



PRIVATE EQUITY PERFORMANCE IMPROVEMENT

Show Me the Money, But the Right Money Please!

In our series, "Show Me the Money, But the Right Money Please!" A&M Private Equity Performance Improvement Managing Director, Cliff Hall, discusses the framework behind an effective commercial strategy that drives profitable sales, margin improvement, customer success and cash flow.

Given the complexity of the current economy, shaped by the challenges of rising interest rates and inflation, volatile markets, shifting business models, and financially strained vendors and customers, it is essential for organizations to take proactive steps now to drive profitable sales and commercial performance. Interest rates and inflation have become dominant forces steering economic dynamics.

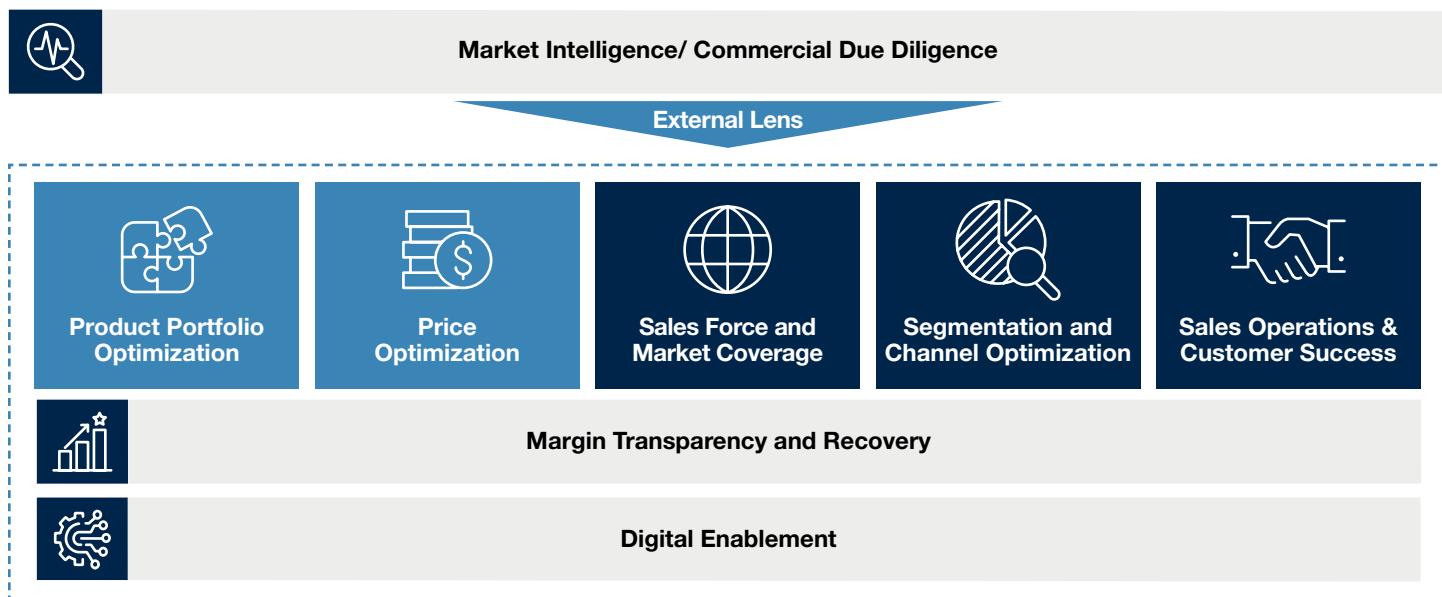
Companies must gain a clear understanding of where they are making money and be strategic around how and where they go to market. This forms the basis for a holistic approach to apply the following levers to create value and transform the commercial function to deploy this strategy cost effectively.

The following graphic outlines the foundation and 5 key pillars of A&M's Systematic Approach to Commercial Excellence.

A&M COMMERCIAL EXCELLENCE APPROACH

A&M's strength in execution drives a differentiated commercial excellence approach, divided into six key areas

We identify and drive end-to-end cross-functional change for sustainable EBITDA growth



In Part I of our series, "Where is the Money?", we discuss how understanding cost-to-serve and creating transparency on margins and the market are the foundation of an effective commercial strategy. This informs product and pricing strategy, sales organization structure and process to create an effective commercial strategy that drives profitable sales, customer success and cash flow.

