

Helping our clients address today's challenges

Using rapid business model assessments to help management teams navigate their business thru the turbulent market conditions of 2020

Context

The events of 2020 have impacted middle-market companies in many ways. We have seen companies along the full spectrum of impact, from severe and continuing revenue declines to surging product demand leading to fulfillment challenges. No matter the situation, leadership teams had to review their operating model and decide upon what changes, if any, they need to enact to survive, stabilize, and/or grow.



Today's challenges

Regarding their business model, companies are faced with a range of questions, including:

- Was our business model working before the events of 2020?
- Have our competitors changed their business model? If so, is it impacting our business?
- Does our business model provide us the flexibility to adjust to changes in our market?
- Will our business model need to change to address the new realities of the market?
- What in our business model created value historically, and is that still the case today?

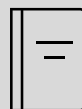
After addressing those questions, leadership teams then look internally to understand the following:

- When was the last time we stepped back and assessed our business model objectively?
- Do we have the time, resources, capabilities, and objectivity to assess our business model candidly? Can we honestly identify opportunities?
- Do we have the time to complete an assessment of our business model?
- What is our track record of implementing changes to our business model?

Helping our clients

Over the last six months, and in as little as two weeks, MERU supported leadership teams to help answer these key questions relating to their business model:

- Identify the value levers of the business model and the underlying performance drivers
- Analyze historical performance to ascertain the health of the business model
- Assess the effectiveness of key operating processes and systems
- Assess the market dynamics, including an assessment of key competitors and potential disruptors
- Develop strategic options to refine, adjust or overhaul the business model
- Build the business case and implementation plan with the leadership team



Turn the page for two recent client engagements where we completed the above listed scope of services

Revenue fell by 95% due to COVID-19

Context



A provider of business services had always relied upon in-person sessions and workshops with their clients, as a result of the COVID-19 pandemic, 95% of their revenue diminished within a month as clients suspended existing services.

Key findings from the business model assessment

- Financial performance had stagnated over the past 5 years
- Short term deals (that eroded margins) were being used to keep sales volumes stable
- Competitors had started using digital platforms 3+ years ago
- Leadership did not have a long-term strategic plan
- Customers were quickly changing the way services are delivered (e.g. the use of online tools was here to stay)

Our support

- Developed short-term plan to address liquidity needs, increase revenue from key customers and employee retention plan
- Developed strategic options to overhaul the business model to create more leverage by using digital training platforms
- Identified EBITDA gains of 15% from improved pricing strategies and SG&A cost savings

300+ facilities impacted by COVID-19

Context



A provider of kids' entertainment, the company was forced to shut down 300+ facilities from mid-March to May. Facility re-openings have resulted in attrition of recurring revenue base and disappointing operating performance.

Key findings from the business model assessment

- Same store sales trends were negative, especially when adjusting for larger facilities over time
- Digital marketing efforts were generating customers with lower lifetime value and who were more price sensitive
- Competitors were growing more quickly due to newer concepts and franchise growth model

Our support

- Leveraged multiple proprietary sources including customer survey, independently-created database of 900 competitor parks, and on-site observations for insight into projections
- Created multiple scenarios to assess likely rebound, identifying a probable capital need in Q1 2021
- Delivered detailed operational and market assessment based on scenario work identifying additional risks, including an additional 8% reduction in SG&A costs