
- Supercar brands also do the same.

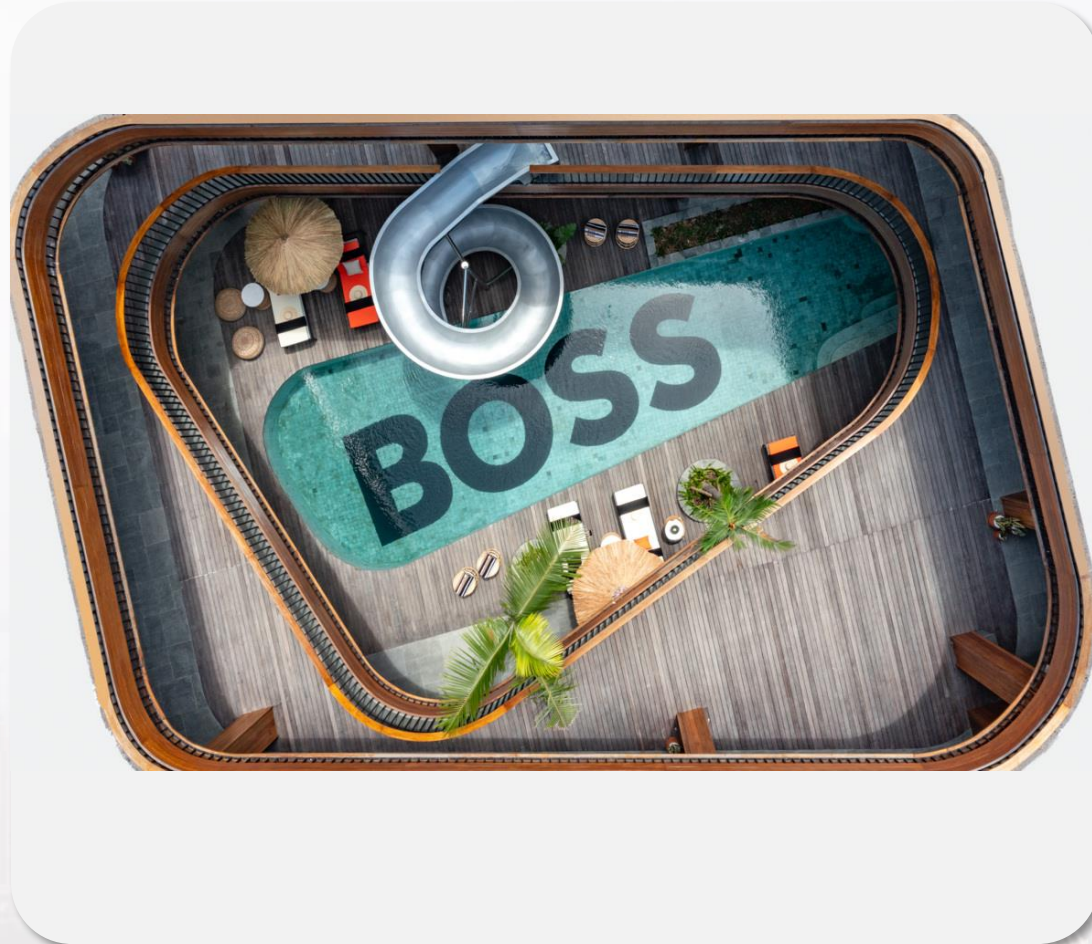
Luxury Brands Collaboration with Real Estate

- Real estate is one of the most expensive and value-added industries in the world, and the target market of luxury brands is consistent with high-end real estate customers, who are consumers who pay attention to status and lifestyle. Therefore, the entry of major luxury brands into real estate is a reasonable step for brand expansion.
- Many brands have a history of more than 50 years and have a certain scale of followers around the world. The taste and quality brought by their brands are also unquestionable. Luxury brands license their brands to developers, which can transfer their positive image and brand value to real estate projects, so that brand-name residences provide both attractive investment and ideal lifestyle.
- The real estate market investment risk is relatively high, the blessing of the brand is undoubtedly a reassurance for real estate investors.
- The added value of luxury brands in real estate is very obvious. The average value of famous brand residences is nearly 30% higher than that of non-prestigious residences of the same grade.
- Perhaps the consumption threshold for brand-name residences is too high, so many brands are starting with hotels. BVLGARI currently has five hotels, and Lamborghini, Moschino, and Ferragamo have also opened brand hotels in Milan and Florence.
- As the consumer population becomes younger, the author believes that there will be more real estate projects for brands to join forces in the future, and even young trendy brands may be able to join forces with some real estate projects targeting the young market such as co-living and long-term rental apartments.

