



**THE GREAT
COMMERCIAL
ENGINE
RESTART**

Private Equity Views

ACG[®] New York

 **Chief Outsiders**[™]
Fractional CMOs for Accelerating Growth

Restarting Commercial Engines is Pending

For many of us in the U.S., March 2020 will be remembered as the month the world changed as the COVID-19 virus came to our country. Time will tell if the changes are forever or just for now. These changes are sure to impact the ways in which companies go-to-market. The speed at which they are able to not just adapt but to lean into these

changes will impact how quickly and well they can restart their commercial engines. For private equity investors, these dynamics will impact the investments they've made and will need to make going forward. They will ultimately impact fund performance, potentially for years to come.

Survey of Post-lockdown Expectations

It is against this backdrop ACG-NY and Chief Outsiders decided to reach out to the private equity community to take their pulse on the post-lockdown commercial engine restart. We wanted to understand how they were addressing the needs across their portfolios and what their expectations were in regards how things would be different post

lockdown. Specifically, we asked what changes they expected their portfolio companies to make to their go-to-market strategies to address expected changes in the market and their customers. We also wanted to know how they expected their own interactions with their portcos would change in the immediate post-pandemic aftermath.

Danger Ahead?

The biggest red-flags are centered around the changes private equity investors expect to see in their portfolio companies' commercial engines post COVID-19 and their preparedness to address them.

The good news is that they are clearly paying attention to commercial activities as they make their plans to come out of lockdown. Nearly two-thirds (60%) of those surveyed consider their portcos' commercial engines as important as other elements such as supply chain and liquidity, and most of the rest (38%) rate it pretty important even if not at the same level as the other elements. But

at a time when almost everyone we surveyed said they expect changes to their companies' go-to-market approaches, we find it surprising that so many think their portcos are ready to restart their commercial engines (40%) or will be ready soon (53%). Given the fundamental changes they expect to have to make – everything from their value proposition and messaging, to pricing, targeted customers, lead/demand gen activities, and marketing and sales teams structures – we don't see how they can be ready just yet. Especially as the scope of these changes are still uncertain.

Digital Engine Focus Area

Businesses have got a lot of work ahead of them when it comes to their digital engines as well, as 71% of respondents expect digital marketing and ecommerce to be more important for their portcos going forward. Not surprisingly, many (44%) expect to become more involved with their portcos as

Marketing Efforts Get Attention

Many of the firms we surveyed expect their firm's marketing efforts to change in the post pandemic world. Specifically, they expect to adjust their own value proposition and messaging to investors and target companies to have to change. That's a change we would whole-heartedly endorse as despite the frequent assertions regarding "how we are different from other PE firms" we hear, most of the positioning and messaging we see

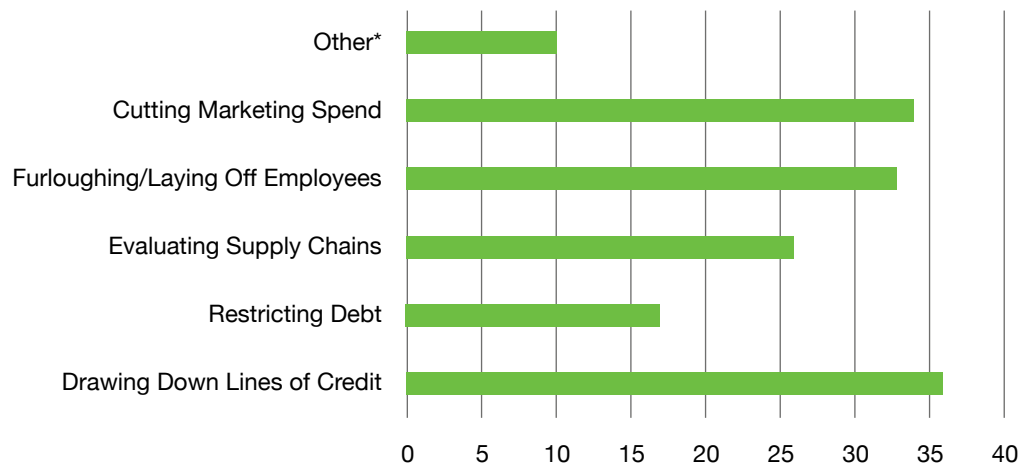
they restart their commercial engines than they were before the pandemic. We wonder if they have the resources necessary to provide the support necessary, especially as many portfolio support groups are already under resourced and under strain.

from PE investors sounds the same.

