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Four Ways to Ensure Your Data Drives Multiples

Opportunity Seized

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Q42020 saw a record number of deals dating back to 2010 reporting, and buyers remain eager to invest into 2021. However, a considerable amount of underemployed capital is present in the market, as buyers report walking away from deals due to substandard data that leaves them with more questions than answers.

It's easy to overwhelm potential buyers with the contents of the virtual data room – transaction data, freight files, rebates, inventory reports, production data, etc. Instead of expecting buyers to work to discern, analyze and validate an influx of information and disparate data sets, the data room should showcase the strength of your business and uncover the value creation opportunities.

Make your data work for you by eliminating the unknowns for potential buyers and providing powerful answers to questions such as:

- How quickly will the company be able to realize financial impact from value creation initiatives?
- How sophisticated is the organization's sales and marketing strategy?
- How prepared is the business to react to changes in market dynamics?
- How does the company use technology to boost efficiency and profitability?

Using data to provide a clear window into your business gives buyers the visibility they need to feel confident investing their capital. Commercial clarity yields increased interest in and competition for your business, driving higher multiples.

Here are four ways to demonstrate commercial excellence through good data and be rewarded with a higher valuation.

"Commercial clarity yields increased interest in and competition for your business, driving higher multiples."
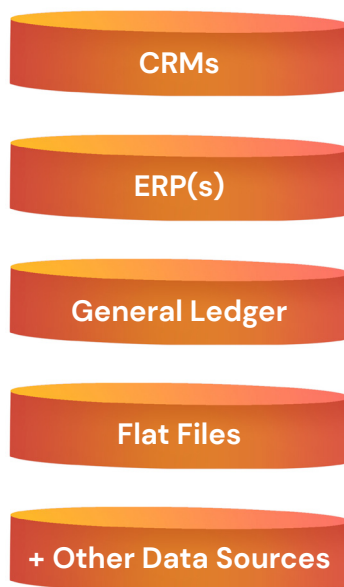
1 Organize data to increase speed to impact

Buyers will see immediate benefit from your organization's efforts to integrate disparate systems and create a data hierarchy. Because you have already done the work of cleaning up data inconsistencies and developing an actionable data infrastructure, they can focus on strategy, thus accelerating the time to execute and drive impact.
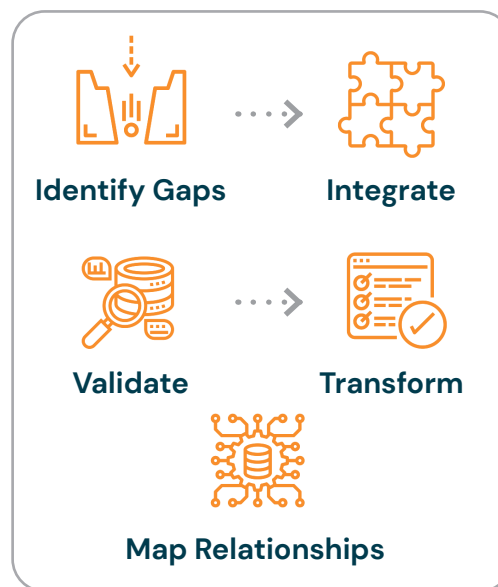
Having a solid data foundation in place allows you and buyers to:

- Identify quick wins to yield financial impact and increase enterprise value
- Build momentum and demonstrate ability to drive margin improvement
- Recognize change readiness of organization for value creation initiatives
- Prioritize opportunities for the 100-day plan

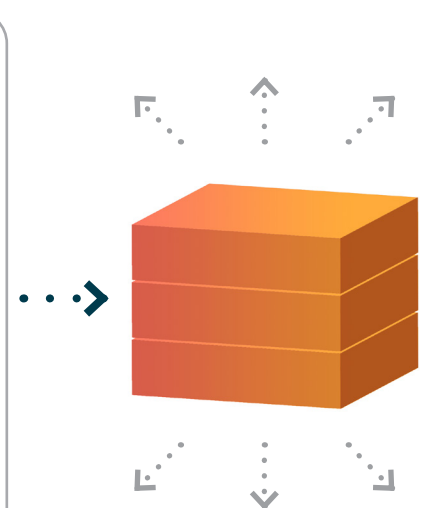## Data Sources from Disparate Systems

- CRMs
- ERP(s)
- General Ledger
- Flat Files
- + Other Data Sources

Data Engineering

- Identify Gaps
- Integrate
- Validate
- Transform
- Map Relationships

Data Infrastructure
Single Source of Truth

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2 Drive segmentation into your commercial strategy

