

# ADDING BRAND VALUE INTO ENTERPRISE FINANCIAL SYSTEMS

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MARKETING ACCOUNTABILITY BY MERGING INTERNAL AND EXTERNAL INFORMATION

Carsten Hahn, Director Research & Innovation, SAP SE

Jim Meier, Senior Director Marketing Finance, MillerCoors



# Introduction

Why MASB and SAP is a perfect match

- The world's largest provider of enterprise application software
- SAP serves 282,000 customers in 190 countries
  - Including 98% of Interbrand's top 100 most valuable brands
- Fastest growing company at scale in the cloud
- Strong in enterprise financial systems

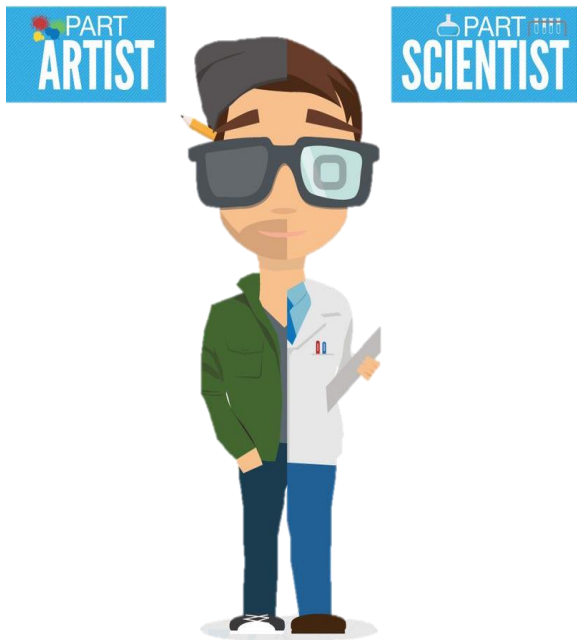
$$\text{Marketing Accountability} = \text{Marketing} + \text{Finance} + \text{IT}$$

The diagram illustrates the components of Marketing Accountability. The word "MASB" is positioned above the equation, with a bracket connecting it to the "Marketing" and "Finance" terms. The SAP logo is positioned below the equation, with a bracket connecting it to the "Finance" and "IT" terms.

# Motivation for Research & Innovation @SAP

The demand for Marketing Accountability

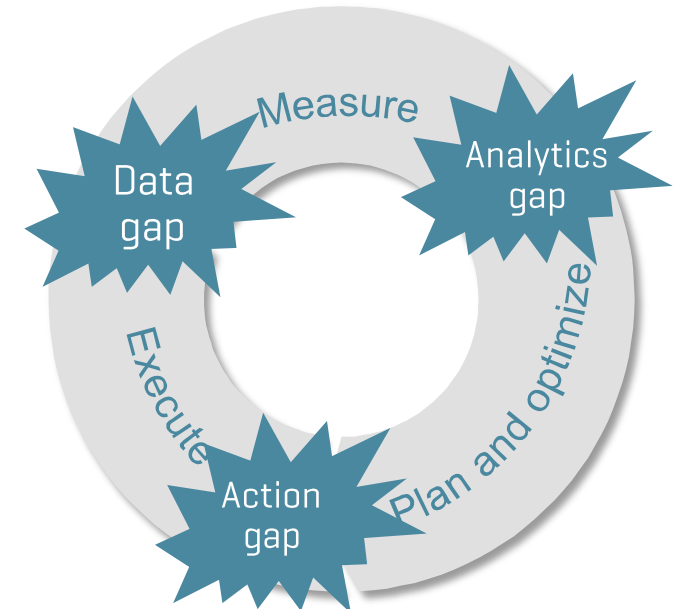
*“Our vision is to support companies in making better decisions by incorporating data-driven and future-oriented market insights that drive leading key performance indicators [market-centric management].”*



Digitization moves forward & more information about customers and markets is available

