

An attractive profit and loss statement hides a lot. Before buying a business, you need to understand the machine that creates the revenue, not just the revenue itself. That machine is the combined marketing and sales engine: how the company finds prospects, converts them into customers, expands their spend, and keeps them from churning. In my experience across diligence rooms and integration trenches, deals succeed or fail based on how well the buyer understands that engine's repeatability, fragility, and potential. Flashy growth means little if it is riding on founder heroics or discounting that quietly bleeds margin.

What follows is a field guide to evaluating go-to-market operations before you wire funds. It blends diagnostic questions, what to pull from the data room, how to interpret the signals, and where buyers often misread the picture. Whether you are deep into Business Acquisition Training or simply Buying a Business for the first time, the goal is the same: separate durable engines from leaky funnels wrapped in good storytelling.

Start with the growth equation, not the slideware

Every company has a distinct growth equation. I look for four levers that explain 90 percent of outcomes: acquisition volume, conversion rates, average selling price, and retention or expansion. Ask for a twelve to thirty-six month view showing these four elements monthly. If the seller cannot produce it, that is a data maturity red flag.

Two examples illustrate the point. I once reviewed a B2B services firm showing 32 percent annual revenue growth. On inspection, new logo volume was flat. Growth came from two whale accounts that doubled their budgets after the CEO intervened. That is concentration risk camouflaged as momentum. In another case, a mid-market SaaS vendor had flat revenue but healthy new customer adds, rising average selling price, and improving net revenue retention. Their issue was a single lost enterprise customer masking healthier unit economics. In one case, the engine was fragile, in the other, the engine worked but headline growth misled.

Your job is to translate revenue into the unit-level mechanics that produce it. Run-rate numbers and glossy decks should come second.

Reconstruct the funnel end-to-end

The cleanest evaluation reconstructs the journey from first touch to renewal. Insist on funnel data with consistent definitions: marketing qualified leads, sales accepted leads, sales qualified opportunities, proposal, closed-won. Then map the throughput and the drop-off at each stage.

Time is as informative as volume. Pull average and median days-in-stage, not just conversion rates. A funnel that converts but drags, with bloated cycle times, ties up working capital and signals future capacity issues. During one diligence, the conversion rates looked solid, yet average days from demo to proposal had crept from 6 to 19 over 12 months. The reason was subtle: sales engineers were double booked and product complexity grew, so technical validation took longer. Marketing kept driving top-of-funnel, but the engine stalled in the middle, a classic sign that scale had outrun process.

Beware of overly rosy funnel metrics collected manually. If the team updates stages retroactively to match reality, the data will always look linear. Cross-check CRM funnel data with calendar invites for demos, proposal doc creation timestamps, and accounting records for invoice dates. Real engines leave timestamps you can triangulate.

Source mix, channel health, and the quality of demand

Not all leads are created equal. Break out revenue and closed-won deals by source: organic search, paid search, paid social, outbound, partner referrals, customer referrals, events, marketplaces. Then pull channel-level CAC and payback period, separating marketing spend from sales labor where possible. If you cannot separate, estimate with assumptions and gut-check them with the team.

Organic search and referrals often have the best conversion and the lowest CAC, but they are also the slowest to change. Paid search can be dialed quickly but saturates at a certain spend. Outbound works for higher average deal sizes with longer cycles, but it requires management rigor and consistent list quality. Partners are force multipliers until MDF dollars run out or strategies diverge.

Signals of channel fragility include rising cost per lead without commensurate improvements in close rates, shrinking impression share on core terms, and an increasing share of deals attributed to "direct" or "unknown" in the CRM. I once saw a company attribute 40 percent of revenue to "word of mouth." That usually means broken attribution. When we backfilled the data with UTMs and a last-touch model, 70 percent of those deals stemmed from paid search on brand terms after prospects had already experienced a webinar or partner touch. That discovery saved us from overinvesting in the wrong lever post-close.

