

Managing Your Brand as an Asset

-- The Role of a Brand Valuation --

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Valuing a Hospital Brand

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What We Need From You

- Past years' financials and current forecast
- Projections for next few years
- Market research results used by you and management
- Samples of marketing materials
- Understanding of your competitive situation
- Particular areas of expertise, e.g. cancer, heart

Site Visit: Who We Have to See

- Marketing management
- Market Research
- Finance
- Strategic Planning
- Medical Director
 - Physician group
 - Academic affiliation
- CEO or COO (at end of day)

What are the Key Variables

- Sales Projection, relative to past performance
- Trend in market research results
- Trend in competitive situation (Growth?)
- Degree to which hospital brand is recognized in community or region
- Our professional judgment – based on everything we asked for, people we talked to and the above

What Is My Actual Methodology?

- We determine a theoretical royalty rate for use of your institution's name
- Apply royalty rate to projected revenues
- Discount the future assumed royalties based on our evaluation as to how strong the brand is
 - Strong brand, low discount rate, higher value
 - Weaker brand, higher discount rate, lower value

What Does Brand Value Mean?

- Intangible asset, but
- Real Asset
- Think Apple or Coca-Cola
- Brand:
 - Increases Sales Revenue; or
 - Increases Selling Price (margins); or
 - Increases BOTH Selling Price and Revenue

What Could Increase Brand Value?

- Increasing trends
 - Patient Satisfaction
 - Name Recognition
 - Revenue and Net Income
 - Competitive Improvement

Does Marketing Control Brand Value?

- Good brand can not overcome bad product
- Therefore, hospital itself must be a leader in quality, cost, etc.
- Assuming a good product, then how it is marketed is critical
- No, marketing does not control brand value
- Yes, marketing is responsible for public perception of the institution.

Can I Compare My Brand Value with Others?

- No, each organization is unique
- Sales or Revenue drives the value
 - Larger hospital, probably higher brand value
 - Smaller hospital, probably smaller brand value
- My determination of royalty rate is judgmental
- My determination of discount rate is judgmental



UNIVERSITY *of* MARYLAND
MEDICAL CENTER

Managing Our Academic Health Center Brand as an Asset for Our Health System

*Healthcare Marketing & Physician Strategies Summit
April 30, 2014*

*Alison G. Brown, MPH
Senior Vice President
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UMMC Brand Valuation: Rationale

- New System-wide approach to brand management: supports understanding of the AMC brand value, adherence to standards, marketing messages, internal communications and importance of protecting reputation across the System.
- UMMC is the “trusted brand” whose value is being extended across the System, by endorsing all affiliates
- Utility in approaching future affiliations and demonstrating value of being “connected” to UMMC as a potential System affiliate.
- As a recognized intangible asset, can use to document specific terms of licensing arrangements with unrelated third parties as needed

University of Maryland Medical Center: Who We Are

- University of Maryland Medical Center (UMMC) located in downtown Baltimore
- Regional referral center for the State and mid-Atlantic region
- Founded in 1823 and privatized by the State in 1984
- UM School of Medicine full-time clinical faculty are UMMC's medical staff (900+)
- 780 residents and fellowship trainees



- 810 licensed beds and 6,500 FTEs
- 36,000 annual admissions
- 400,000+ outpatient visits
- FY'13 Operating revenue of \$1.2 billion
- Flagship for a 13 hospital regional health system

Consumer Research Confirms Strength of UMMC Brand

Our academic medical center IS the brand to value

Attributes	Attribute Ratings	
	UMMC (Mean rating)	Johns Hopkins (Mean Rating)
Doctors in many different medical specialties	6.68	6.65
Trains and teaches future generations of doctors and other healthcare professionals	6.64	6.58
State-of-the-art medical technologies	6.65	6.63
Highly skilled nurses	6.37	6.34
Successful in treating and curing serious medical conditions	6.46	6.44
Conducts leading-edge research on the treatment of diseases	6.56	6.53
Friendly	5.91	5.92
Likelihood to Recommend	5.87	6.21

Consumer Research Validates the Benefit of Connection to UMMC

- UMMC has solid reputation in the marketplace
- UMMC's reputation exceeds each of the System hospitals' in each local service area
- The benefit to consumers knowing that each System's hospital is affiliated with UMMC is very appealing at the local level (*versus knowing the local System hospital is part of a group of hospitals in various locations across the region*)
- Consumers' "likelihood to recommend" their local System hospital increases when they are made aware of connection to UMMC, our academic medical center
- All System marketing tactics must demonstrate the benefits of connection to UMMC, in addition to incorporating in all internal communications.

