

NEW REVENUE INSIGHTS
FOR PE FIRMS & FAMILY OFFICES

**WHERE PE FIRMS
ARE (MOSTLY) FAILING
TO CAPITALIZE
ON VALUE CREATION**

PRESENTED BY:
REVENUE PATH GROUP AND ACCELERANT CONSULTANTS

NEW REVENUE INSIGHTS INTRODUCTION



Accelerant Consultants and RPG have partnered to help middle market companies and their investors address the endemic need to unlock potential, create a revenue culture, build value and provide the most meaningful exit options possible. They build value by helping their clients create and execute an integrated, intentional approach to sales and marketing strategy, resource alignment and execution.

Private equity firms and family offices have experienced massive returns over the past decade, largely taking advantage of the unprecedented economic tailwind and sticking to the playbook of driving valuation growth through incremental investment, fiscal discipline and operational excellence.

As we enter this period of higher economic uncertainty, excessive inflation, rising concern of a recession, higher interest rates and multiples that continue to be at historic highs, driving high returns will be increasingly difficult. However, there is an opportunity - if not necessity - to transform the approach to building value by modernizing the revenue functions of their portfolio companies.

We are entering an era during which the convergence of three major factors may significantly hinder the growth of small and mid-sized companies, if not spell the demise of these companies altogether, if they don't proactively and aggressively take action now. This last point can't be overstated. This is not about creating incremental change, this will be about business owners and investors either just trying to survive in this new era of accelerating change or deciding that they are willing to evolve into a model that allows them to take market share, outperform their competitors and build value even more quickly.

ISSUE 1

Inability to
stop the value
collapse in
the revenue
function

More of your profitability is destroyed in the sales process than any other part of the organization; and this will accelerate. Most small and mid-sized business owners, as well as private equity and family office investors, don't have a background in sales and marketing and, while many business owners have been successful operating in a catch as catch can/any revenue is good revenue model for the last decade, that won't cut it going forward. Granted, private equity certainly brings a level of discipline, experience, structure and strategy and, typically, highly intelligent and educated resources, their expertise and value creation is often limited to finance, accounting, operational excellence, vendor consolidation, cost take-out, strategy and enhancement of their portfolio companies' management teams. Sales and marketing are still run as somewhat "black box" functional areas without the necessary level of intentional focus on aligning and leveraging resources exclusively against value creation. Moving forward, the inability to create, communicate and gain greater access earlier in the buying journey to the right buyers will have your sellers entering the sale at the worst possible time - further eroding profits and value.

ISSUE 2

The buyer/seller
relationship
has changed,
and buyers are
winning

The evolution of how customers are buying is accelerating, largely because the information advantage that sellers used to possess is now gone. As Daniel Pink, author of two New York Times bestsellers in the field of human behavior and sales, correctly claims, "buyers have ample information (to make thoroughly informed and researched decisions), and lots of choices." Information parity and the growing incorporation of AI into the B2B buying process, helping buyers down-select without ever speaking with a salesperson, are leading to more than 80% of the research and buying process being completed before most sellers even know an opportunity exists. The salesperson, therefore, is often pursuing "opportunities" in which the winning vendor has already been chosen and they are just being used as cannon fodder to drive down the price of the chosen vendor. The vast majority of salespeople have not adapted and, as a result, are largely ill-equipped and unprepared to deal with significant changes in how customer buying has changed. Instead of understanding their prospect's real priorities and realizing they're now in an environment where they're competing with every other great idea, they're left chasing opportunities already created by their prospect in which vendors have already been commoditized and, often, a winner has been predetermined. The result is they have already been commoditized and must engage in a race to the bottom on pricing to be competitive. Margins are eroded, profits are diminished, and significant amounts of time and resources are expended chasing largely unwinnable and/or low margin opportunities.

MORE THAN 80% OF A BUYER’S JOURNEY TO YOU IS COMPLETE BEFORE YOU EVEN KNOW ABOUT IT.

Today, sellers are being brought in at the worst possible time. They’re already commoditized and must contend with the Three Deadly C’s. They’ve lost all influence and all decision maker access.

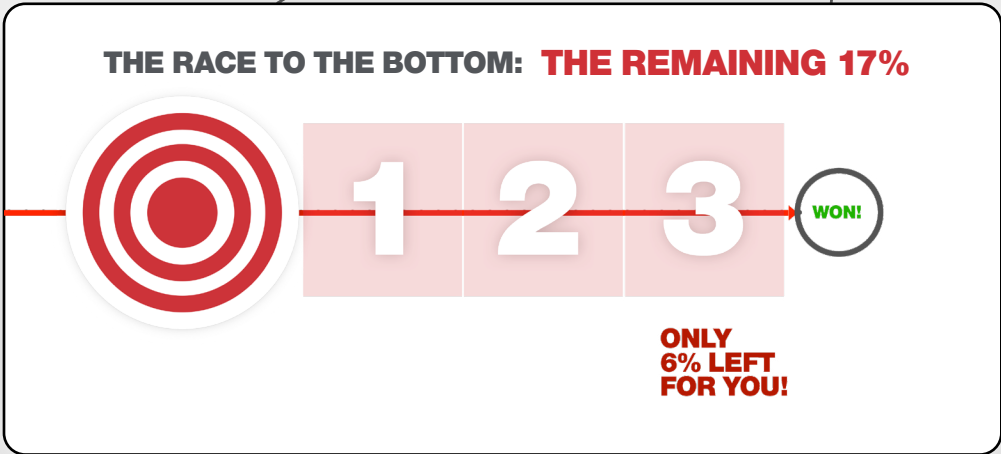
-83%



PRIORITY PLAN PROCURE

WHAT’S LEFT FOR SELLERS?

