



Case Study

How a private equity firm
achieved 2x return in 10
months with Buynomics

Buynomics®

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Initial Situation

In 2020 a private equity (PE) firm bought a consumer software company to its portfolio with the goal of improving the company's bottom line and thus achieving a successful exit. Quick EBITDA improvements thus were the number one priority. As COGS play a subordinated role in the software industry, take up rates and a revenue increase

promised the biggest EBITDA potential. The PE firm thus decided to efficiently optimize the pricing structure of the software company's portfolio. It had to optimize its portfolio and uptake rates to maximize revenue potential. All of this had to be done in the quickest, most efficient way. Profound results were expected as soon as possible.

Challenges

The PE faced various challenges in increasing bottom-line results of new assets



Cost pressure: Usually, the PE would consider hiring external consultants for the tasks at hand. However, the costs of such projects can quickly rise into the hundreds of thousands of Euros. For a mid-market PE firm this can impact the operative budget significantly. On the other hand, doing the analysis inhouse also takes up valuable resources which might not even be available. Even worse: desired outcomes cannot be guaranteed in either case.



Time pressure: In the PE business, the adage "time is money" applies in the most literal sense. Only profound and quick bottom line improvements enable successful exits with high returns. Testing out different price strategies in the market takes time – something the PE did not have.



Topline effects: The goal was developing a pricing strategy that increases revenues. The PE came to realize that external consultants were not only costly, but none of their offers could solve their urgent needs in the required accuracy. Based on previous experience, the PE firm was skeptical that the Excel models of consultants could deliver the much-needed effects.



Longevity: A solution was needed that not only delivered meaningful results as a one-off project, but enabled the software company to continuously optimize its portfolio at least for the holding period. Changing market conditions are difficult to deal with using consulting projects or Excel sheets.

"Buynomics' model is holistic, more flexible and faster than conventional solutions."

Solution

The company's global request for proposal was answered by all major strategy consultancies as well as large pricing software companies. Having considered all pitches, however, it decided to partner with an emerging software provider: Buynomics. Buynomics is a SaaS-based solution that leverages behavioral models and machine-

learning algorithms. It uses readily available market information and creates a sample of Virtual Shoppers who behave exactly like their real counterparts. Pricing, channel, and portfolio strategies can be tested on the Virtual Shoppers easily and without any risk.

Buynomics unique capabilities solved the problems previously encountered



Cost efficiency: With Buynomics, simulating an unlimited number of price strategies and portfolio variations comes at zero marginal cost. No consultants are needed and available resources can be leveraged more effectively.



Time efficiency: Simulating a new scenario takes five minutes, and detailed impacts on revenue and profit are instantly visible. The PE could therefore design its optimal strategy with ease and introduce it to the market swiftly, eliminating the need for lengthy market studies or A/B tests.



Measurable topline impact: Buynomics is designed to deliver straightforward, actionable insights that truly make an impact. It always incorporates all available data sources into its simulations, including sales data, the competitors' offerings, and interdependencies between products. Common Excel tools or human analyses cannot match this level of comprehensiveness.



Scalable advantage: While consultants leave after a project is finished, buynomics is a self-service solution which generates continuous insight. Data updates can be integrated easily, and analyses can be repeated at any time. Therefore, the firm could always keep its insights up-to date with no additional effort.

"After implementing the price structures suggested by Buynomics, the PE achieved an uplift in gross profits of a staggering 20%"

Result

Buynomics forecasted consumer behavior with an accuracy of 96-98%

Financial value

The impact of using Buynomics for the PE's pricing strategy was profound. Not only could the firm design and implement its ideas more quickly and cheaper than ever before, but the simulations were also extremely precise. Even more astonishing, however, were the effects on the software company's financials: after implementing the price structures suggested by Buynomics, the PE achieved an uplift in gross profits of a staggering 20%. Hence, not only did the investors save time and costs designing and testing a new pricing strategy, but also achieved phenomenal improvements to the software company's EBITDA.

Operational improvement

The initial goals were thus more than met - in fact, the results exceeded any expectations. Designing the new pricing strategy with Buynomics immediately paid off for the PE: after less than a single year, it was able to sell the software company for over 2x cash-on-cash return. This far exceeds the average of only 17% for one-year PE deals. Overall, Buynomics delivered a simple, precise, and long-term solution for the PE's needs and thus helped secure a best-in-class return in record time.

Buynomics is the only solution which forecasts shopper behavior with >95% accuracy. Buynomics can simulate an unlimited number of price-product-promo combinations. It empowers to find the right prices, portfolio, promotions and product design.

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