New Approach for Naming Health System: Hospitals' Name Conveys Connection to UM

Our AMC Campus : UMMC and UM Baltimore Professional Schools



Our Health System *(samples)*



UMMC Brand Valuation: Rationale

- New System-wide approach to brand management supports understanding the UMMC's brand value, adherence to brand standards, marketing messaging, internal communications and importance of managing reputation across the System
- Selected clinical program "network" affiliations are formal, structured and must fulfill specific connections to UMMC
- Three major health systems in Maryland and expect further consolidation of independent hospitals
- Utility in approaching future affiliations and demonstrating value of being connected to UMMC, either as a potential System member or a clinical program affiliation
- Documenting specific terms of licensing arrangements with unrelated third parties

What is UMMC Brand Value TODAY?

- Gathered UMMC's actual operating revenue for FY11-13
- Projected annual revenue growth for FY14 (achieving budget) and FY15 based on new State Medicare Waiver
- Projected continued revenue growth for FY 16-18
- Applied royalty rate of 1.1% to projected revenues
- Applied present value discount rate of 19%
- NET PRESENT Value of **\$85 Million**

Specific Utility of Brand Valuation: Two Examples

Co-branding with Private Company

- Proton Therapy Center development adjacent to campus
- Lease agreement with UMMC for Proton Center staff
- Desirable to promote the Maryland Proton Center “at the University of Maryland Greenebaum Cancer Center”
- Need documentation that withstands the potential scrutiny of federal regulators (DHHS, CMS). Important to reference applicable requirements under the federal Anti-kickback statute, including the definition of fair market value

Future health system expansion and partnerships

- Will incorporate in proposals to potential new health system members, joint venture partners or affiliates

Tadd M. Pullin

Senior Vice President

Marketing, Planning and

Interim Human Capital Officer

THE NEBRASKA MEDICAL CENTER

Background:

The Nebraska Medical Center

- Formed with the merger of Clarkson Hospital and UNMC's University Hospital in 1997
- 544 bed academic hub
- Suburban hospitals and critical access hospitals in IA and MO
- Founding member of Regional Provider Network
- 5,758 employees
- 1,082 medical staff
- 450 medical residents
- Clinical Enterprise
 - \$1.2 billion budget
 - 32,000 inpatient discharges
 - 141,000 patient days
 - 500,000 outpatient visits
- Patients from all 50 states, 42 countries
- National reputation in Cancer Care, Transplantation and Neurosciences



Brand Valuation

- Outside brand valuation expert conducted an in depth study of the brand's development over the last ten years
- The brand expression is conservatively valued as an **\$81 million asset**
 - Shield icon
 - Stylized lettering of the organization's name
 - Tag line / brand promise
- Brand synergy potential with our clinical enterprise consolidation also considered, raising the valuation to **~\$100 million**



SERIOUS MEDICINE. EXTRAORDINARY CARE.®

CONSISTENT

BRAND

EXPRESSION

**“NO MATTER HOW
GREAT THE TALENT OR
EFFORT, SOME THINGS**

JUST TAKE TIME:

**YOU CAN'T PRODUCE
A BABY IN ONE MONTH
BY GETTING NINE
WOMEN PREGNANT.”**

Warren Buffett



HIGHLIGHTS

LEADING INDICATORS

Consumer Top of Mind Awareness
Preference for Targeted Clinical Service Lines
Ad Recall
Ad Perception
Brand Promise Recall

OUTCOME MEASURES

Physician Referral Calls
Website Traffic
Market Share - Overall, Local, Regional
Financial Growth
Employee Engagement