The lockdowns will end, and the commercial engines will need to restart whether portfolio companies and their private equity sponsors are ready or not. ACG-NY and Chief Outsiders will continue to take the pulse of the private equity community as business begins again and will continue to help where you need us.

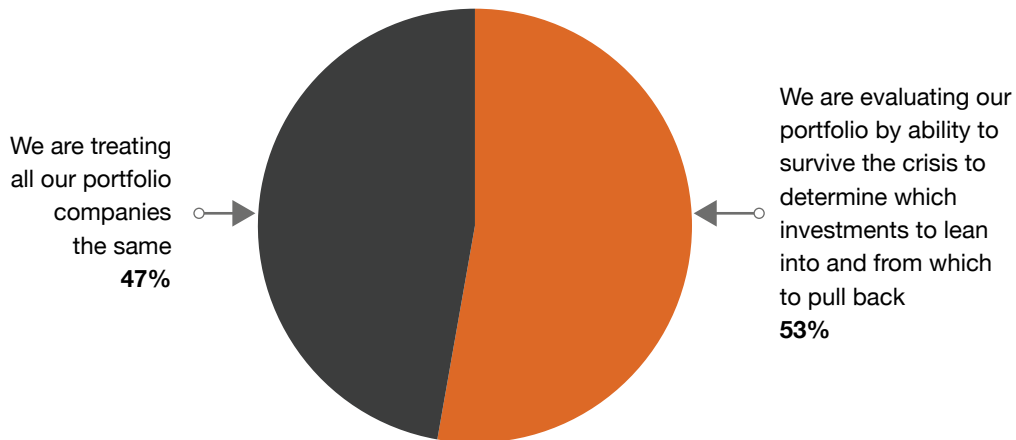
Q&A

Q1: What steps have/are you taking to address the short-term needs of your portfolio companies? Multiple responses allowed.



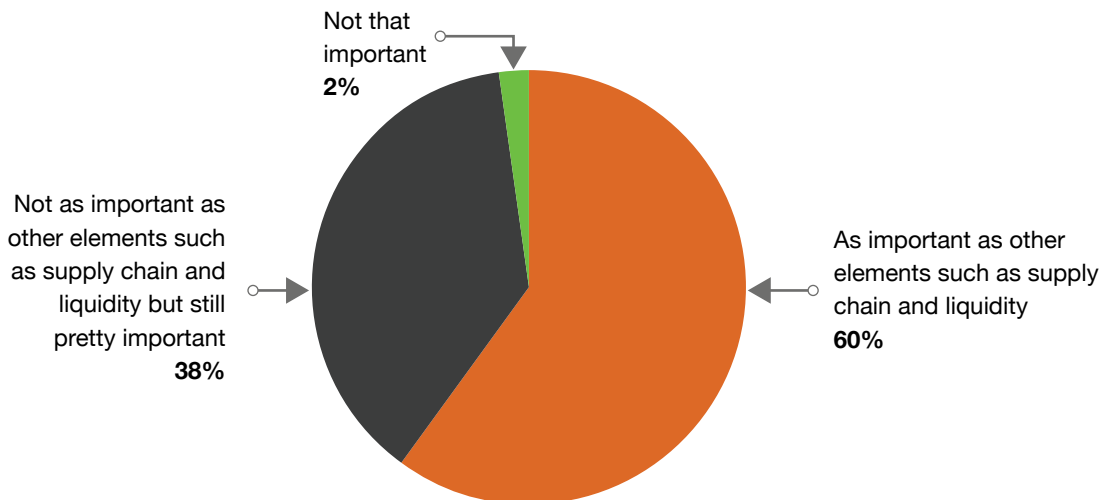
As would be expected, most activities have been focused on ensuring liquidity to weather the storm

Q2: How are you triaging your portfolio?



