

Industry insight: Protecting intangible assets

Food & beverage sector



The food and beverage (F&B) industry feeds the world, but is also vulnerable to a spectrum of risks, from crop failures and disease to commodity shortages. Automation and digitalization continue to revolutionize the F&B industry, giving businesses the opportunity to modernize and optimize processes through new technologies, leading to innovation and increased efficiency and flexibility in production and sustainability. These technologies and processes are all built on a foundation of intangible assets essential to a company's competitive advantage, innovation, and growth strategy.

Intangible asset threat trends in the food & beverage sector

Extreme weather events are expected to become more commonplace, while rising energy costs, environmental concerns, geopolitical tensions, supply chain issues, and workforce challenges have become ever-present. In spite of this, there is a general feeling of optimism within the industry with 41% of F&B businesses prioritizing stability and resilience above growth in the next two years. Modernization of traditional production and processing methods, advancements in smart packaging, computerized food processing technology and materials, and the use of automation and AI bring growth and fuel the opportunity for change. With this change comes an inherent increased risk to a company's intangible assets.

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According to Brand Finance, the beverage sector is highly intangible at 80% of total value, the food sector is at 60%, and retail and food retail are at 58%.

Brand Finance Gift 2022

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Examples of intangible assets

- Proprietary process technologies
- Product designs (e.g., food processing, bottling, packaging, machinery, components)
- Manufacturing facility blueprints
- Manufacturing robotics/AI software
- Proprietary packaging technology
- Proprietary food and beverage formulas
- Proprietary customer engagement data and software

What is the additional risk that your workforce poses to intangible assets?

Technological innovation and modernization in the food & beverage sector naturally leads to the growth of intangible assets and brings with it a new set of challenges that may have companies rethinking their operating models and workforce needs including increased demand for specialized technology, software, and engineering skills.

In recent years, the F&B industry has faced challenges in streamlining its workforce to optimize costs while trying to attract and retain skilled talent. Currently, half (50%) of employees globally are looking for a new role or are open to offers. In addition, flexible ways of working have become an integral part of the employee value proposition and a top attribute in retaining and attracting new talent with more than half (58%) of employees globally working remotely in some capacity.

As organizations worldwide are becoming more amenable to flexible work arrangements, including F&B, it creates environments with less oversight, increasing the risk of employee mistakes that can impact valuable intangible assets. Combined with elevated rates of employee turnover, these accidental and malicious insider threats are on the rise and create greater risk across the organization increasing the potential for significant financial impact on the business (see sidebar).

The ability to quantify the financial impact of these risks on your organization's valuable intangible assets is critical. At least 23% of insider risk events impact intangible assets and securing the right insurance will allow you to manage potential threats to your intangible assets and minimize related financial losses.

Did you know?

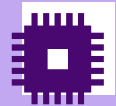
The Intellectual Property specialists at WTW have developed **Intangible Asset Protection (IAP)**, an insurance product that protects intangible assets against financial impacts not currently covered in other lines of insurance. IAP protects non-public, proprietary intangible assets from accidental or malicious insider actions resulting in misappropriated, damaged, destroyed, leaked, or lost IA.

How we can help

Our global specialists can assist you in assessing your intangible asset risk and recommend suitable risk transfer solutions to safeguard your business from financial loss. Speak to your local representative to discuss your intangible asset protection needs and learn more about how IAP insurance protects non-public, proprietary intangible assets by offering:

- Broad coverage for insider event investigation costs
- Flexible coverage to pursue legal action against malicious insiders and related third parties
- Financial loss coverage for employee mistakes, including a prompt interim claim payment

Most lines of insurance exclude coverage for intangible assets. How important are intangible assets to your business?



Given the high percentage of enterprise value represented by intangible assets in the food and beverage sector, protecting those assets is critical. Such assets are especially vulnerable to insider threats, both accidental and malicious.

| Event | Malicious insider event example |
|--------------------------|---|
| IA owner description | Takeout dessert restaurant chain |
| Annual revenue | \$985M |
| No. of employees | 5,000 |
| IA description | Dough recipes and related information |
| Actor | Process engineer |
| Event | While employed, a process engineer downloaded 60+ proprietary cookie recipes, sales statistics, and recipe experiment data and shared with a competing company |
| Financial losses covered | Investigation costs to confirm event; Prosecution costs to pursue legal action against the former employees and the competing company and to force the return of the misappropriated assets |

Contact us today to discuss which of your intangible assets is most valuable and learn more about how you can protect them against financial loss.

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