Leading Indicators

**THE NEBRASKA
MEDICAL CENTER:**

SERIOUS MEDICINE. EXTRAORDINARY CARE.®

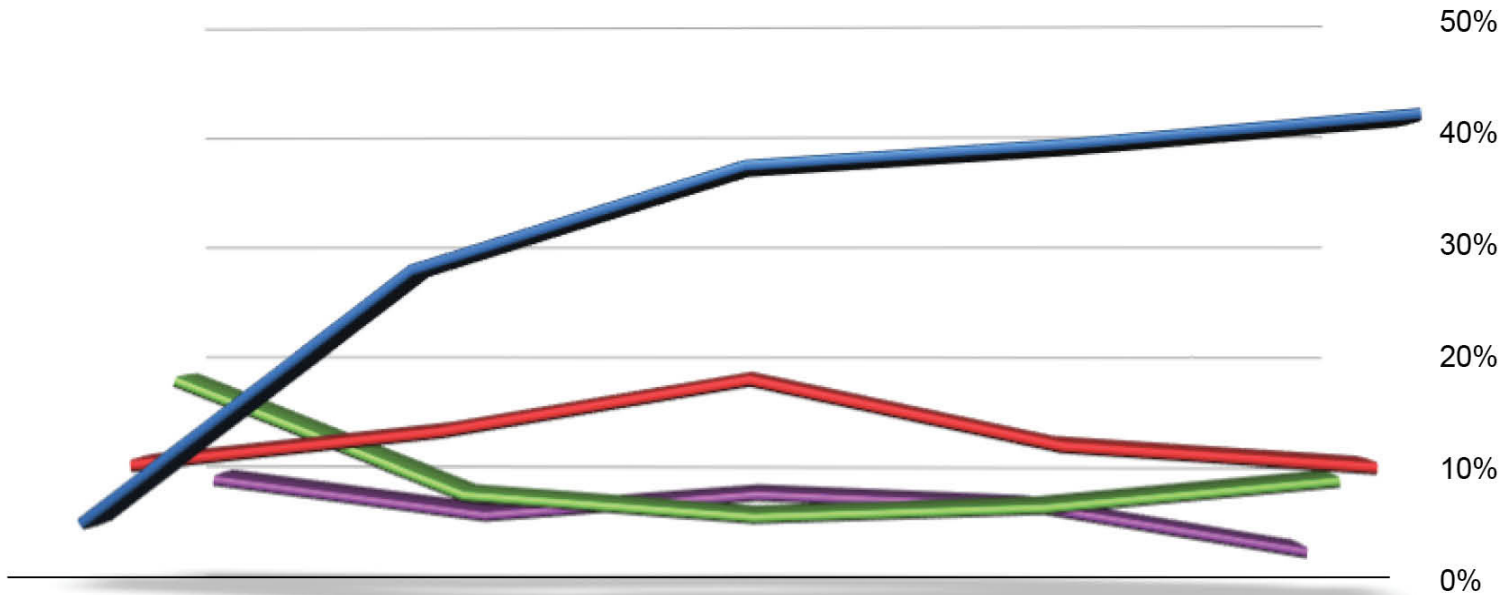
Buying the Brand



Merchandise Strategy

- Operating Hours: M-F 10:00am-2:00pm
- Average Annual Sales: \$250,000
- Operates in Black with All Allocated Costs
- Sales to Date: \$2.5 million

PERCEIVED SPONSOR OF ADVERTISEMENT



	July 2003	Aug 2005	Feb 2007	Oct 2009	Current
The NE Med Ctr ■	10.0%	27.6%	34.8%	36.3%	38.3%
Hospital 1 ■	13.1%	15.6%	19.5%	14.6%	13.1%
Hospital 2 ■	18.9%	9.8%	8.1%	8.9%	11.1%
Hospital 3 ■	10.0%	7.0%	8.8%	7.9%	4.4%

Source: Proprietary Survey PRC

PHYSICIAN

REFERRAL CALLS

Average Annual Impact - Patients Reconciled to Referral Call Center

Unique Callers Patients	Hospital Encounters	Net Revenue	Contribution Margin	Average Contribution Margin per Patient
3,190	16,743	\$22,159,413	\$8,432,558	\$2,676

We have the brand valuation ...

Now what?