Use data to display the sophistication of your organization's sales and marketing strategy and build buyer conviction around growth initiatives. Structured data demonstrates to potential buyers that you don't employ a one-size-fits-all approach across offerings and customers, but rather a strategy that recognizes the opportunities presented by every transaction and crafts a differentiated plan to maximize the profitability of each.

Offer visibility into how data can be used to:

- Create customized, segmented pricing models based on key value drivers
- Develop product positioning strategies that target the appropriate customer segment with the right value proposition
- Identify opportunities for cross-selling based on analysis of customer purchase patterns and product relationships
- Recognize shifts in customer behaviors to head-off potential churn
- Understand how cost to serve elements like discounts, freight and payment terms impact the profitability of each order

Pricing Model

CUSTOMER FACTORS	PRODUCT/SERVICE FACTORS	ORDER FACTORS
• Revenue • Relationship • Wallet Share • Competitiveness • Market Segment • Region • Win Rate • New vs. Repeat	• Revenue • Size • Availability • Complexity • Competitiveness • Uniqueness of Capability • Cost Structure • Brand	• Size • Quantity • Frequency • Capacity • Season • Urgency Level

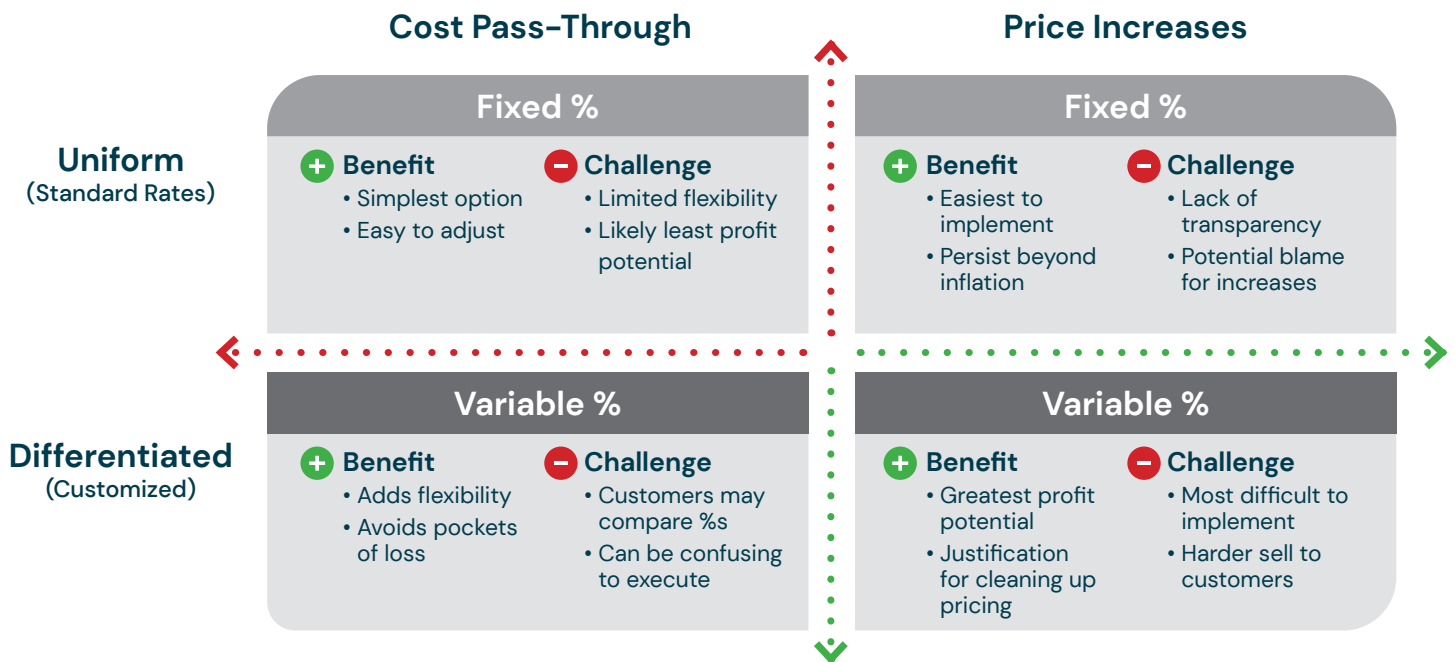*Pricing model factors are illustrative.*

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3 React to changing market conditions

Your organization can highlight how its data infrastructure will allow potential buyers to be prepared to craft an agile response to any change in market dynamics after the sale.

