



## SPOT ON MARKET RESEARCH

**Ken Sonenclar**, Oaklins' market research specialist, is pleased to share some high-level industry intelligence in this edition of Spot On.

"As you may notice in this issue, we are beginning to refer to market research as marketing data & insights (MD&I). The new name is meant to evoke the breadth of the industry, *circa* 2018, and indicate the expanded focus of mandates we are seeking to secure.

In this vein, we extend the coverage of technologies we see reshaping the industry with a feature on blockchain. This technology has the potential to radically alter how research is conducted and the utility of that research, disrupting established vendors in its wake and creating opportunities for innovative players."

## BLOCKCHAIN'S LOOMING DISRUPTION OF MARKETING DATA & INSIGHTS

Few recent technical achievements have been as widely celebrated and as fiercely contested as blockchain. In less than 10 years since its creation, blockchain has generated gold-rush-type fortunes, attracting more black hats in the process than an Enron reunion. Governments around the world are scrutinizing blockchain, since it has the potential to undermine centuries of national sovereignty. A handful have embraced it, while others have banned it like a terrorist cell. Despite significant technical flaws, some of the world's largest corporations are spending billions developing enterprise versions. Meanwhile, the ethos that gave birth to blockchain — openness, decentralization and transparency, not unlike the mantra of the early Internet — is being discarded by some as untenable, unworkable and naive, causing deep rifts in the blockchain community.

This piece is not an overview of everything blockchain. Here we are concerned with the impact of blockchain technology on marketing data & insights. And while we will touch on blockchain-based currencies as an integral aspect of the technology, we're not interested in

the billionaires or the criminal investigations that have mushroomed around blockchain cryptocurrencies.

To set the table, we like the taut definition of blockchain from a very useful overview of the subject, *The Truth Machine*, by Michael J. Casey and Paul Vigna (St. Martin's Press, 2018). The authors define blockchain as "a distributed append-only ledger of provably signed, sequentially linked, and cryptographically secured transactions that's replicated across a network of computer nodes, with ongoing updates determined by a software-driven consensus."

We believe evidence is already abundant that blockchain technology will significantly reshape the way market research is conducted, even as it disrupts companies across the broad universe of MD&I. This goes for the industry's global standard bearers, its mid-sized challengers and thousands of bit players: no one will escape. We expect to return many times to the subject, so for now we introduce three high-level themes: identity verification, rewarding participation and the value chain.



## The value chain

This leads to perhaps the most revolutionary impact of blockchain on MD&I: disrupting the industry's value chain. Despite the occasional payment of incentives to research participants, most of us share our data without remuneration — even when we know we are participating: completing a survey being the most obvious instance. But today we all radiate a never-ending stream of data: every program we watch, every store we visit virtually or down the block, every Facebook post we like, every masala we order, every white paper we download, every ache that brings us to the doctor. Marketers are willing to pay for that information. And in return for generating the raw materials that stoke the MD&I industry's engines, most of us receive nothing in return, except perhaps anxiety when a massive data breach comes to light or we find ourselves targeted by Russian hackers.

Blockchain will allow individuals and businesses to take full control of the data they generate, dispensing it to whom they want, when they want, for agreed-upon prices. Start-ups are already developing personal data management and monetization platforms. So, instead of all value flowing solely to data-gathering firms, individuals equipped to participate in a blockchain can look to be paid for their contributions.

No one is going to get rich from the data he or she sells. Some estimate the value of an individual's data at a few hundred dollars annually — though perhaps more, given that you may also control Internet of Things (IoT) data coursing through your home or workplace. Facilitating the sale of data is the goal of decentralized, blockchain-based data marketplaces. Buyers may be brands directly — if they have the analytical chops in-house — eliminating the low-value-added players in the current industry and placing ever-greater emphasis on unique value add. One of these aspiring marketplace builders and operators, Measure, Inc., sees its marketplace as a venue that “allows buyers to interact directly with individuals in a way that protects the privacy of the individual, incentivizes accuracy, and provides transparency around data usage and payment. Vendor lock-in and rent-seeking middlemen are eliminated.”