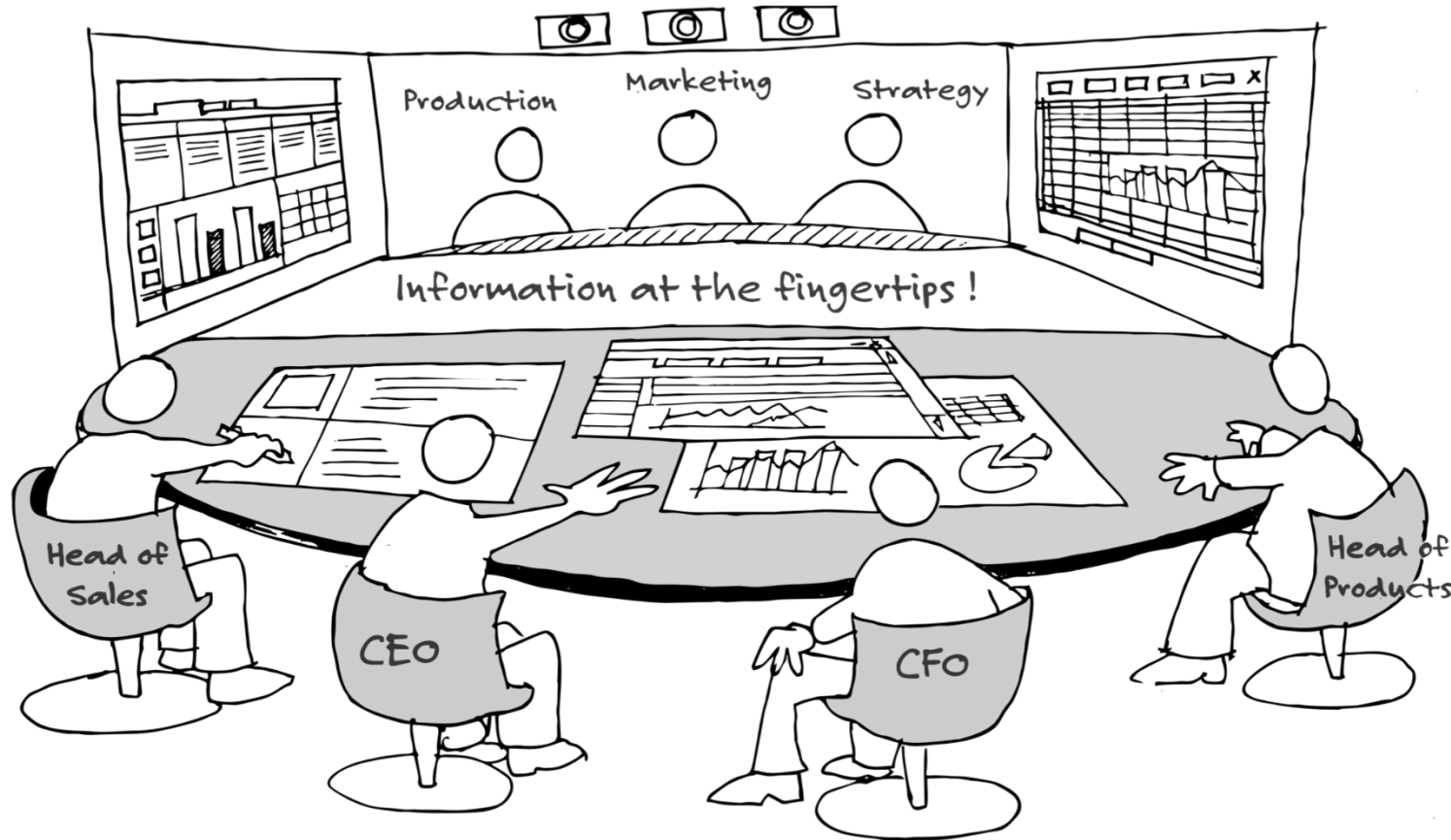


Successful companies have a better understanding of the market and their performance



Time-to-React is reducing which requires real-time insights and immediate activities

# The Digital Boardroom concept



## Concept Idea:

- Support executive level strategic decision making
- Empower upper management to gain company insights at their fingertips
- Simplify the way board rooms are run within companies

# The digital boardroom @SAP headquarters

The Digital Boardroom as the next way how to make business transparent



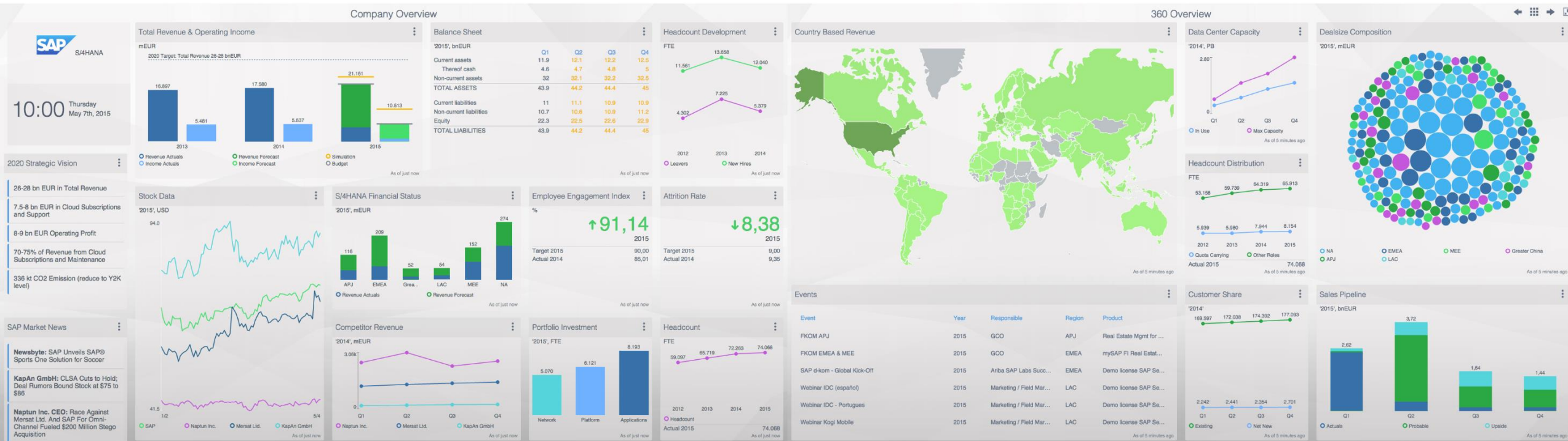
- SAP runs SAP
- Introduced in a Supervisory Board meeting in September 2015 at SAP
- Luka Mucic [CFO]: *"This is what I'm talking about: this is really powerful - it can change the game in terms of board-level conversations."*
- Get a complete picture of the company situation in real-time
- Answer ad-hoc questions on-the-fly to better understand the business
- Simulate impact of potential decisions to financials and operations

