DRIVERS OF MARKET SHARE AND WHITESPACE POTENTIAL

SYNOPSIS

The portfolio support team of a PE firm was conducting due diligence to help inform their firm's bid for a national telecom/broadband provider. The PE team retained Horizon Data Science to help them glean insights into the relative importance of 100+ potential drivers of the company's market share in existing markets and predictors of success in whitespace markets across the country.

To be useful to the PE team, insights would be needed within a timeframe of about two weeks.

SOLUTION

The Horizon team leveraged company proprietary data provided by our client and publicly available data on telecom markets obtained through subscriptions and federal government sources (including one database with >100 million rows) to conduct detailed quantitative analyses.

Using intuition and cutting-edge quantitative methods, we classified hundreds of data features into interpretable categories suitable for economic modeling. We then developed two models – a regression model and a matching model. The regression model tested and ranked the importance of dozens of potential factors in explaining the company's current market shares. The matching model identified whitespace markets that shared key features of the company's most successful current markets.

We iterated with the client team in response to follow-up questions, culminating in our client submitting a bid informed by the results of our analyses.

VALUE

The regression model identified and ranked several key drivers of market penetration, including specific market features and the presence of key competitors. This helped our client team support the broader deal team's work understand the relative importance of the different features in the data, which in turn enabled them to test and validate specific hypotheses underpinning their investment thesis and make more informed growth projections. The matching model identified numerous whitespace markets with similar attributes to the company's most successful current markets. Horizon used these results to model potential sales from whitespace markets, a key input into valuation.

The PE client team used these results to inform a successful bid for the telecom provider.