

Before You Buy the Company, Understand the Customer Economics

Private Equity Due Diligence — Evaluating Growth Potential and Pricing Power

Executive Snapshot

Client

Private equity investment team

Situation

Evaluating two potential acquisitions in the consumer sector.

Insight

Customer lifetime value analysis revealed major differences in the durability of each company's growth model.

Impact

Investment decisions were informed by a deeper understanding of pricing power and customer economics.

A private equity firm evaluating potential acquisitions in the consumer sector needed a clearer understanding of the commercial dynamics behind two prospective investments.

In both situations, the companies under consideration had demonstrated strong revenue growth and attractive market positions. Financial performance appeared solid, and the businesses were gaining traction with customers.

However, the investment team wanted to answer a deeper question before committing capital:

Did these businesses have the underlying customer economics and pricing power necessary to sustain their growth?

For investors, this distinction is critical. Rapid revenue growth can sometimes mask fragile business models built on aggressive discounting, unsustainable acquisition costs, or short-term demand spikes.

The firm engaged Keenalytix to analyze the underlying commercial dynamics of the target companies using transaction-level customer data.

The Challenge of Assessing Growth Quality

Traditional due diligence typically focuses on financial statements, revenue trends, and market positioning. While these perspectives are important, they often provide only a partial view of a company's commercial health.

Two businesses can display similar revenue growth while having very different underlying economics.

One may be building a durable base of repeat customers with strong lifetime value. Another may be growing primarily through aggressive promotions or customer acquisition tactics that are difficult to sustain.

For investors, understanding this distinction is essential. A business with strong customer lifetime value and pricing flexibility can continue growing profitably over time. A business whose growth depends on constant discounting or marketing intensity may face much tighter constraints.

The objective of the analysis was therefore to evaluate each company through two complementary lenses:

- customer lifetime value and growth potential
- the degree of pricing flexibility embedded in the business model

What the Data Revealed

Keenalytix analyzed detailed transaction-level data to understand how customers were acquired, how they behaved over time, and how pricing and promotional mechanisms influenced purchasing behavior.

The analysis connected individual purchases into customer histories, allowing the team to examine:

- acquisition cohorts and repeat purchase behavior
- customer lifetime value across segments
- the role of discounts and promotions in driving demand
- how pricing and incentives influenced purchasing patterns

This analysis provided a much clearer picture of the economic engine behind each business.

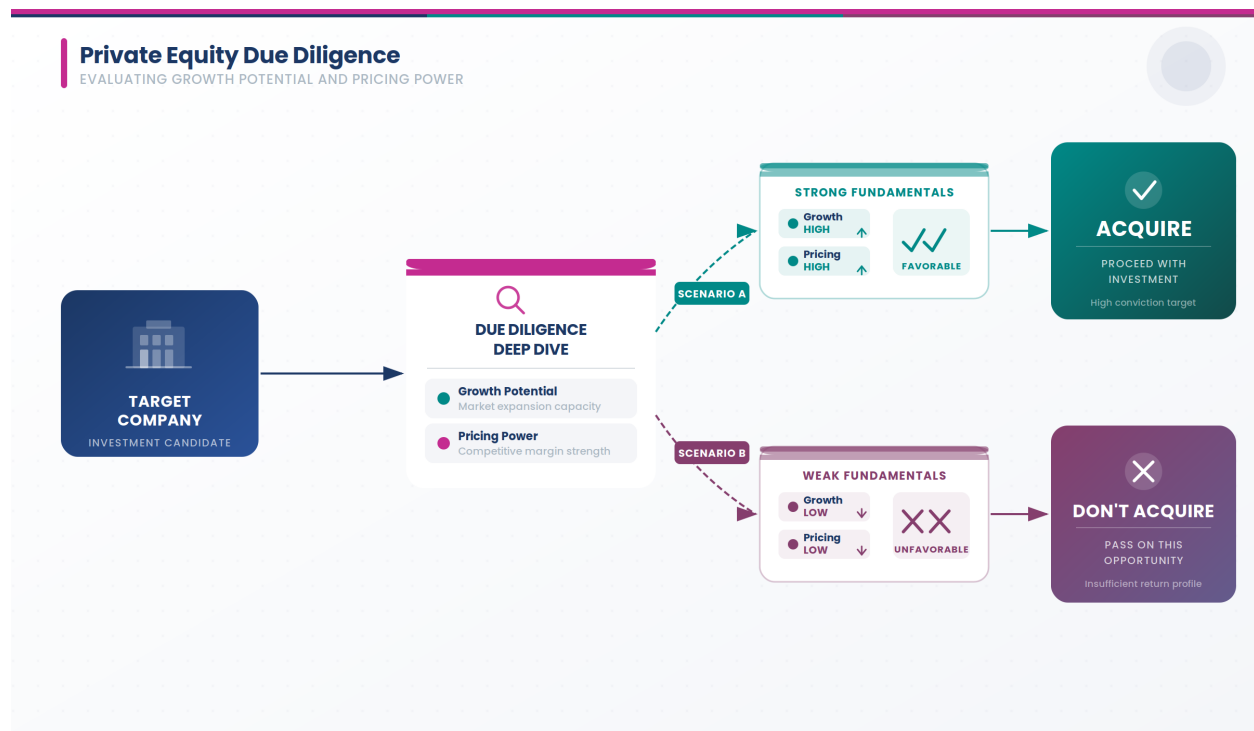
In one case, the data showed that the company had built a strong base of repeat customers whose purchasing behavior generated meaningful lifetime value.

Promotional activity played a role in customer acquisition, but repeat purchasing patterns indicated that the business was not solely dependent on discounts to sustain demand.

These dynamics suggested that the company had both healthy customer economics and room to evolve its pricing strategy over time, supporting the long-term growth thesis behind the investment.

In the other case, a larger share of growth appeared to be driven by customer acquisition and promotional intensity rather than by strong repeat purchasing behavior. While the company remained an attractive opportunity, its growth trajectory appeared more dependent on maintaining aggressive acquisition and promotional strategies.

By quantifying these dynamics, the analysis helped the investment team evaluate the durability and scalability of each company’s revenue model.



From Due Diligence to Post-Acquisition Strategy

In one of the two cases, the analysis supported the investment decision and the private equity firm proceeded with the acquisition.

Following the transaction, Keenalytix continued working with the company’s leadership team to help refine its pricing, promotional, and customer incentive

strategy. The insights developed during the diligence process provided a foundation for improving customer lifetime value and supporting the company's next stage of growth.

This transition from investment diligence to post-acquisition advisory work ensured that the commercial insights uncovered during the diligence process were translated into actionable growth strategy.

Why This Case Matters

For investors, evaluating a company's growth potential requires more than analyzing revenue trends.

Understanding how pricing, promotions, and customer behavior interact to generate lifetime value provides a much deeper view of a business's economic foundation.

Transaction-level analysis can reveal whether growth is supported by durable customer relationships and pricing flexibility or whether it relies heavily on promotional intensity and customer acquisition spending.

This case illustrates how pricing analytics and customer economics analysis can strengthen investment due diligence by providing a clearer view of a company's long-term growth potential.

Ready to discuss your situation?

Reach out via [keenalytix.com](https://www.keenalytix.com) or info@keenalytix.com.