<https://www.youtube.com/watch?v=q7gAGBfaybQ>



# The digital boardroom

## Real-time analytics on the next level



Real-time view on companies financial performance based on internal data [e.g. ERP and CRM systems]

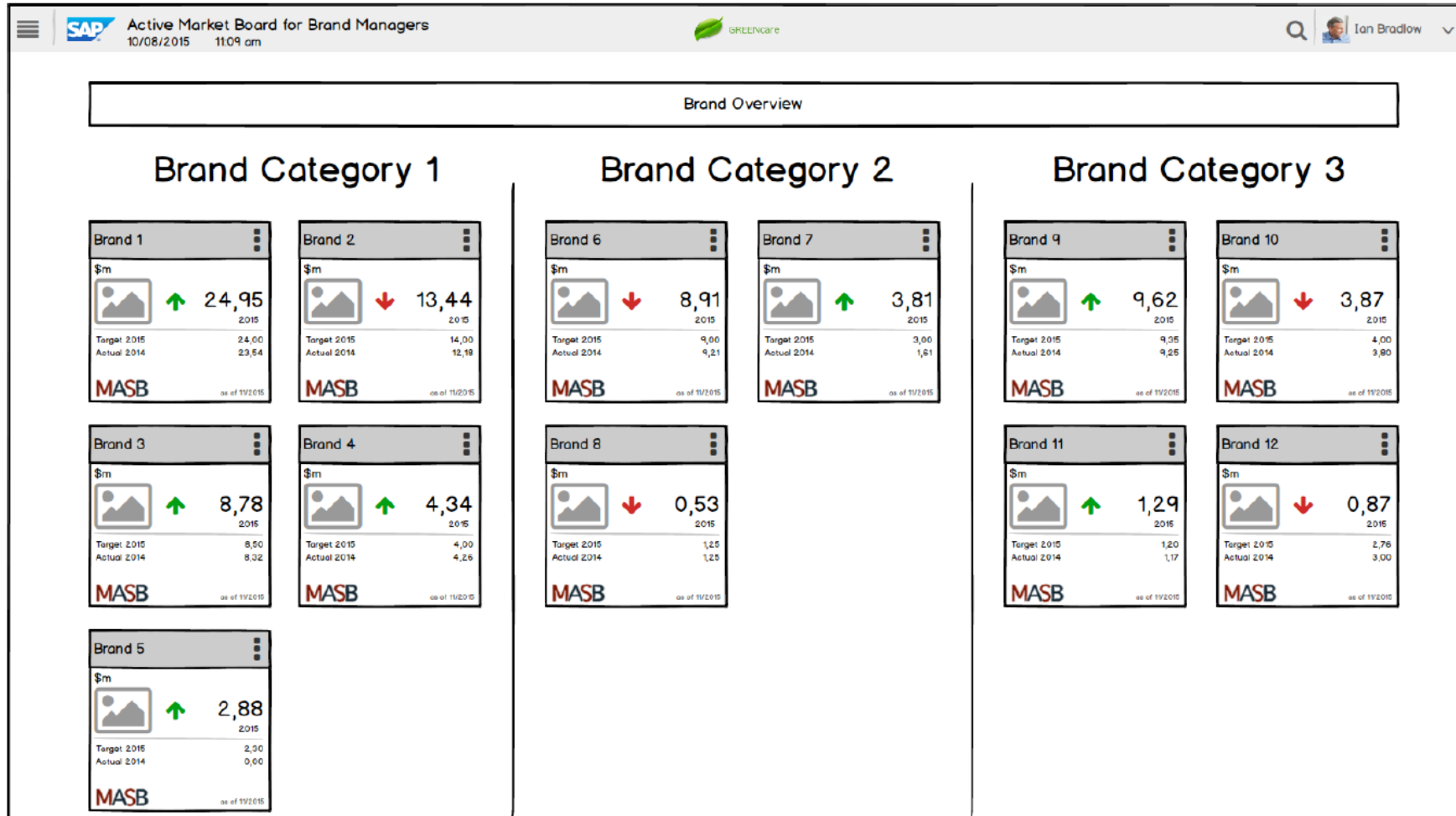
External market and marketing perspective is missing.