Market Intelligence develops an understanding of the market and where it is heading, separating one-time market events or poor execution from structural changes or underlying trends. Ultimately, the goal is to understand how your customers are making buying decisions and to understand the competitive landscape to inform your differentiated strategy and the go-to-market approach.

Margin Transparency and Recovery provide visibility to where you are and are not making money, enabling you to identify areas of less profitability and address them to recover margin. The key is to robustly understand the true cost you are incurring to serve each customer and improve financial transparency by market, product line, SKU, customer, channel, and plant or service location.

Based on this market intelligence and margin transparency, **Product Portfolio Optimization** ensures that you are selling the right products. Often, Margin Transparency will reveal a long tail of low volume, low margin customers and/or products with an opportunity for tactical product rationalization through pricing actions and shifting customers to alternate service models or products, driving complexity reduction.

Price optimization leverages market intelligence and competitive strategy to optimize prices setting across each product and customer segment, ensuring pass-through of increases in direct costs and cost-to-serve elements, to prevent margin erosion and address gaps in governance, pricing tools, metrics and data infrastructure. This will ensure both immediate and sustainable long-term value creation.

In Part II of our series, “What is my Sales Force Doing?”, we examine how the sales force is sized, structured, and deployed to uncover and capture profitable growth opportunities.

Sales Force and Market Coverage optimally deploys your sales force to serve its markets with territories designed to maximize client engagement over travel time and skillsets aligned to hunting and farming roles. Also critical is delayering sales management to maximize productive selling resources and establishing cost effective ways to serve different sized customers.

Segmentation and Channel Optimization aligns accounts to the right sales resources, maximizing cost-effectiveness. With 80% of sales coming from the top 20% of accounts, ensure the right sales resources are assigned to the 80%, and determine if the tail can be more cost-effectively served with an inside-sales or indirect model.

In Part III of our series, “What Are My Sales Managers Doing to Move the Needle?”, we look at the sales management function within the organization and the importance of aligning incentives, systems, tools, and sales leadership to drive accountability and profitable growth.

Sales leadership should be focused on coaching sales reps or meeting with customers. Organizations struggling to exceed revenue or profitability goals often don't hold sales personnel accountable for achieving weekly performance metrics. Creating leading indicators and metrics linked to profitable growth are the best way to hold a salesperson accountable.

Linking Pay to Performance with carefully designed incentives ensures that commission plans and quotas are aligned to corporate goals and are driving desired selling behaviors. An improved understanding of margin helps inform this design so these incentives drive profitable growth.

Change Management and breaking bad habits requires sales leadership to be willing to make tough decisions. Past success can make a company resistant to changes in the commercial function. It is company leadership's job to bring a fresh and unbiased set of eyes, and to use and trust objective analysis to help make difficult decisions.

In Part IV of our series, “How Do I Give Selling Time Back to My Sellers?”, we explore how the sales operations organization and digital experience allow sellers to spend more time selling, ultimately enabling customer success and profitability.

The **Sales Operations** organization drives accountability and productivity by ensuring selling staff are doing the right things to drive sales. Unproductive non-selling time should be identified and eliminated by redesigning processes, roles, and structure, and building effective support functions. Commercial and Operations functions must collaborate to drive efficiencies and optimize service levels to customers.

Providing your sellers with an effective and automated digital experience, seamlessly integrated into the sales strategy, gives selling time back to your sellers. Your digital footprint should complement the efforts of your organization, with a UX/UI experience that helps to automate the sales process once a customer is within your ecosystem.

Having clear insight into each customer touchpoint and how it affects the customers experience will guide your manual and digital enablement efforts and sales strategy. With these datapoints you can make calculated decisions to deliver profitable growth and a high level of **Customer Success**.

Sales Dashboards are essential for sales organization visibility and generating the right activities. Once you have developed an enhanced sales support structure with governance and operating cadences, it is important to provide sales management the tools to drive accountability. This data needs to be at a seller level to help achieve revenue and margin targets.

We have found that the Commercial Excellence levers described here are broadly applicable across multiple industry types including business to business, business services, and consumer, media and entertainment as well as to varied business situations including diligence, performance improvement, merger integration, and carve-out. This is the time to act.

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ABOUT ALVAREZ & MARSAL

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