- Leverage the \$100 million of synergistic brand equity among our hospital and practice plan brands
- Discern the brand expression of our newly integrated clinical enterprise
- Anticipate identity linkages with ACO and regional provider network – both of which are also being newly branded
- Merchandising – the “next chapter”
- Syndication – royalty rates for regional relationships

Use of UK HealthCare's Brand Valuation Report

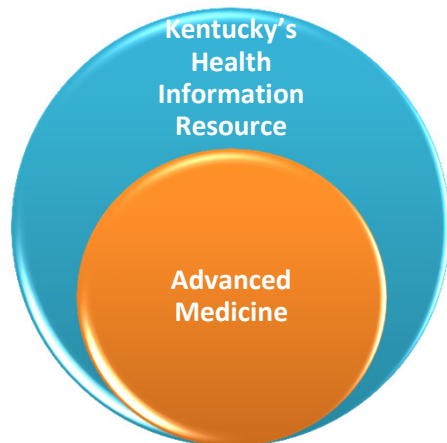
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April 27, 2014

UKHealthCare

About UK HealthCare

Brand Promise



Clinical

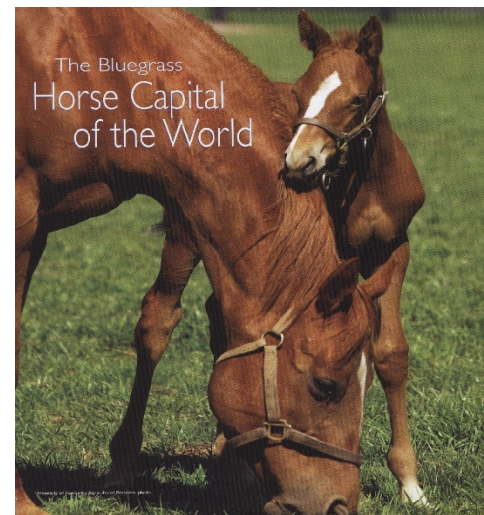
Two hospitals – 800 beds
900 Physicians/Dentists
8,000 Employees
36,000 Admissions
500,000 Kentucky Clinic Visits
90,000+ Emergency Room Visits

New 512-bed Hospital Pavilion



Colleges of Health Professions

Medicine
Nursing
Dentistry
Pharmacy
Health Sciences
Public Health



Bluegrass Area

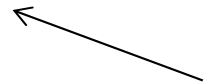
750,000 Primary Market
Bluegrass Music
Site of 2010 World Equestrian Games
UK Basketball
Bourbon Capital of the World

Final UK HealthCare Brand Valuation - \$64 Million

(\$ 000,000s omitted)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Terminal Value <u>2017</u>
Revenue Growth Rate: 5%						
Projected Revenue	900	945	992	1042	1094	
Royalty Rate	1%	1%	1%	1%	1%	
Relief from Royalty	9.0	9.5	9.9	10.4	10.9	72.9
Discount Rate 20%						
Present Value Factor	0.91287	0.76073	0.63394	0.52828	0.44023	0.44023
Present Value	8.2	7.2	6.3	5.5	4.8	32.1
Net Present Value						\$64

Valuation Date: January 1, 2013



Distribution of Brand Valuation Report

- Shared with CEO
- Shared with finance directors
- CEO shared with key clinical leaders
- CEO shared with University President
- CEO shared with University Board Health Care Committee
- CEO shared with Full Board
- Brand Valuation Slide Worked into CEO's Brand Image Presentation
- Shared with Physician Marketing Advisory Group
- CEO using valuation slide in talks with other organizations
- Presented to variety of internal groups

Immediate Feedback

- Elevates discussion of marketing and brand in a way that is more tangible. The report showed we had a \$64 million asset we didn't really understand we had.
- Increases interest in the brand and marketing's efforts to grow it.
- Discussion of brand value shifts organizational attention from concentration on immediate income to consideration of longer term value

Tactical Marketing Take Aways

- Used to explain and support marketing and brand campaign budgets
- Often used to resolve day-to-day branding questions/issues