# First Idea: Bringing Brand Value into the game

Establishing Brand Value as leading indicator to connect marketing to the financial bottom line



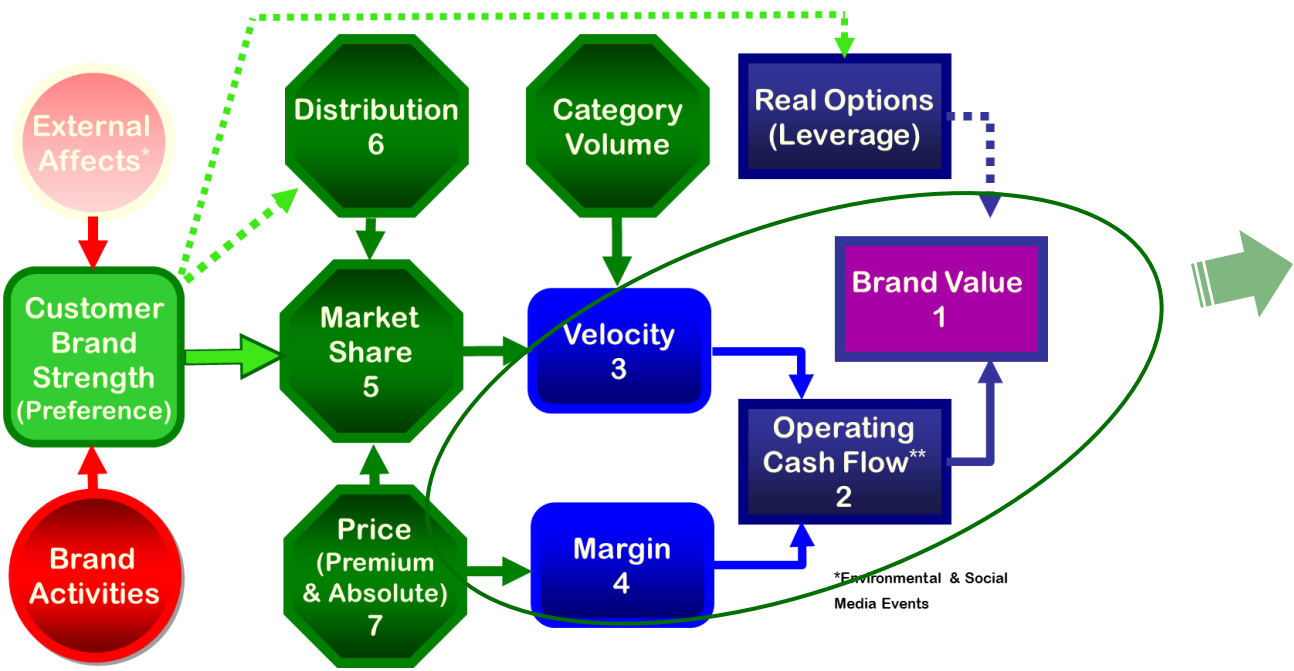
# Mockup: Drill-Down into Brand Value Screen