Cost increases
In a period of inflation, when the costs of raw materials, labor, freight and holding inventory increase, it's easy to think of price increases as a pass-through – your costs are rising X%, and you need to pass that X% along to all customers and products to maintain profitability. That broad-brush approach to price increases runs the risk of leaving money on the table in some instances or pushing price too far in others. Instead, data can be used to facilitate a scalpel-like approach, applying differentiated price changes that appropriately measure the value you provide and that your customers are willing to pay for.

	Cost Pass-Through	**Price Increases**
Uniform (Standard Rates)	**Fixed %** ➕ **Benefit** • Simplest option • Easy to adjust ➖ **Challenge** • Limited flexibility • Likely least profit potential	**Fixed %** ➕ **Benefit** • Easiest to implement • Persist beyond inflation ➖ **Challenge** • Lack of transparency • Potential blame for increases
Differentiated (Customized)	**Variable %** ➕ **Benefit** • Adds flexibility • Avoids pockets of loss ➖ **Challenge** • Customers may compare %s • Can be confusing to execute	**Variable %** ➕ **Benefit** • Greatest profit potential • Justification for cleaning up pricing ➖ **Challenge** • Most difficult to implement • Harder sell to customers

Competitive threats
When a new competitor enters the market, data can be used to turn the possible loss of business into an opportunity to make strategic decisions rather than a situation that's out of your hands. This threat may prompt your business to:

• Create or refine a customer loyalty program that incentivizes customer behaviors that are profitable for your business and increase investment in the relationship

• Develop customer-specific strategies based on what they value most from your business to increase your share of your customers' total spend

• Craft a promotional strategy that drives customer behavior that will have a lasting and positive impact on the profitability of your business

4 Maximize the effectiveness of technology and tools

Many companies struggle to make sense of their data, scattered across multiple ERPs and CRMs, and it's virtually impossible to get the full benefit of such systems when the data that populates them is messy and unstructured. Showcase your organization's ability to make the most of the technology and tools you've invested in by having the data infrastructure in place to be able to:

- Use the tools to facilitate and increase the effectiveness of organizational initiatives
- Employ add-ons and features that help drive sales productivity, pricing performance or inventory management
- Give your sales team more customer-facing time – selling value and growing the business – rather than sorting through reports and spreadsheets

> "It's virtually impossible to get the full benefit of systems when the data that populates them is messy and unstructured"

Summary

If your organization's data isn't in good enough condition to be considered a selling point, INSIGHT2PROFIT can help. Our team of data engineers has the expertise to quickly make sense of vast amounts of data, offering you and potential buyers clarity and confidence in how your business is run and how its data is managed.

INSIGHT's Quality of Pricing® services bolster your results by:

- Setting you apart from your competitors for investment dollars by making the data room's contents actionable
- Showcasing quick-win opportunities
- Prioritizing next steps for EBITDA growth and value creation in the first 100 days

Reach out to INSIGHT to let us do the heavy lifting to uncover opportunities in your structured and unstructured data to build a margin improvement roadmap for potential buyers, allowing you to reap higher multiples.

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INSIGHT2PROFIT enables companies to seize profit growth through expertise in pricing, sales effectiveness, and portfolio optimization solutions by applying data science and relentless execution. Rather than a one-time lift, we ensure ongoing incremental benefit and tangible results that yield exceptional ROI for many successful Private Equity Groups and their Manufacturing, Distribution, Business Services, Consumer Services, and select Consumer Goods and Technology portfolio companies.

Opportunity Seized

INSIGHT2PROFIT is located in Cleveland, Chicago, and Columbus.

Contact us to help seize your opportunities.

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