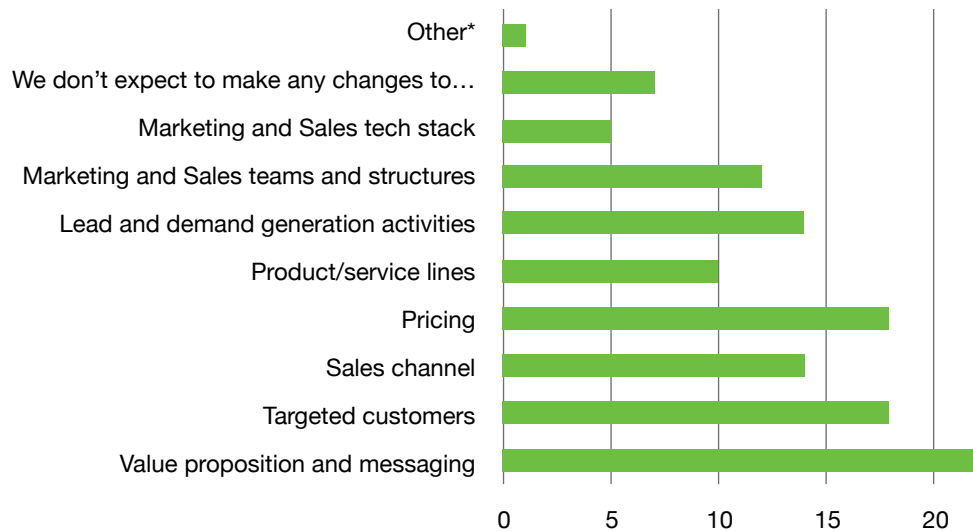
Somewhat surprisingly, almost half of respondents are treating their portcos the same rather than being more selective on where to spend time and money.

Q3: When you think about the post COVID restart, where do commercial activities (sales and marketing) fit into the mix?



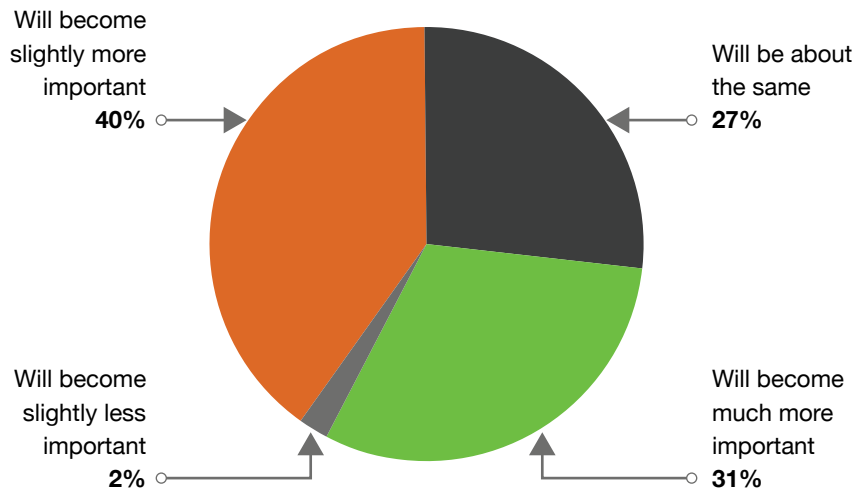
Not surprisingly, a majority of respondents believe that commercial activities are as important as things like supply chain and liquidity for the restart.

Q4: What areas of your portfolio companies' go-to-market approaches do you think will change going forward compared to pre COVID-19?



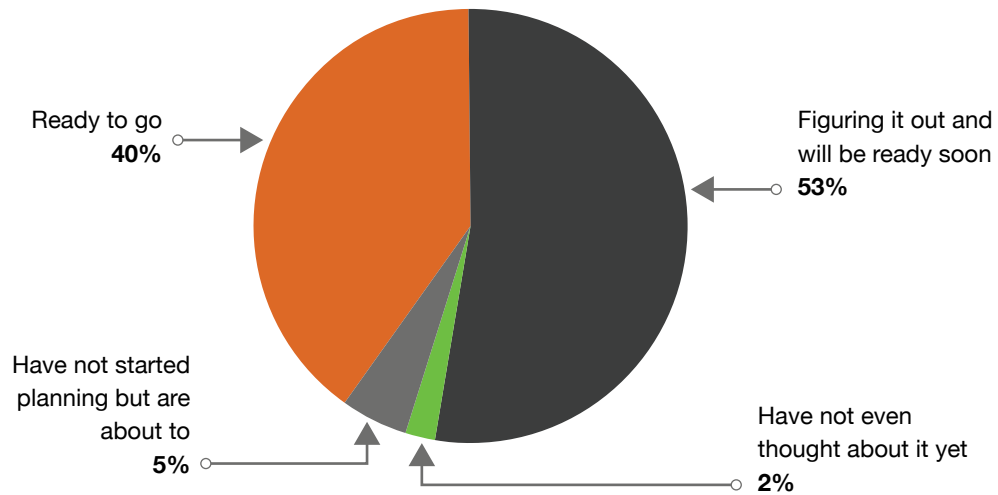
Respondents expect lots of changes to their portcos' go-to-market approaches post COVID-19.