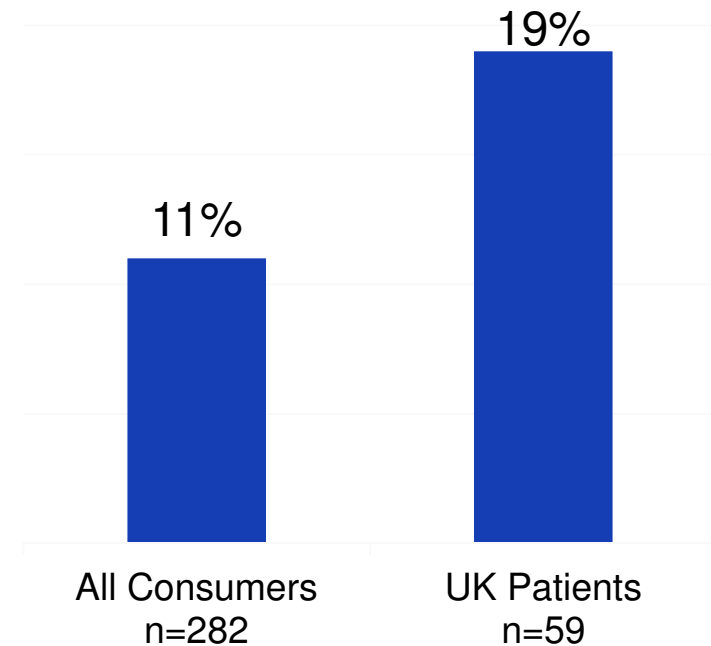


Brand Equity - Adding “Willingness to Spend More” Question

“Brand equity is a phrase used in the marketing industry which describes the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can generate more money from products with that brand name than from products with a less well known name, as consumers believe that a product with a well-known name is better than products with less well known names.”

--Wikipedia

I would Pay More to
Use UK HealthCare



Source: July 2013 Consumer Study

Stepping Up Price Scanning

Facebook Post

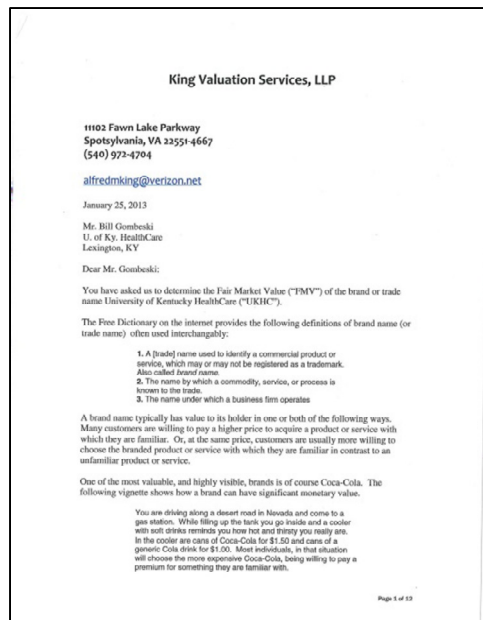
12-6-13

OUTRAGE: Two days ago (the day before my CT scan at UK Hospital) I received a message from a lady “representing Humana and the Commonwealth of Kentucky” advising that they were aware I had an upcoming medical appointment and for me to please call her back so that she could “help me schedule a more cost efficient medical provider appointment.” She went on to state that if I changed providers and rescheduled my tests to one of their (???) more cost efficient providers, Humana would send me a check for \$150.00 Whaaaaatt??? Let me get this straight... I’ve been treated for Stage 4 cancer at the closest University Hospital (which just received the highest NCI designation for cancer treatment) and you want me to cancel my scans, switch doctors, and save you a buck?? Better dangle a MUCH bigger carrot than a one-time payment of \$150!!!!

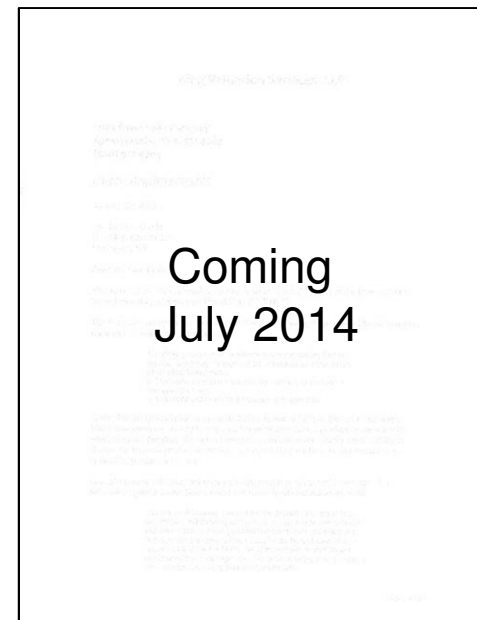
What's Coming

- Brand valuation provides a richer understanding of market performance if done over time – becoming a long-term ROI measurement.