The coherence of positioning and pricing

Positioning drives who shows up at the top of the funnel. Pricing drives whether the economics work when they convert. Evaluate them together. Read the website, ads, and sales decks as if you were a skeptical buyer. Would you know why this company exists and what it does in one scroll? If not, the team likely overrelies on late-stage selling magic and discounts to win deals.



For pricing, study the last 50 closed-won and closed-lost deals. Track list price, discounts, and deal context. If average discount exceeds 20 percent on deals under six figures, the list price is probably aspirational. If expansion deals have lower effective discounts than new logo deals, that indicates strong product value and account management strength. In a recent diligence, the median discount was 12 percent but the mean was 29 percent. A handful of large concessions pulled the mean up. Those concessions tied to quarter-end goals and sales rep accelerators. The company was buying revenue to hit targets. It is much easier to rewrite comp plans than to retrain a market to accept higher prices, which changed the risk calculus for us.

Test pricing discipline by asking for the last five pricing exceptions granted by leadership and the rationale for each. If exceptions substitute for a clear value metric, that is a warning.

Forecast accuracy and pipeline hygiene

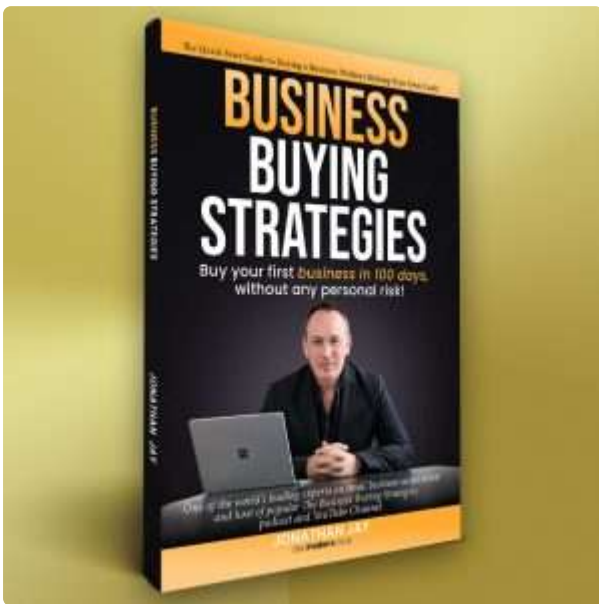
A sales forecast reveals the maturity of the engine as clearly as any KPI. Take the last six quarters of forecasts and compare week-by-week to actuals. Look at forecast bias: do they consistently over or undercall? An undercalling team is often sandbagging to make quota look stronger. An overcalling team may lack qualification rigor.

Inspect pipeline aging by stage. If more than 25 percent of pipeline dollars have been open longer than 1.5 times the median cycle time for that stage, the pipeline is bloated. Dead deals rarely leave the CRM without a governance process. In a small-cap industrial distributor we evaluated, 43 percent of pipeline had sat beyond 9 months in what they called "final review." The CFO believed the pipeline supported aggressive growth. A quick aging report showed it was a mirage. We still bought the business, but dialed back the first-year plan and overhauled pipeline definitions before day one.

CAC, LTV, and the trap of blended averages

Buyers love tidy CAC and LTV figures. Real businesses are messier. Ask for CAC by channel and by cohort, and calculate it on a fully loaded basis where possible: include media, content, marketing tools, agency fees, SDR/AE salary and commission, onboarding, and typical discounts. Then pair it with gross margin and churn to estimate payback and LTV. A rule of thumb for lower-risk B2B: payback under 12 months and LTV to CAC of 3 to 1 or higher. For B2C or transaction-driven models with high churn, you may need payback under 6 months. Use ranges if the inputs vary.

The biggest traps are blended CAC that hides inefficient channels, and LTV computed on booked revenue rather than collected cash. Another trap is counting expansion revenue in LTV without measuring the cost to drive that expansion. In one software [Business Acquisition](#) deal, expansion came from significant customer success touch, including quarterly business reviews and custom analytics. Those costs sat in "operations," not sales, inflating LTV silently. When we reallocated the costs, LTV to CAC fell from 4.2 to 2.6. Still viable, but not the bargain it first appeared.