The upshot of these by-products of blockchain will be greater privacy, higher-quality data and insights, equitable distribution of benefits, and elimination of firms that simply gather data and aspire only to sell it for analysis by others.

If all this sounds a bit futuristic, it is. Even blockchain's most fervent advocates foresee a gradual rollout of blockchain technology across the spectrum of MD&I for at least two basic reasons. First, vendors and users all have significant investments, vested interests, and deep understanding of the way research is conducted, sold and analyzed now, even though the industry continues to evolve in interesting and even profound ways. Second, blockchain itself is not yet ready for prime time.

Blockchain's major technical flaw is the tortoise-like speed at which the technology handles transactions. Major credit-card processors can capture tens of thousands of transactions in the time it takes a blockchain to record just a handful. Overcoming this striking limitation is the focus of engineers worldwide, who have proposed all manner of workarounds without any being universally accepted.

One fix — perhaps better described as an alternative system design — calls for blockchains that abandon the permissionless, open-to-all structure in favor of invitation-only systems. Such closed blockchains can accelerate system processing because they no longer need to support the level of cryptographic security and fully distributed architecture that slows transaction speed. But these permissioned systems also typically embrace a degree of centralized control that is antithetical to one of the main spurs to the creation of blockchain in the first place.

Still, these are the early days of a revolution that will affect government, business and individuals. And just as the maturation of other technologies — most recently, machine learning and artificial intelligence (AI) — has led to a rash of dealmaking in the past few years, we are sure to see the pace of blockchain-oriented transactions move into high gear in coming years.

# Market multiples and valuation trends

## Multiples of listed companies

Company	Share price (US\$)	52-week high	% of 52-week high	Market cap (US\$m)	TEV (US\$m)	LTM revenue (US\$m)	LTM EBITDA (US\$m)	LTM EBITDA margin	TEV/LTM revenue	TEV/LTM EBITDA
 IQVIA	102.75	110.67	93%	20,787.8	30,490.8	8,263.0	1,737.0	21.0%	3.7x	17.6x
 nielsen	31.88	43.61	73%	11,356.5	19,740.5	6,656.0	1,697.0	25.5%	3.0x	11.6x
 experian	25.26	25.48	99%	22,875.2	26,161.5	4,662.0	1,432.0	30.7%	5.6x	18.3x
 Verisk Analytics	111.57	111.62	100%	18,438.0	21,066.4	2,223.8	1,011.2	45.5%	9.5x	20.8x
 Gartner	139.07	142.16	98%	12,688.8	15,474.6	3,649.9	417.7	11.4%	4.2x	37.0x
 Twitter	44.14	47.79	92%	33,100.9	30,380.6	2,559.9	464.3	18.1%	11.9x	65.4x
 tableau	103.82	105.78	98%	8,465.8	7,600.1	923.4	(146.9)	NM	8.2x	NM
 acxiom	40.05	40.47	99%	3,087.4	3,174.5	917.4	95.1	10.4%	3.5x	33.4x
 Ipsos	34.00	40.53	84%	1,417.1	1,982.7	2,137.9	250.3	11.7%	0.9x	7.9x
 MACROMILL a Macromill Group company	24.28	31.60	77%	962.4	1,257.9	363.7	78.8	21.7%	3.5x	16.0x
 ICF	73.50	76.13	97%	1,382.3	1,594.5	1,235.6	113.1	9.2%	1.3x	14.1x
 GlobalData	7.85	8.41	93%	926.1	983.0	164.5	24.6	15.0%	6.0x	39.9x
 nrc HEALTH   Human understanding	37.80	41.99	90%	930.2	894.8	118.3	38.0	32.1%	7.6x	23.6x
 FORRESTER	43.75	47.75	92%	786.8	650.5	338.2	29.9	8.8%	1.9x	21.8x