# The MASB BIV Model

## Financial BIV model



Brand A												Constant Growth 1	Rate			
(Units & Dollars in '000s, Except per Unit)																
3yr NPV \$43,250				10yr NPV \$95,341				5yr NPV \$63,898						10yr & TV NPV \$149,030		
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023							
Sales Volume	800	720	662	623	595	570	547	486	427	430	No					
Net Brand Revenue	\$ 130,000	\$ 110,700	\$ 104,390	\$ 100,080	\$ 95,906	\$ 92,832	\$ 88,726	\$ 84,586	\$ 81,101	\$ 77,760	No					
Net Brand Revenue \$/NPV Unit	162.500	152.917	157.597	160.779	161.360	162.747	170.518	174.000	177.448	182.330						
10Y/Brand Rate	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%						
Total Cost of Sales C/S per Unit	\$ 160,000	\$ 155,000	\$ 151,194	\$ 150,141	\$ 148,337	\$ 147,393	\$ 145,800	\$ 144,406	\$ 142,964	\$ 141,429	No					
C/S per Unit	175.000	173.611	178.400	181.362	183.590	186.320	188.668	191.353	194.036	196.712						
10Y/Brand Rate	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%						
Gross Margin GM per Unit	\$ 80,000	\$ 55,630	\$ 52,196	\$ 49,939	\$ 47,569	\$ 46,461	\$ 44,426	\$ 42,396	\$ 40,100	\$ 38,107	No					
GM per Unit	75.000	77.221	78.840	79.398	80.337	81.24	82.300	82.63	83.39	84.12						
Brand Marketing Spend	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	No					
Unbranded Marketing Allocation Unbranded Mktg per Unit	\$ 12,500	\$ 12,500	\$ 12,504	\$ 12,605	\$ 12,690	\$ 12,766	\$ 12,844	\$ 12,988	\$ 13,093	\$ 13,200	No					
Unbranded Mktg per Unit	14.000	14.081	14.203	14.311	14.441	14.591	14.751	14.871	15.021	15.171						
10Y/Brand Rate	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%						
Net Contribution	\$ 40,000	\$ 43,630	\$ 44,113	\$ 43,986	\$ 44,426	\$ 44,714	\$ 45,916	\$ 46,312	\$ 46,816	\$ 46,913	No					
Fixed Manufacturing Allocation FME per Unit	\$ 15,000	\$ 16,113	\$ 16,313	\$ 16,005	\$ 17,280	\$ 17,719	\$ 17,138	\$ 17,105	\$ 16,979	\$ 16,660	No					
FME per Unit	12.500	12.241	12.421	12.399	13.337	13.781	14.239	14.622	15.033	15.512						
10Y/Brand Rate	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%						
SG&A Allocation SG&A per BBL	\$ 10,211	\$ 9,379	\$ 8,882	\$ 8,600	\$ 8,326	\$ 8,061	\$ 7,805	\$ 7,559	\$ 7,319	\$ 7,086	No					
SG&A per BBL	12.770	13.021	13.411	13.811	14.231	14.651	15.091	15.541	16.011	16.491						
10Y/Brand Rate	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%						
Brand Earnings Before Taxes	\$ 26,889	\$ 25,461	\$ 27,219	\$ 25,379	\$ 23,729	\$ 22,421	\$ 20,769	\$ 19,150	\$ 18,418	\$ 17,348	No					
Income Tax Expense	\$ 11,544	\$ 10,199	\$ 10,092	\$ 10,000	\$ 9,110	\$ 8,389	\$ 8,309	\$ 7,660	\$ 7,489	\$ 6,869	No					
Net Brand Earnings	\$ 15,344	\$ 15,261	\$ 17,126	\$ 15,379	\$ 14,619	\$ 14,031	\$ 12,460	\$ 11,490	\$ 10,929	\$ 10,479	No					
Terminal Value (10 Year Exit Multiple Without Growth)												\$ 105,017				
Discounted Cash Flow	\$ 36,660	\$ 33,481	\$ 33,179	\$ 31,179	\$ 29,476	\$ 28,396	\$ 27,116	\$ 26,016	\$ 24,916	\$ 23,816	No					
Standard Model Inputs																
Constant Growth Year	1	2	3	4	5	6	7	8	9	10	Yes	No				
Constant Growth Switch																
Discount Year for Present Value	0.5	2.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5						
Corporate Tax Rate	40.00%															
WACC	9.00%															

Data for the Brand Valuation is based on primarily internal, financial data most commonly represented in SAP systems

- Data like:
- Sales Volume
- Net Revenue
- Total Cost of Sales
- Gross Margin
- Brand Marketing Spend
- Allocable Costs
- Tax Rate
- Weighted Average Cost of Capital

# Brand Value @MillerCoors

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## First results

In early 2015, MillerCoors implemented an “**executive dashboard**” enabled by Tableau, incorporating internal financial information and other internal non-financial commercial metrics [e.g., points of distribution, velocity]

The dashboard includes **very limited external information** and almost no qualitative information such as brand health or brand preference

MillerCoors has also begun exploring the inclusion of **Brand Value** in its decision-making relating to Portfolio Strategy and Resource Allocation [top-down view]

Similarly, more sophisticated and astute Brand Directors are also clamoring for a “brand dashboard” and Brand Value point of view that includes **relevant quantitative and qualitative business drivers** [bottom-up view]

# Second idea: Brand Value is not just a boardroom KPI

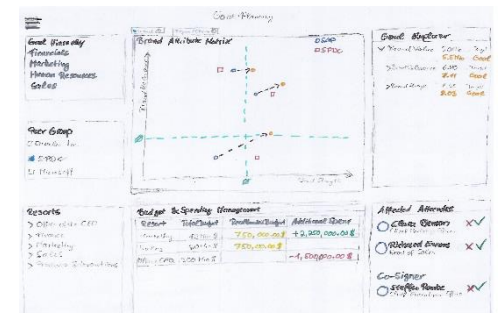
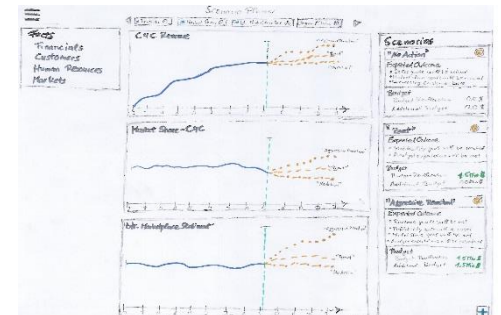
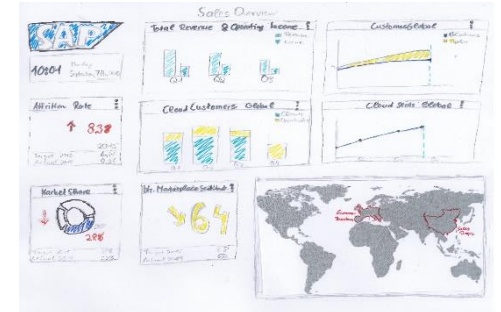
Market information on all levels

- We want to bring market information not just into the boardroom
  - From CMO to brand managers to every single employee
- Decision support system for **CMO's** by using **external market data** and insights for better informed decisions
- Story: “Defend the product launch of the competitor”

Company performance beyond revenue e.g.