Sales organization design and quota math

The org chart tells a story. Map roles, territories, ramp times, and quota coverage. High-performing sales teams usually have 80 to 110 percent quota coverage relative to plan and a balanced mix of veterans and ramping reps. If plan relies on heroic performance from a few outliers, the engine is brittle.

Calculate productivity per rep and per territory. If the top quartile produces more than three times the median, there is likely a process, training, or territory imbalance issue. Ask how long it takes a new rep to reach 80 percent

of median productivity. Best-in-class for transactional B2B is 3 to 6 months. Complex enterprise can take 9 to 12. Anything beyond that indicates gaps in enablement or product-market fit.

Study compensation plans. Plans that overweight accelerators near quarter-end often create discounting pressure and spike-y bookings, which complicate forecasting and stress delivery teams. Tie what you see in the comp plan to actual end-of-quarter discount trends and late-stage pushes. If the plan rewards multi-year deals without protecting gross margin, you might inherit a backlog of low-margin obligations.

Marketing operations and the content engine

A mature marketing engine leaves breadcrumbs in tooling and cadence. Evaluate the marketing tech stack: CRM discipline, marketing automation, attribution model, and analytics hygiene. Inspect lead scoring rules and whether sales respects them. Many teams have fancy tools they barely use. In one acquisition, the team had a world-class marketing automation platform, but they captured only first names and emails on forms and never implemented progressive profiling. Lead quality suffered for a want of three additional fields.

Look at organic content maturity. Pull keyword rankings for non-brand terms and compare to organic conversion rates. Content that ranks but does not convert indicates mismatch between top-of-funnel topics and product positioning. Ask for the content calendar and its link to pipeline themes. A useful litmus test: can the head of marketing show you three recent pieces that directly supported a named opportunity, and then attribute measurable influence? If everything is "brand," you may be buying a cost center rather than a growth lever.

Retention, expansion, and the post-sale motion

The best engines invest as much discipline after the sale as before it. Break out gross revenue retention, logo retention, and net revenue retention by cohort and segment. For subscription software, gross revenue retention below 85 percent signals a leaky bucket unless you have a compelling expansion story. For services, consider repeat purchase rates and account tenure. In one facilities maintenance roll-up, the average account tenure was eight years, but 60 percent of accounts had not grown spend in three years. That stability comforted the sellers. For us, it indicated latent risk if a competitor offered bundled pricing or if procurement reset the vendor list.

Study who owns the renewal and expansion motion. If account managers both hunt and farm, expansion often slips. If customer success is non-quota with soft incentives, expansion can be accidental. Examine renewal playbooks, QBR decks, and the timing of value delivery relative to renewal conversations. I like to see a value recap 90 days before renewal, not a pricing conversation two weeks before expiration.

Data integrity and the smell test

Bad data hides good businesses and flatters bad ones. You will not fix data during diligence, but you can score its reliability. Reconcile CRM bookings to invoiced amounts and to bank deposits on a sample basis. Spot-check close dates in the CRM against DocuSign timestamps. Pull a random set of lead records and trace the first touch through to outcome. If attribution is wildly inconsistent across reps or GEOs, forecast risk climbs and post-close change management grows harder.

Also do the smell test that only comes from time with the team. Sit in on two to three sales calls, a marketing standup, and a pipeline review. The vocabulary people use reveals their focus. Are they talking about customer problems or product features? Do pipeline reviews probe hard assumptions or praise activity volume? A team that discusses why deals should close rather than what could prevent them from closing will surprise you in the wrong direction.

Customer conversations and shadow shopping

You learn the most by listening to customers and acting like one. Ask for ten referenceable customers across segments and life-cycle stages: new, renewing, churned. Talk to at least five. Probe the buying journey: what triggered the search, what other options they considered, what tipped the decision, and what nearly derailed it. Then ask what would cause them to leave. In parallel, submit a demo request under a different email and see how the system responds. Time to first touch tells you more about operating discipline than any slide.

