

Private Equity

Case Study

Strategy & Performance

CONSUMER GOODS & RETAIL

Brand Performance Decomposition Tool

Background

As part of an evaluation of a target company operating within the alcoholic beverages market across Eastern Europe, PMSI were asked to review the performance of a number of major brands and undertake a full commercial due diligence on the business.

The acquisition opportunity presented a target company that had been 'prepared-for-sale', and it was vital to separate underlying brand performance from any artificial short-term performance manipulation, in order to forecast long-term value.

Challenges

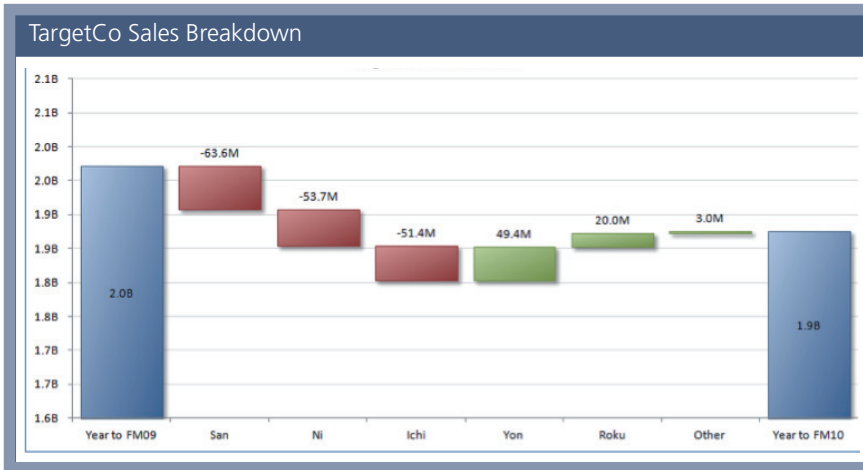
Added to the issues involved in any project of this type, the team faced;

- Tight timescales
- The EPOS / Retail Audit data available to the team needed significant cleaning and augmentation, putting more pressure on the transaction timetable
- And understanding underlying performance within a true market context, presenting the team with extensive work to uncover manipulation, such as stock-loading, discounting etc.

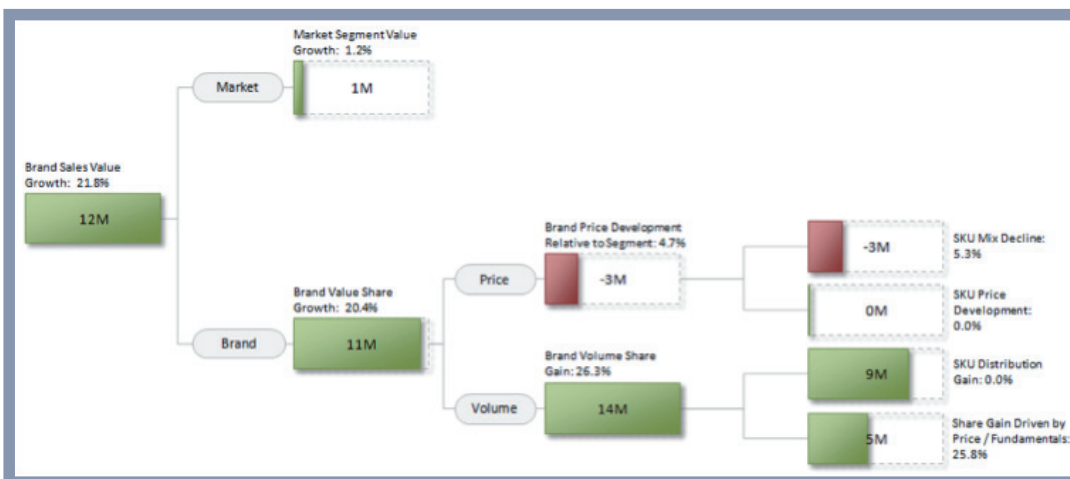
PMSI approach

The underlying data sources, although large and complex were sound and the best place for the team to start. As a result, PMSI employed the BPDM to leverage these assets as quickly as possible.

PMSI first examined brand performance issues at the company level – a simple first step:



PMSI then applied the Brand Performance Decomposition approach to drill down on the performance issues at the brand level:



To do this meaningfully, relevant price segmentation needed to be added to the EPOS data available, along with other augmentations to create insight in the context of value for the client undertaking the transaction.

Outcome

The use of the PMSI BPDM meant that the whole analysis was able to be conducted within just a few days. The approach also ensured that all the issues were uncovered – even the ones that may not have been apparent from a top-level review. This level of exhaustive analysis exposed areas where the management’s business plans was unlikely to be achieved, and fed into a constructive discussion of the true business-dynamics with the target company’s management team.

PMSI’s work enabled the client to make an informed decision on the price at which they were prepared to proceed with the transaction and obtain maximum value for the future.