Luxury Brands Collaboration with Real Estate

- Luxury brands collaboration with Real Estate play has its own advantages
 - Luxury brands usually have a deep foundation, some even have hundreds of years of history and high social status. With their high popularity and market recognition, some brands are able to enter other industries at lower costs. Therefore, the high investment cost of early brand cultural communication is shared, which can effectively increase the capital utilization rate
 - Luxury brands have a large market Influence. It is easier to embed an already successful brand element into a new product than to build a new brand from scratch. It can generate additional revenue and profits for the company through open source.

Boss House Bali



- Designed by architect Alexis Dornier, the luxury villa was transformed into a haven of style and relaxation — the perfect place for the 24/7 BOSS lifestyle to come to life.

Diesel Wynwood



- Back in 2018, Diesel partnered with Bel Invest Group to launch a 143-unit Diesel Living-designed and planned residential project in Miami's Wynwood Arts District, along with approximately 24,000 square feet of retail space.
- In addition to Diesel, brands such as Philipp Plein, and Armani have successively launched luxury apartments with different positioning and operation types.
- Earlier, Italian luxury brands such as Fendi, Versace and Roberto Cavalli have been involved in the home product line and residential design business.
- It is reported that the new high-end residential project jointly launched by Diesel and Bel Invest Group includes approximately 250 residential units, including penthouses designed by Diesel Living, the brand's home and interior design department, as well as public areas.
- At the same time, Diesel promises that the residential project will achieve LEED sustainability standards.

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Case Study: Wen He You (文和友) and Valuation Implications

Wen He You: USD1.5Bn Valuation



- As a textbook case of commercial real estate, the Wenheyou model has created a new model for catering, cultural industrialization and commercial real estate operations.
- It also provides new ideas for the creation of commercial real estate and global tourism.
- Combination of multiple complex business formats and construction of super IP.
- Wenheyou is a "super platform" and a "super trade fair". By specifically exploring local street foods and combining them with trendy culture
- Wenheyou has formed a unique "business + culture + art" catering model.

Wen He You: USD1.5Bn Valuation



- Valuation of USD1.5Bn, funded by Sequoia, IDG, etc., at Serie C
- 3 F&B malls, with an average of USD500Mn each by valuation
- 30,000 to 50,000 waiting list for entering the F&B mall
- 2 to 3 stores with 5,000 to 20,000 sq.m. are opened every year, only in core cities with a population of more than 10 million. For example, Beijing, Shanghai, Guangzhou, Shenzhen and Los Angeles.
- Cost is close to USD30Mn per store.
- With an area of 2,000 sq.m. around, 1,000 stores will be opened, mainly in second- and third-tier cities.
- Besides the Wenheyou stores, other store types and retail products will be operated as independent brands and gradually "de-Wenheyou", but "Wenheyou" is still the core IP. Similar to "Disneyland" concept.

3 Wen He You: "Disneyland" of F&B

Wen He You – Struggling to Survive, with Vacancy of 70%...



- Wenheyou may have overestimated its own appeal.
- When the mall itself has high brand appeal, it has its own traffic attributes, and can introduce a large number of white-label or low-appeal merchants, and use the mall itself to endorse low-appeal products.
- If the mall's appeal is weak, it must introduce a large number of strong brands.
- Profit rent or fixed rent with property fees.
- Wenheyou's profit rent model is equivalent to bundling shopping malls with merchants, sharing profit sharing, and linking rental pricing to turnover.
- However, if the operation is not good, it will have a huge impact on the mall's cash flow. Improvement plans will also be difficult to plan due to uncertainty in capital income.
- One-off "Check-in" culture, while real estate is not adaptable/ flexible...
- IP cultural differences can be larger than expected, even within China

Thank You