Report 1 - FY2012

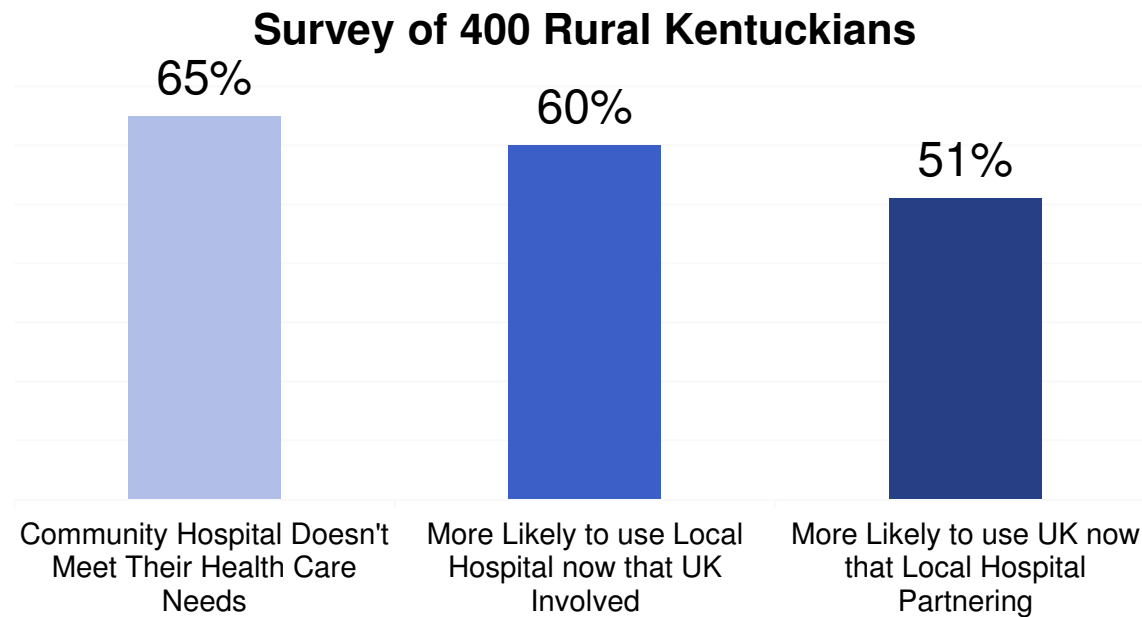


Report 2 - FY2014

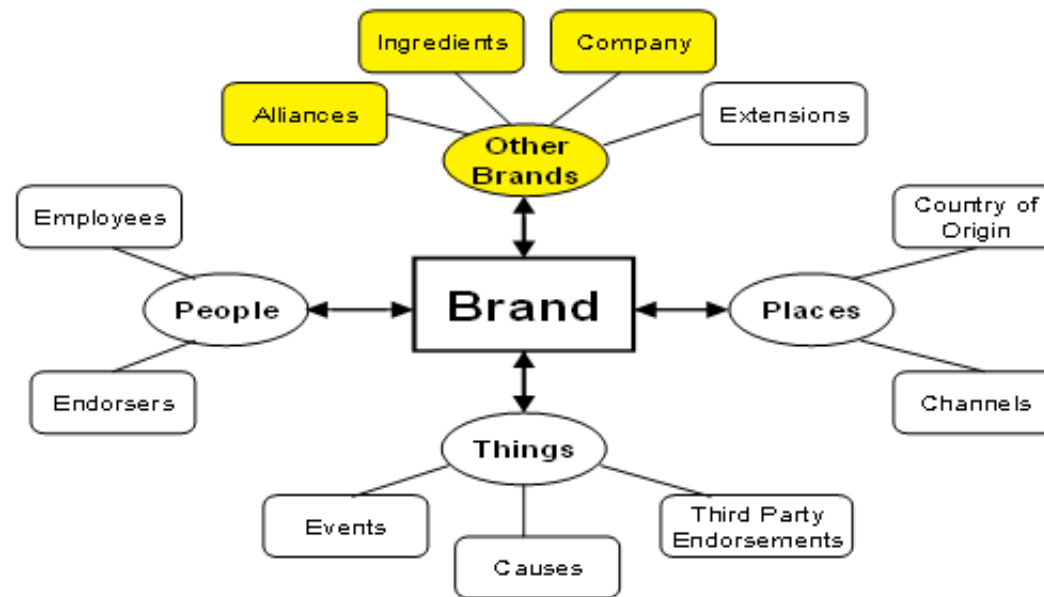


What's Coming...