# Market multiples and valuation trends

## Multiples of listed companies (continued)

Company	Share price (US\$)	52-week high	% of 52-week high	Market cap (US\$m)	TEV (US\$m)	LTM revenue (US\$m)	LTM EBITDA (US\$m)	LTM EBITDA margin	TEV/LTM revenue	TEV/LTM EBITDA	
 intage	10.41	13.54	77%	428.3	352.6	475.5	51.3	10.8%	0.7x	6.9x	
 YouGov	6.56	6.70	98%	691.8	663.6	159.1	21.3	13.4%	4.2x	31.1x	
 ISG	4.23	4.63	91%	187.6	268.7	271.9	23.7	8.7%	1.0x	11.3x	
 HARTE HANKS	10.91	12.16	90%	68.4	55.3	370.2	4.8	1.3%	0.1x	11.6x	
									<b>Median:</b>	<b>3.6x</b>	<b>18.3x</b>
									<b>Mean:</b>	<b>4.3x</b>	<b>22.8x</b>

Source: Capital IQ  
Market cap and total enterprise value (TEV) based on closing stock prices on 7 July 2018

## Valuation trends in the market research industry



Source: Capital IQ  
Graph is calculated using market value weighted indices

## Selected Oaklins market research transactions

 <p>LAKE CAPITAL</p> <p>has acquired</p>  <p>ORC INTERNATIONAL</p> <p>M&amp;A BUY-SIDE</p> <p>Media</p>	 <p>LEGER</p> <p>RECHERCHE • STRATÉGIE • CONSEIL</p> <p>has acquired a 60% stake in</p>  <p>agility METRICS</p> <p>M&amp;A BUY-SIDE</p> <p>Business Support Services</p>	 <p>NRI 未来創発</p> <p>Dream up the future.</p> <p>has acquired</p>  <p>brierley+partners</p> <p>M&amp;A BUY-SIDE</p> <p>Media/Private Equity/Technology</p>	 <p>Phocuswright</p> <p>Powering great decisions.</p> <p>has been acquired by</p>  <p>NORTHSTAR TRAVEL GROUP</p> <p>M&amp;A SELL-SIDE</p> <p>Media</p>
 <p>RDA GROUP</p> <p>GLOBAL MARKET RESEARCH AND CONSULTING</p> <p>has been acquired by</p>  <p>Ipsos</p> <p>M&amp;A SELL-SIDE</p> <p>Automotive/Media</p>	 <p>THE HARRISON GROUP</p> <p>has been acquired by</p>  <p>YouGov</p> <p>M&amp;A SELL-SIDE</p> <p>Media</p>	 <p>TPG GROWTH</p> <p>has sold</p>  <p>MarketTools</p> <p>to</p>  <p>metrix LAB</p> <p>PREDICTING PEOPLE</p> <p>M&amp;A SELL-SIDE</p> <p>Business Support Services/Media/Private Equity</p>	 <p>XTEL</p> <p>RIGHT SOLUTIONS. SALES POWER.</p> <p>has been acquired by</p>  <p>KANTAR RETAIL</p> <p>M&amp;A SELL-SIDE</p> <p>Consumer &amp; Retail/Food &amp; Beverage/Technology</p>

## Case study



Kelton Global

has been acquired by



LRW

Lieberman Research Worldwide

M&A SELL-SIDE

Business Support Services/Private Equity/TMT

Kelton Global, a premier insights and strategy consulting agency, was acquired in April by LRW, a global market research and data analytics company and a portfolio company of Tailwind Capital.

Kelton grew from a two-person office in 2003 to a

global consultancy with a national footprint that is called upon to address critical customer, brand and product needs across the Fortune 1000. The company possesses widely recognized expertise in qualitative insights, quantitative research, cultural insights and design research, and uses its communications, innovation and

branding teams to lay the foundation for new ideas that help global businesses chart new paths for growth.

LRW is a global, data-driven company that has been advising top global brands on issues of strategy, branding, communications, product development, innovation and customer experience since 1973. The firm is one of the largest, privately-held marketing research consultancies in the world, with more than 600 employees in nine offices worldwide. The acquisition of Kelton is the latest in a planned series of acquisitions in support of its long-term vision of creating a collaboration of companies that leverage sophisticated data analytics and deep human understanding to deliver business impact for clients.

