

Customer & Market Due Diligence Of Consumer Life Events Services Company: Establishing Buying Behavior And Identifying Growth Opportunities

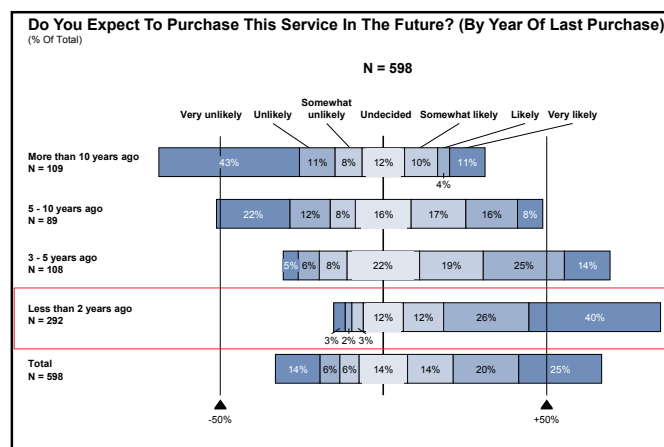
The Challenge: Gotham's client, a large PE firm, was engaged in a competitive bidding process to acquire a consumer services company focused on life events. The target company had achieved rapid expansion through an aggressive acquisition strategy (15 companies over last 5 years) and expanding into new highly-fragmented verticals. The target currently operates in 3 core segments, with a market leading position in 2, and a top 3 position in the third mall-based segment. While consumer buy rates in the target's core segments have been recovering post-recession, our client was concerned about the potential impact of technological advancements on consumer buying behavior. Accordingly, our client retained Gotham to conduct a rapid (3-week) customer & market due diligence to: determine consumer buying behavior in the target's core operating segments; validate the target's competitive positioning in the mall-based segment; and identify/assess potential end-market expansion opportunities.

Consumer Services Niche Market Assessment: To analyze the target's core segments and potential expansion segments, Gotham took a multi-dimensional approach: 1) mapped the entire life events market to identify all possible segments, evaluating each against key criteria to determine the most promising growth opportunities; 2) surveyed a panel of 1,500 consumers across target's 3 core segments and 2 expansion segments; and 3) conducted 30+ anonymous interviews with key decision-makers at the top U.S. mall operators to assess target's competitive positioning in its mall-based segment.

Consumer Panel Survey Results Show Low Downside Risk, With Incremental Growth Opportunities Available Across Target's 3 Core Segments

Gotham designed and conducted extensive consumer panel surveys, capturing a mix of various audiences to align with the target's different segments, to better understand: consumer buying behavior and drivers for purchasing; criticality of specific life events; most commonly bought products; price sensitivity for specific products; commonly recognized brands; and potential growth ideas. Analysis of the results indicated:

- Stable demand across all 3 segments as consumers place significant value on the importance of the life events the target caters to
- Low risk of market deterioration as consumers prefer to use professional services even amidst recent technological advances which have afforded consumers the ability to perform many of these services themselves
- Significant pricing and bundling opportunities as consumers stated a willingness to pay more across all segments and products and to increase average purchase size with bundling of additional products
- Large portion of consumers make purchasing decisions well in advance of life events, presenting compelling opportunities to increase buy rates through marketing before life events and preselling of products.



Target Well-Positioned Re: Other 2 Market Leaders In Most Competitive Mall-Based Segment, With Favorable Reputation Among National Accounts

Gotham also interviewed senior marketing and business development professionals at the largest U.S. mall operators (including target's customers and non-customers) to understand target's reputation and positioning in the market, as well as the competitive dynamics. Gotham was able to pinpoint revenue generation and consumer satisfaction as the key decision-making criteria, and found the target to have a favorable reputation in both regards. Further, our interviews validated that the target is in a good position to secure contract renewals among its top revenue-driving customers. Additionally, through extensive secondary research, we identified and profiled the other 2 key players in this niche market (the top 3 account for 80% share with the rest of the market comprised of smaller local/regional players) to better understand overall market dynamics.

Robust Assessment Of Entire Life Services Market Identified 2 Potentially Attractive Expansion Opportunities For Target

In order to help identify the most promising expansion opportunities, Gotham mapped the landscape of important life event niches and then assessed each for fit with target's services. We developed a proprietary scoring system to qualitatively evaluate each relevant life event against key criteria critical to the target's business model (number of participants, event size, criticality of life event, competitive landscape, sponsor presence) and identified 2 life event segments worthy of a subsequent detailed analysis of market potential. Finally, Gotham sized both segments through a bottom-up model of potential obtainable revenue and determined the typical contract size available in each segment to be \$2.5MM and \$0.5MM, respectively.

The Outcome: Gotham's customer and market due diligence findings provided a first-hand consumer account of the demand for target's services as well as the target's positioning and growth prospects, allowing our PE client to move forward with a more competitive bid.