- Market share
- „Voice-of-Customer“ & Consumer behavior
- Brand Value related indicators
- Positioning towards competitors

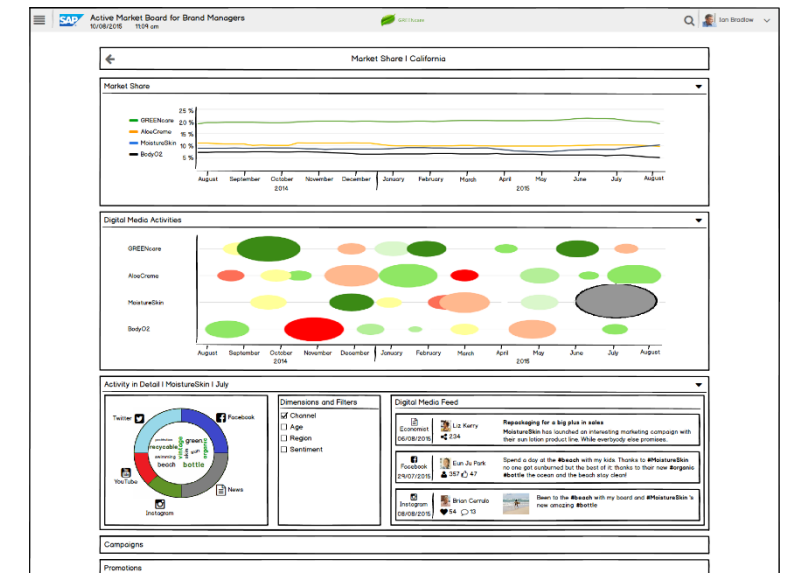
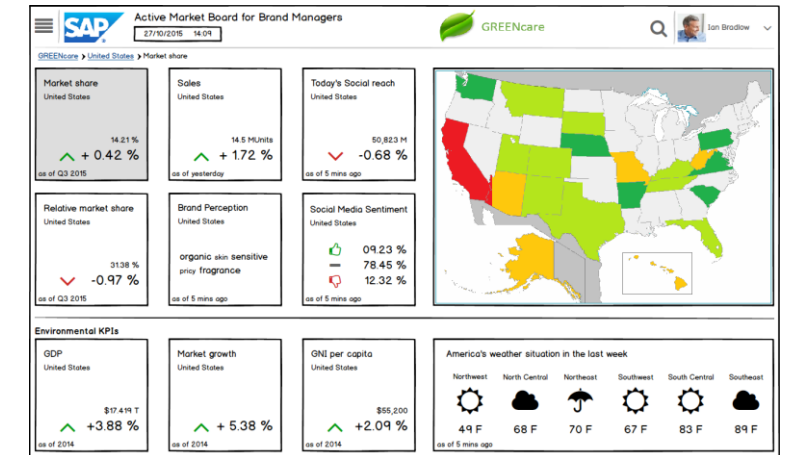
Provide simulation capabilities for prediction and forecast.



# Second idea: Brand Value is not just a boardroom KPI

Supporting Brand Managers is making better decision

- Story: “Analyze new market share information”
- Currently, Brand Managers often struggle to get an appropriately structured and capable solution to get transparency on the situation of the managed brand and its performance in the market. Existing solutions often...
  - ...are isolated and do not reveal a holistic view on the market. They usually provide a specific piece of the cake and are **not integrated with other information** that is relevant for decision making
  - ...use **lagging indicators** that represent the financial situation in the market but do not bring this metrics together with leading brand indicators that reflect the customer mindset and competitive market structures
  - ...do not allow to **connect information**
  - ...run as disconnected information boards with low or even **no insight-to-action capabilities**
  - ...are expensive to keep up to date (**continuous monitoring**)