In one process automation company, our shadow inquiry received a form email in 26 minutes and a rep call in 4 hours. Reasonable on paper. Yet the call missed key discovery questions and did not schedule the next step. We watched two weeks pass without follow-up. The company's metrics showed pipelines large enough to hit plan. Real buyer experience told a different story. We discounted the forecast and staffed enablement on day one after close.

Concentration and dependency risks

Every go-to-market engine sits on dependencies. Name them and size them. Dependencies include a single platform for paid acquisition, a dominant channel partner, a single marketplace listing, or a founder who headlines every enterprise pitch. Dependency is not disqualifying. It demands a contingency plan and an earn-out structure that recognizes the risk.

Supplier-like dependencies show up in lead sources. If 60 percent of your pipeline flows through a single partner program, ask for the contract details, non-compete terms, and any change-of-control clauses. In one acquisition, the largest partner had a veto on change of control for joint marketing funds. The deal would have cut off the top-of-funnel overnight. We adjusted the structure, secured a side letter, and set aside a reserve to build a direct channel within six months.

Geography, segments, and scalability

Engines scale differently across segments and regions. Analyze win rates, deal size, and payback by segment and geo. What works in mid-market US may stall in enterprise EMEA due to procurement processes and local buying norms. If the seller's next wave of growth assumes new segments or new regions, ask for proof that the motion translates. A handful of test deals with elongated cycles can distort the perception of addressable market and resource needs.

A simple example: we assessed a cybersecurity vendor that won quickly in 200 to 1,000 employee companies through inside sales. Their plan counted on EMEA enterprise expansion the next year. The inside sales motion did not apply. Field sales headcount, channel enablement, and compliance certifications all lagged. The marketing budget assumed digital spend would carry Europe the way it carried the US. It would not. We reset the plan and improved the odds rather than believing a copy-paste strategy.

The role of product in the sales cycle

Some products sell themselves, others sell with heavy lift. Evaluate demo-to-trial conversion and trial-to-close where applicable. If product-led growth is a claim, ask for activation rates, Day 1 and Day 7 engagement, and the percentage of self-serve signups that convert to paid without sales touch. I often find that a "PLG" motion is really a free lead gen tool feeding a sales-led conversion. That is fine, but price it accordingly in CAC and headcount.

In services or complex software, the pre-sale requires solutioning. Look for pre-sales engineering utilization and bottlenecks. If two engineers can support eight AEs at current volume, what happens when you hire four more AEs? Bottlenecks shift from lead generation to technical validation at scale. This is where a seemingly small operational gap can choke growth.

Legal, compliance, and promises made during selling

Salespeople promise. Contracts remember. Review the standard order form, amendments, SOW templates, and custom terms. Compare “what we say we sell” to “what we obligate ourselves to deliver.” A generous uptime SLA with steep credits looks good in a pitch, but if uptime reporting is manual and credits are not provisioned, margin volatility looms. In services, unlimited revisions or aggressive timelines crop up in proposals that legal never sees. Run a text search across files for “custom,” “exception,” “credit,” and “SLA.” The words you find reveal the true cost of selling.

Integration risk and knowledge concentration

Engines often live in people’s heads. Identify single points of failure. Which campaigns only one marketer knows how to run? Which territories rely on a rep’s personal Rolodex? Which dashboards only the sales ops lead can update? During one close, the marketing manager resigned two weeks after funding. Paid search spend cratered because no one knew the account structure. We salvaged it, but only after burning two months. The fix is simple: ask for documented playbooks, SOPs for key campaigns, and cross-training evidence. Where gaps exist, adjust your 100-day plan and, in some cases, the purchase price or earn-out conditions.