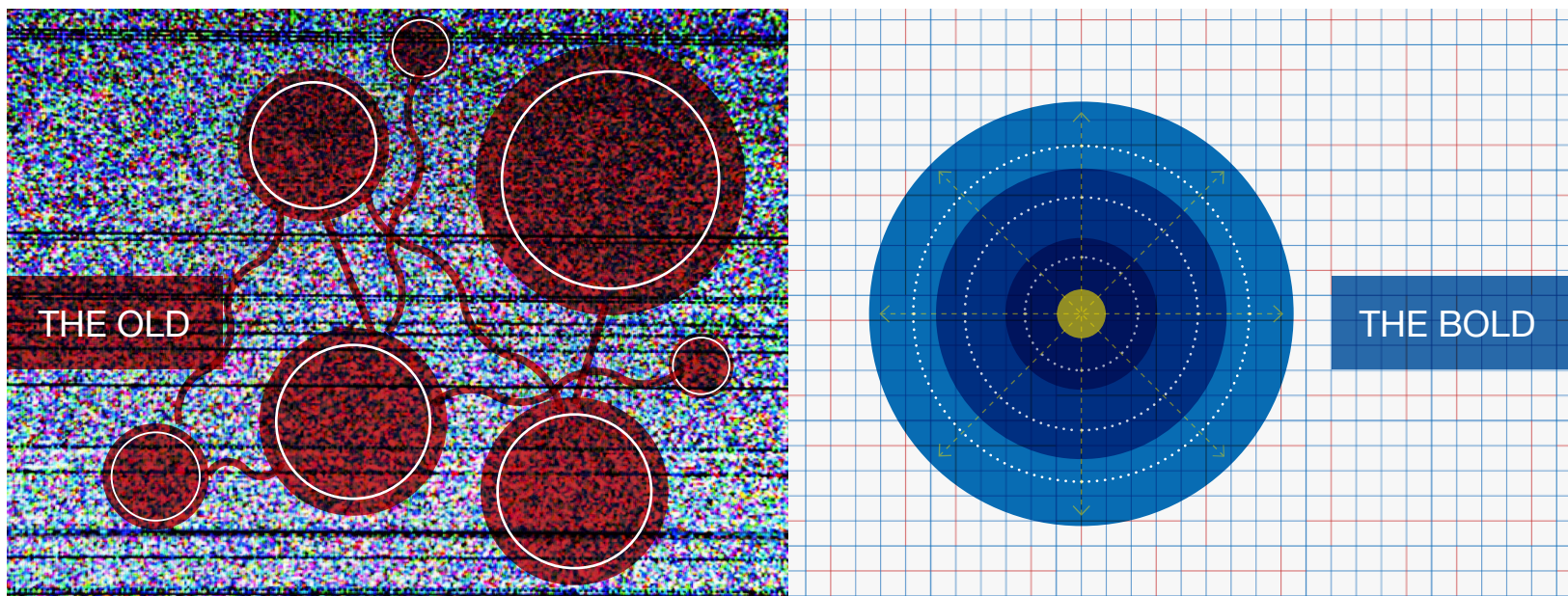
With just 17% total facetime allowed, split among 3 competitors, affords you 6% of the prospect’s buying journey. Too much is invested in salespeople to have so little impact on the sale.



ISSUE 3

Point solutions
are ineffective
and only add to
the chaos

Once business owners and/or private equity firms realize there is an issue with the effectiveness of their revenue function, they often turn to point solutions believing a marketing agency can produce more leads, a canned sales training firm can address a perceived training gap, or a fractional VP of sales can create more accountability within the sales team. However, getting more leads that are generated way too late in the buying journey, spending money on ineffective sales training that was developed before the advent of the internet, or choosing a quick fix sales tech solution all end up creating too much friction, misalignment and misallocation of resources. And knowing that friction is the enemy of acceleration, today’s era is begging for a better solution.



PIECEMEAL APPROACHES DON'T WORK ANYMORE

In an accelerating world anything short of complete alignment makes you vulnerable to efficient selling teams. You're all fighting for influence and access and very little is granted.

THE ANSWER

Address the
root cause,
not just the
symptoms!

Building a successful revenue function is not just about having a cohesive strategy. It is not simply a matter of hiring more aggressive salespeople. It won't be fixed by investing in outdated training, or improving your brand, or getting more leads, or defining your sales process, or improving your compensation plan. There is an interdependency of all of these aspects of the revenue function which, until acknowledged and addressed holistically, can never unlock the full potential of organizational value, especially when acceleration in the change of the buying process will continually drive value destruction.

The only proven way to effectively deal with accelerating change is by focusing on developing and strengthening your revenue culture.

Furthermore, when the revenue function is optimized at the same time business owners, private equity firms or family office investors are addressing financial, operational and leadership issues, value is created much more quickly, allowing the investors to exit the business faster for a greater multiple.

After all, that is the goal, right?