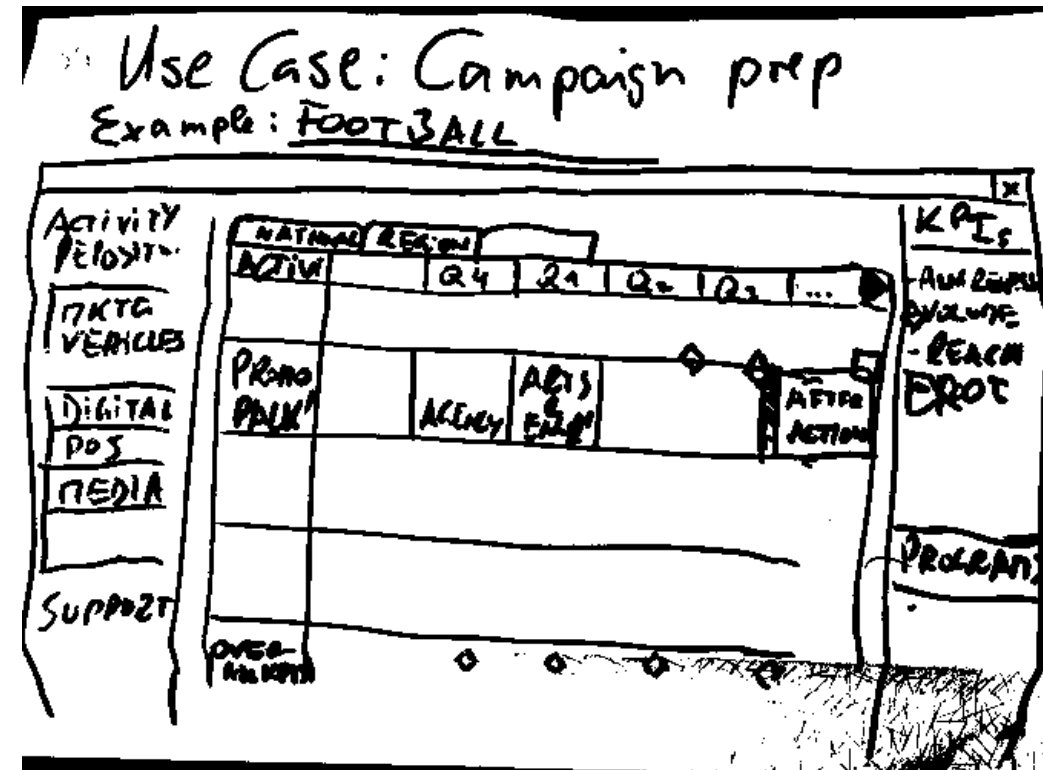


# Third idea: Market Success Management

Enabling marketers to achieve their goals

Establish an engineered working approach

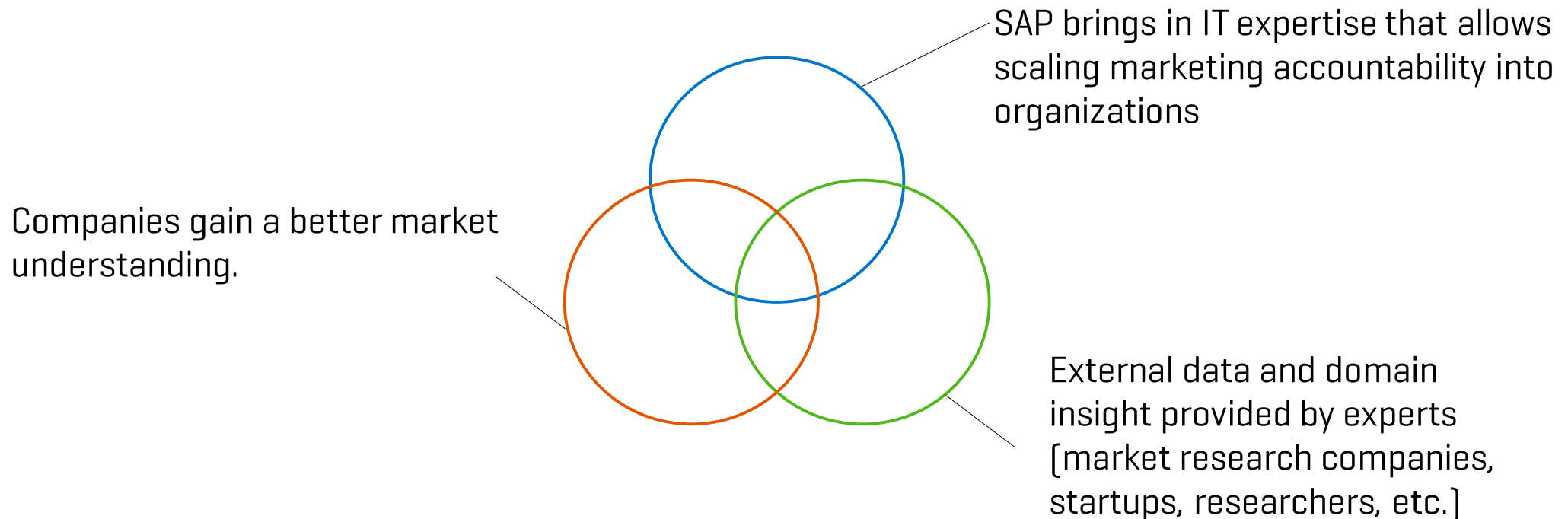
- Support activity-driven working pattern
- Target-setting: allow to plan & monitor success
- Allow to leverage best practices
- Support collaboration with externals (agency and partners)