Our Oaklins member firm in Los Angeles served as the exclusive financial advisor to Kelton Global.

## MEET OAKLINS, THE WORLD'S MOST EXPERIENCED MID-MARKET M&A ADVISOR

700   
professionals

60   
offices

40   
countries

5,000+   
transactions

15   
sectors

### Oaklins offers a comprehensive range of services

- M&A advisory (buy- and sell-side)
- Growth equity and equity capital markets advisory
- Debt advisory
- Corporate finance services

### Oaklins industry specialists

Market research is one of our focus areas. Combining comprehensive sector knowledge with global execution has led Oaklins to become the most experienced M&A advisor in the market research sector, with a large contact network of the most relevant market players worldwide. This results in the best possible merger, acquisition and divestment opportunities for market research companies.

If mergers, acquisitions or divestitures of businesses or business units are part of your strategy, we would welcome the opportunity to exchange ideas with you. Please find our contact details below.



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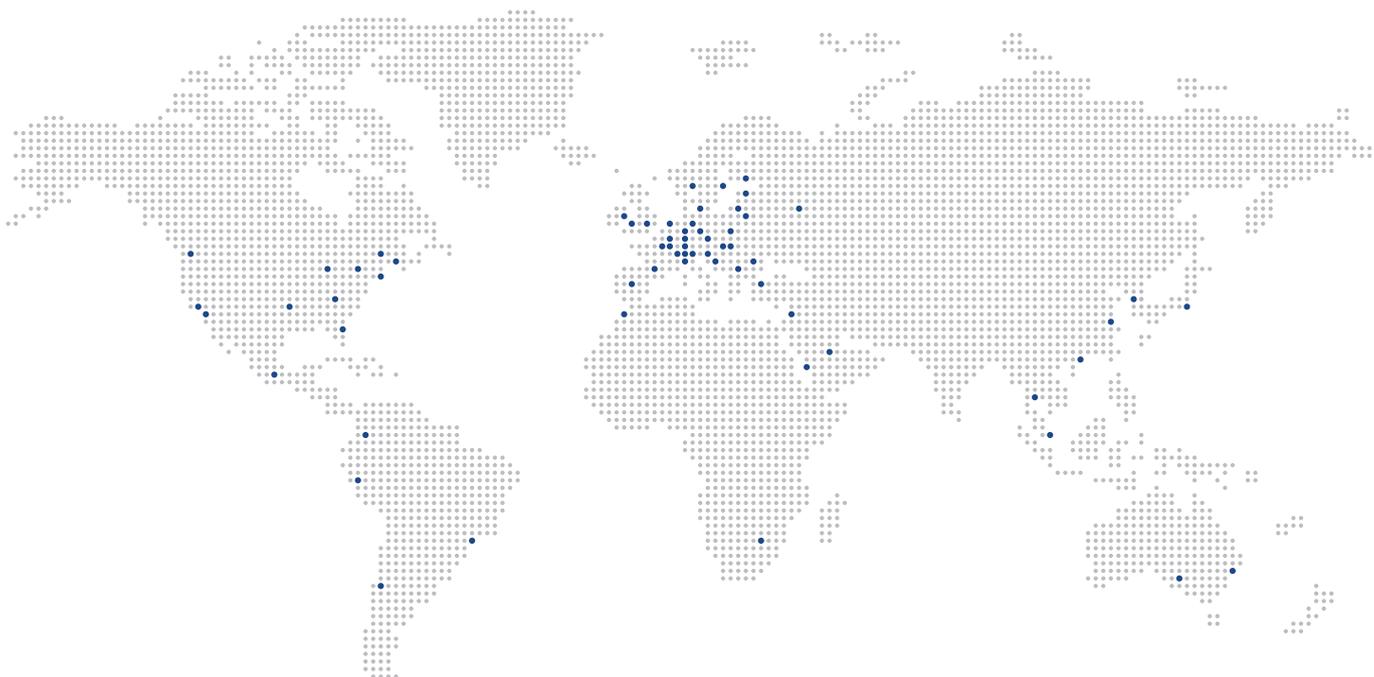
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