Q5: How will the role of digital marketing and Ecommerce change for your portfolio companies going forward?



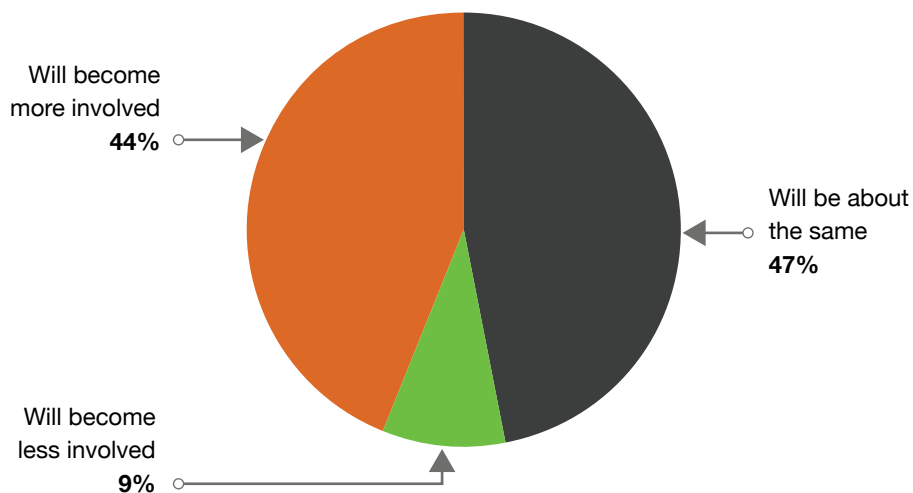
Digital marketing and ecommerce are expected to be more important going forward for most respondents.

Q6: How prepared are your portfolio companies to restart their commercial engines once the pandemic passes?



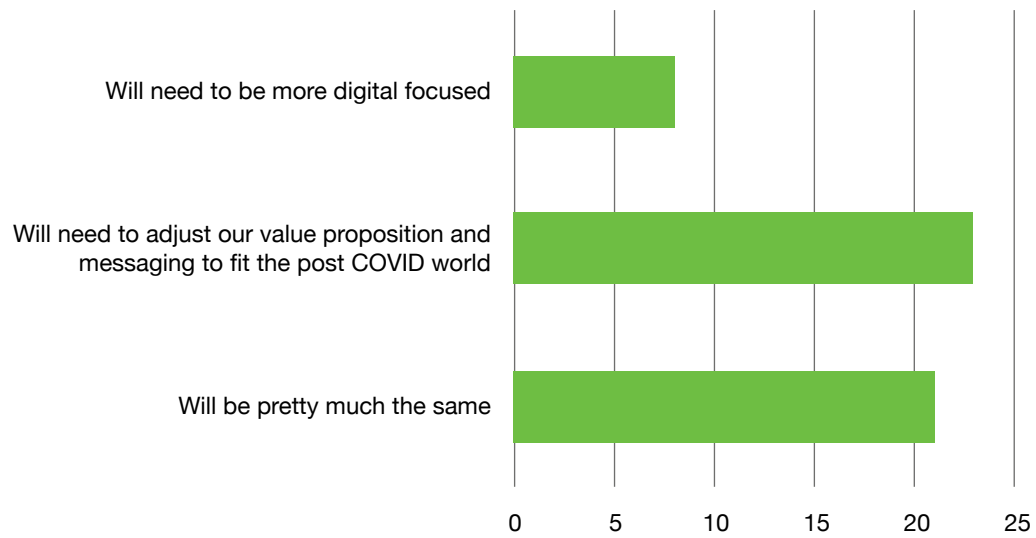
Forty percent (40%) of respondents think their portcos are ready to restart their commercial engines and most of the rest think they will be soon.

Q7: As your portcos restart their commercial engines, how do you expect your involvement with your portfolio companies' commercial operations to change after they restart?



As might be expected, many of our respondents expect to become more involved with their portcos' commercial operations after restart.

Q8: How do you think the marketing of your firm to investors and target companies will change post COVID-19?



Many respondents expect their own firms to have to make changes to their value propositions and messaging post pandemic as well becoming more digitally focused.



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