# Challenge: How to integrate 3rd party

Leveraging disjoint competences in a scalable ecosystem

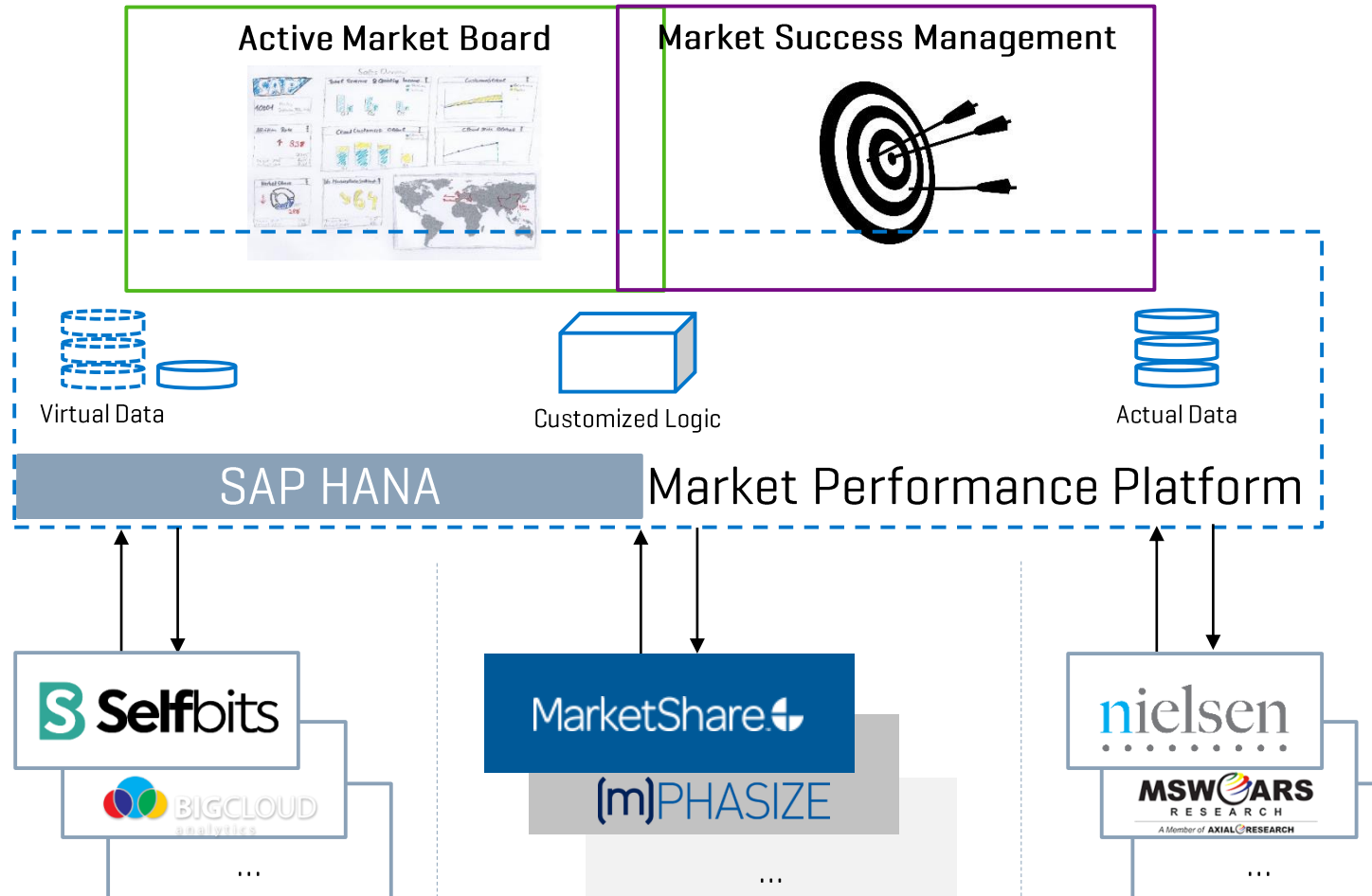
- Not SAP nor any other stakeholder can solve this issue by its own
- An integration approach could bring benefits to all participants





# Fourth idea: Market Performance Platform as an ecosystem

Simplifying access to market data and domain logic while enabling new business models



Provide a **network** of content and domain knowledge providers to SAP customers

Establish an **innovative business model** for market research and marketing intelligence industry

**Simplify the access** and use of external market data by providing relevant workbench functionalities

Virtualize **external data** and match it to **internal data models**

# MPP ecosystem

Who benefits from such an ecosystem



The customer

- Better market insight
- Integration of multiple data sources
- Market insights on demand
- Single entry point
- Analysis of multiple data sources in one model



Domain experts  
and data provider

- New business model to deliver market insights or marketing models
- Continuous sales channel



- Platform provider
- Simplified user experience
- Concentration on key competencies and integration of domain expertise of partners



- Scale metrics into organizations
- Deliver approaches / tools to make marketing more accountable
- Visibility in organizations

# Next steps

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Co-Innovation between all stakeholders is a key success factor

- Validation with subject-matter experts of different companies [CMO's, brand managers, ...]
- Prototyping with 3rd parties
- Develop common business model of MPP ecosystem
- Validate further MASB models to integrate
- Analyze latest research results ready for adoption [Vigilant Marketing, CLV, ...?]





# Thank You!

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Contact information:

[Carsten.Hahn@sap.com](mailto:Carsten.Hahn@sap.com)

[James.Meier@millarcoors.com](mailto:James.Meier@millarcoors.com)

