

## Maximizing ROI through Commercial Advisory: a Case Study

Private equity firms continually seek strategies to maximize returns on their investments. One powerful avenue lies in leveraging commercial advisory services to enhance the performance of portfolio companies. By elevating revenue, margin, and optimizing selling cost, these services can significantly strengthen EBITDA and drive greater ROI. Here's how Vesper Commercial Excellence delivers on this promise.



### Enhancing Revenue Growth

Our commercial advisory services enhance portfolio companies' revenue streams by optimizing sales and marketing strategies. We identify new market opportunities, upside for cross- and up-selling, and deliver targeted marketing and sales campaigns to broaden market reach and capture a larger share of wallet and market share.

### Gross Margin Optimization

Through meticulous analysis and optimization of product mix and pricing strategies, we help portfolio companies extract more value from their offering. This includes adjusting pricing models and processes, establishing conditional discounting, repairing outliers, and establishing pricing KPIs and governance.

### Reducing Selling Costs

Our services streamline sales operations, grow sales force productivity and effectiveness, and leverage automation solutions to reduce selling costs. Robust go-to-market strategies and optimized customer contact planning enable further cost reductions while maintaining or enhancing sales performance.

To illustrate the potential impact of commercial advisory services on ROI, let's look at the following case study. Vesper Commercial Excellence was engaged by the portfolio company from a PE client to drive revenue growth and return on sales.

**Initial Metrics Client Portfolio Company:**

- Revenue: €10 million
- Gross Margin: 40%
- Selling Costs: €1 million
- Other Costs: 10%
- EBITDA: €2 million

After implementing the advisory services improvements the following changes were realized:

**Revenue Growth:** Enhanced sales and marketing strategies reliably yielded an additional 20% revenue increase attributed to:

- Improvement of pipeline conversion rates: +5%
- Execution of effective cross-selling and up-selling initiatives: +10%
- Deployment of precision digital lead generation campaigns: +5%

$$\text{New Revenue} = \text{€10 million} \times 1.20 = \text{€12 million}$$

**Margin Improvement:** Our focused efforts on optimizing product mix and pricing strategies resulted in a 3-percentage-point increase in gross margin, driven by:

- Implementation of conditional discounting measures: +200 bps
- Correction of outliers in pricing structures: +100 bps

$$\text{New Margin} = 40\% + 3\% = 43\%$$

**Selling Cost Reduction:** Our enhancements in sales force effectiveness led to a significant 20% reduction in selling costs, driven by:

- Implementation of an omni-channel sales strategy: +15%
- Optimization of customer contact planning: +5%

$$\text{New Selling Costs} = \text{€1 million} \times (1 - 0.2) = \text{€0.8 million}$$

**New EBITDA:**

$$EBITDA_{new} = €12 \text{ million} \times 0.43 - €0.8 \text{ million} - €1.2 \text{ million} = €3.16 \text{ million}$$

$$\% \text{ change in EBITDA} = \frac{€3.16 \text{ million} - €2 \text{ million}}{€2 \text{ million}} \times 100 = 58\%$$

**ROI Improvement:**

- Initial Investment: €10 million

Assuming a constant multiple for the Exit Value, at 7 times EBITDA, the ROI in the initial and new scenarios will be:

$$ROI_{initial} = \frac{7 \times €2 \text{ million} - €10 \text{ million}}{€10 \text{ million}} = 0.4$$

$$ROI_{new} = \frac{7 \times €3.16 \text{ million} - €10 \text{ million}}{€10 \text{ million}} = 1.212$$

The increase in ROI due to the implementation of advisory services is 81.2%. Please note that the expenses incurred for the advisory services were classified under the EBITDA line as a one-off investment.

At Vesper Commercial Excellence, with our dedicated team of subject-matter experts, we are committed to helping you maximize return on sales and achieve next-level growth. Get in touch with us to explore how we can collaborate to drive commercial value creation.

**Contact Us**

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