Better Collaboration with our partner hospital's marketing programs



What Contributes to Perceptions of a Brand



Keller, 2003
"Brand Synthesis..."
The Journal of Consumer Research
29:595-600

Conclusions:

1. In increasingly networked economy, linking an organization's brand to other entities is a crucial skill for marketers to understand to optimally position their organizations.
2. Co-branding may be more effective than what can be achieved through traditional product marketing programs.

Alliances and Licensing of Brand

- Cobranding has become more important and licensing of our brand is becoming more prevalent
- Recognition the value of brand valuation in calculating a more precise licensing fee with our affiliates



ARH Cancer Center

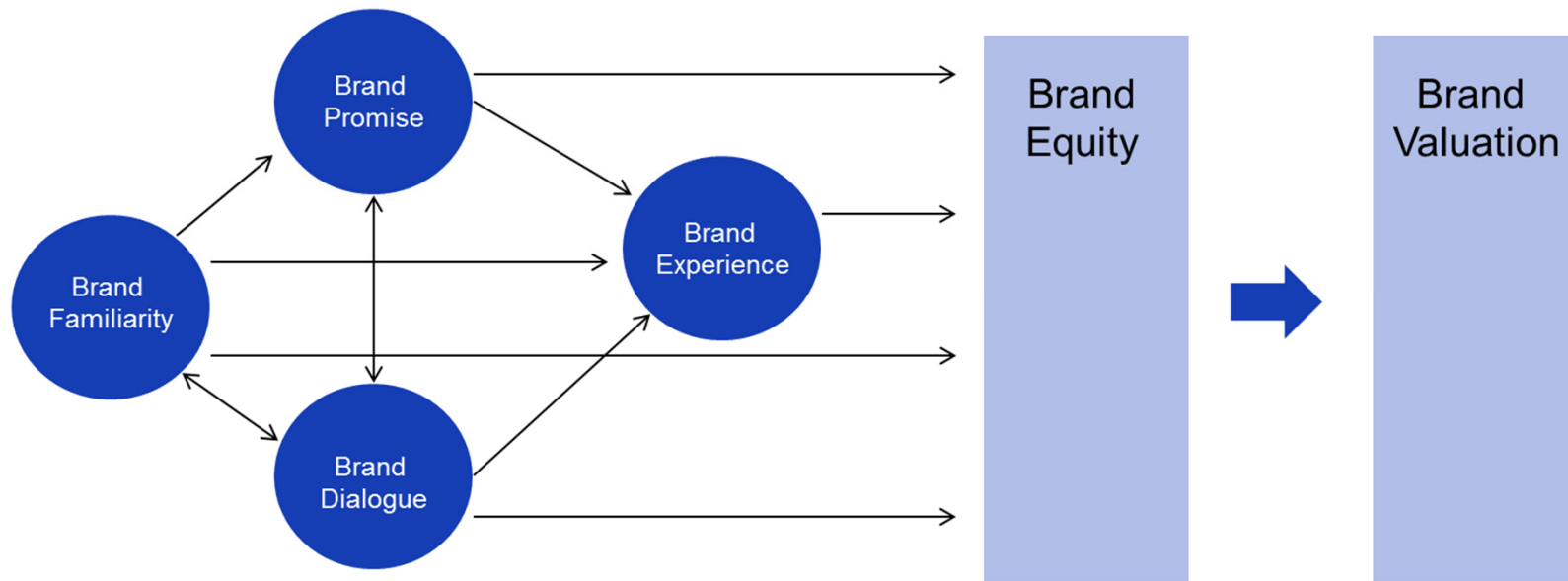
Your Partner in the Fight

 **ARH**
ARH Cancer Center

 **UKHealthCare.**
Network Affiliate
Markey Cancer Center

What's Coming...

Developing a Brand Equity Model to help identify how to grow brand



Gombeski WR, Britt J
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