The Market Verdict™



A PAPER FOR INVESTORS AND DEAL TEAMS

What due diligence can't see.

Commercial due diligence checks the business. The Market Verdict reads the brand the business is built on.

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THE SHORT VERSION

Due diligence checks the business. It isn’t built to check the brand.

Commercial due diligence asks whether a business is commercially viable. The Market Verdict asks a different question: what has the market already decided this brand is for, and is the company still protecting it? A business can pass the first test and fail the second.

This paper is for investors and deal teams who already run diligence. It doesn’t argue against diligence. It describes what each approach is built to see, where they overlap, and why the places they disagree are the most useful findings in a deal.

> THE ONE IDEA
> When diligence and the brand read agree, you can be more confident. When they disagree, you have found where to look before you sign.

What changed from the June 2026 version

The earlier version scored both approaches on ten dimensions, and its case history contained factual errors. This version drops the self-scoring and corrects the history. It describes each approach in plain terms.

01 · TWO QUESTIONS

Each answers a question the other doesn’t ask

COMMERCIAL DUE DILIGENCE ASKS

Is this business commercially viable? Is the market big enough, the position defensible, the growth plan believable?

THE MARKET VERDICT ASKS

What role has the market given this brand, shown by what customers do, and is the company protecting it?

Diligence typically runs for a few weeks inside a deal. It combines market data, financial benchmarks, expert calls and customer interviews into a view on the investment case. Done well, it is indispensable.

What it isn’t designed to do is read the brand’s role from customer behavior over time. Interviewed customers say what they think, in a structured conversation, about questions the interviewer chose. The Market Verdict reads what customers did and said unprompted: who keeps coming back and why, what they call the company when recommending it, what they complain about, who they switch to. Then it compares that with what the company now claims.

02 · SIDE BY SIDE

What each is good at

	Commercial due diligence	The Market Verdict
The question	Is the business commercially viable?	What role has the market given the brand, and is it being protected?
Main evidence	Market data, financials, expert and customer interviews, management information	Public customer behavior over time: reviews, forums, complaints, switching, referral language, and changes in the company's own claims
What you get	Market size, competitive position, unit economics, a view on the investment case	The Real Brand, the one thing not to compromise, where the company is drifting from it, and a dated prediction
Best at	Sizing, modelling and stress-testing the numbers	Finding the gap between what customers buy and what the company sells
Doesn't do	Read the brand's role from behavior over time	Size markets, model revenue or value a deal
Access needed	Data room and management time	None. Public evidence only, read without seeing management's view

The Market Verdict reads public evidence only. It can be wrong where the company holds private behavioral data, such as retention by segment, that tells a different story. That is why the two belong together.

The disagreement is the finding

Four combinations are possible, and each tells a deal team something different.

Diligence says	The brand read says	What it means
Strong	The role is clear and protected	The commercial case rests on solid ground. Proceed with more confidence.
Strong	The company is drifting from its role	The numbers may be borrowing from the brand. Ask which plans touch the one thing customers come back for.
Weak	The role is clear, but under-used	A possible value-creation case: customers already give the brand a role the company doesn't sell.
Weak	No clear role	No brand floor under the numbers. Price accordingly.

Questions to add to any deal

1. What do the company's most loyal customers come back for, in their own words?
2. Which planned cost cuts or changes touch that thing?
3. Is the company's current message the one those customers use when they recommend it?
4. Which customer groups are growing, and are they hiring the company for the same job?

04 · AN ILLUSTRATION

Guitar Center: what the public record shows, and what it can’t

Bain Capital acquired Guitar Center in 2007 in a buyout valued at about $2.1 billion including debt. Ares Management took a controlling stake in 2014. In November 2020 the company filed for Chapter 11; lenders agreed to reduce its debt by around $800 million, and it emerged from bankruptcy in December 2020 [1] [2].

Heavy debt and a pandemic that closed stores were plainly central to that story. The public record does not show how much the brand contributed, and we won’t claim it does.

That is the point of the illustration. A music retailer’s customers may choose it for things a spreadsheet doesn’t show: expert staff, the chance to play before buying, a place where musicians meet. If that is the role the market gave the brand, then cost decisions that trim it are brand decisions, whatever line of the budget they sit on. Standard diligence isn’t designed to ask that question. A behavioral read of the brand is.

WHAT WE WOULD HAVE ASKED

Is hands-on expertise in the store the reason musicians choose it over buying online? Are later decisions protecting it or cutting it? Both questions can be answered from public evidence before a deal, and checked again after it.

Sources

1. Wikipedia, “Guitar Center”: ownership history and 2020 Chapter 11 restructuring, accessed October 2026.
2. Rolling Stone, “What Does the Guitar Center Bankruptcy Mean?”, November 2020.

This paper describes general approaches and does not offer investment advice. The Market Verdict does not value companies or recommend transactions.

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