A short, practical diligence flow

Use this compact sequence to keep yourself honest during the go-to-market review:

- Pull 24 to 36 months of monthly data: leads by source, conversion by stage, average deal size, cycle times, gross margin, retention, CAC by channel, and payback. Reconcile at least one quarter to accounting records.
- Map the org and comp plans, then calculate quota coverage, ramp times, and distribution of productivity. Listen to a pipeline review and two sales calls.
- Analyze pricing discipline: discount patterns, exceptions, and expansion economics. Read five proposals and the boilerplate order form or MSA.
- Test channel health: attribution integrity, rising or falling cost per lead, and dependency risk with partners or platforms. Shadow-shop the buying journey.
- Interview five customers across life cycle stages. Press on buying triggers, alternatives considered, and what would make them leave.

What moves the needle after close

The diligence agenda should anticipate the first 100 days. If you buy the company, what will make this engine run smoother or faster, without breaking? The answer varies, but a few levers repeatedly deliver outsized returns.

Fix definitions first. Align marketing and sales on what qualifies a lead, how pipeline stages work, and who owns handoffs. Small definitional clarity speeds cycles and reduces finger-pointing.

Rebalance the comp plan around value. Pay accelerators for multi-year deals only if they protect margin and implementation feasibility. Reward expansion that sticks beyond 90 days, not just booked in the last week of the

quarter.

Strengthen the middle of the funnel. Many teams have plenty of leads and enough closers, but weak discovery and proposal discipline. Train on discovery frameworks, standardize proposals that sell outcomes, and instrument next-step commitments at every call. In a portfolio company, a single change to require calendar invites for the next step before ending a call cut cycle time by 22 percent in two quarters.

Invest in attribution and data hygiene. The moment you can trust channel performance data, you can reallocate budget with confidence. Expect an immediate 10 to 20 percent efficiency gain when you shut off poor performers that previously hid in blended CAC.

Protect the base. If retention metrics lag, shift resources into onboarding and value realization. A 5-point improvement in gross revenue retention often beats a heroic increase in top-of-funnel spend.

Reading the red and green flags

Patterns repeat across industries. A few compact signals help you calibrate risk quickly.

Green flags:

- Forecasts that land within plus or minus 10 percent for three or more consecutive quarters, paired with clean pipeline hygiene.
- Channel CACs that improve or hold steady as spend scales, with clear plans for the next channel to unlock.
- Modest discounts and rising average selling price without a spike in cycle time, showing strong pricing power.
- Cohort retention that improves in newer cohorts, indicating product and onboarding are getting better.
- Clear documentation of campaigns, playbooks, and stage definitions, so the engine survives personnel changes.

Red flags you should not ignore: heroic founder selling in late stages, mystery revenue credited to “word of mouth,” twelve-step funnels without time metrics, double-digit discount averages with quarter-end spikes, and any plan that assumes a wholesale shift to new segments or regions without evidence.

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When to walk, when to restructure

Some engines are simply not ready for scale within your risk tolerance. If lead generation relies on channels you cannot control, if pricing is a house of cards, or if retention is deteriorating, consider walking away or restructuring the deal. Earn-outs tied to net revenue retention or gross margin, not just top-line bookings, align incentives when you suspect soft spots. In a carve-out where the seller's brand drives most demand, a transition services agreement with explicit marketing support can buy time while you rebuild your own engine.

On the other hand, do not let perfect be the enemy of good. If the fundamentals show customers who value the product, reasonable economics at the unit level, and a team willing to adopt process, you can usually harden the engine within two to three quarters. Price and plan for the work. Engines improve fastest when you invest in focus rather than adding more moving parts.

The mindset that keeps you honest

Evaluating marketing and sales pre-acquisition is less about catching the seller in a gotcha, more about respecting how fragile growth can be. Treat every number as a hypothesis and every anecdote as a clue. Spend time where the work happens. Read contracts. Listen to calls. Follow the money and the timestamps. The engine you buy is the engine you will have to run, fix, or rebuild. A sober view now is the cheapest capital you will ever deploy.

For those honing their process through Business Acquisition Training, or for operators Buying a Business for the first or fifth time, build your muscle on pattern recognition and humility. All engines make noise. The art is knowing which sounds are normal for this machine, and which mean you should cut power, open the hood, and reach for a wrench before you take off.