

## Heading: Unlocking Value with the Mary Poppins Technique

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The 1964 film *Mary Poppins* had a great scene about hidden value. In the scene, the fairylike nanny meets the children for the first time. She looks around their room and decides it needs more furniture. *Mary Poppins* reaches into her tiny magic bag and stuns the children by pulling out a full-length coat rack, a giant mirror and a huge potted plant.

The kids had no idea so many valuable surprises could be tucked away in her normal-looking bag. At that moment, they knew she was a special kind of nanny who could make everyone's lives better.

From the outside, nothing about *Mary Poppins'* magic bag was exciting. Only she knew its potential. If she'd told the children the bag was carrying a three-meter-tall lamp, they would think their new nanny was a bit loopy. She had to show them the potential.

Why are we talking about a fictional nanny from the mid-20th century? Because most companies are like *Mary Poppins'* magical bag – potentially interesting from the outside but with the real value only visible if you delve inside.

Today, intangible assets account for more than 90% of value in most companies. However, due to the way accounting standards focus on tangible assets, the value of intangibles frequently sit off balance sheet (or inside the magical bag, to keep the analogy going).

Intangible assets come in 12 broad flavours: relationships, confidential information, industry expertise, design, approvals & certifications, plant varieties, content, invention, brand, software, network effects and data.

Companies are brimming with a mix of these intangible assets, some of which the management team will know about, while others require some out-of-the-box (bag?) thinking to see the potential opportunity and revenue streams.

For example, most businesses in the modern world generate data as they go about their daily operations. This may include everything from customer preferences and buying habits to supply chain schedules, machine functionality and myriad other key data points.

Some of this data will already be helping to improve decision-making, but most of it will be lying fallow. Not out of malice or incompetence, but simply because no one inside the business has used the *Mary Poppins* technique to come up with a commercialisation plan for this data.

Commercialisation is about finding the most appropriate strategy for putting your intangible assets in front of customers. It's about digging into a tiny bag and pulling out a full double-bed. To see how this *Mary Poppins* technique works, consider the example of a medtech company with expertise in a very narrow type of diagnostic testing.

The company's long-term strategy is to be a major player in fast and accurate diagnostic testing. To expand quickly and overtake its well-established competitors, it needs a unique selling point.

To find that secret sauce, the medtech company looked to its data for help. After deciding that its data could best be used to improve the efficiency of its delivery vehicles, it quickly discovered that each of its drivers carried cell phones that conveniently tracked the location of the fleet in real time.

After gathering that data, a few shrewd employees created a piece of software that isolated and eliminated bottlenecks in the courier process – from the moment the test was taken to its receipt at the lab, all the way to finding the best route through the city traffic.

In just a week, the small team had created the skeleton of a data-driven solution that reduced costs by 22%. Two months later, the company had pulled together a workable software prototype for

a vehicle-routing support tool that both sped up delivery time and lowered carbon emissions. This speed, alongside a superior testing product, helped leapfrog the company to the top of the market.

But the company didn't stop there. Its management team realised the software had the potential to also solve other companies' vehicle issues, so it reached into the Mary Poppins magic bag to pull out a commercialisation plan.

Before the end of the year, the medtech company was selling the software as a licensed service to other companies in a diverse range of non-competing sectors, adding an extra \$6.8 million in new revenue to its bottom line, \$5.4 million of which was essentially free cash flow. Fast forward two years and the company was able to divest the software part of its business for an 8x multiple.

Another successful example of commercializing strong intangible assets is via a patent and licensing strategy.

Take a dairy manufacturing company that invented a new packaging technology which used 35% less plastic in containers. In the packaging industry, saving just 2% of plastic is considered a huge improvement, so the company's method had the potential to be incredibly disruptive.

The original strategy was for the company to manufacture its new dairy containers itself. But it was based in a small country far away from its largest markets which meant the return on investment of this strategy would be low. The dairy manufacturing company needed a way to both protect the idea from copycats and produce it at a decent margin.

So, it came up with the idea to patent the packaging technology and then license it to larger packaging businesses which already owned serious manufacturing capabilities.

When a unique technology, process or formula can be protected, a licensing strategy is a great way to generate outsized returns. For the dairy company, its licensing agreement resulted in shipping one billion of these new packages in the first year, earning the innovative company a tidy royalty on each unit sold and increasing its earnings by 15x over three years.

It was a fantastic example of reaching into the magic bag and finding a clever way to both protect and commercialise valuable intangible assets at the same time.

Using an intangible asset lens on your company is the fastest way to make the valuable visible. No matter where you're at – from startup to enterprise – it's a safe bet that every company has a magic bag full of intangible assets just waiting for Mary Poppins to reach in and pull them out.