

New behaviors reshaping the insights industry

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THE INSIGHTS INDUSTRY BEYOND COVID-19

Economic fallout from the COVID-19 pandemic is rocking the Insights industry to its core. The numbers are startling and grim. Ipsos, for one, reported a 40% drop in orders in March, and there's no reason to think April will be any better, or even in May. For a global enterprise generating US\$2.2 billion in annual revenue, that's serious money, and we're sure they're not alone, though most of Ipsos's big competitors are private and have the luxury of keeping bad news to themselves. Still, since several of these industry giants are owned by private equity and leveraged to the hilt, their problems could ultimately be worse if slumping operations trigger punitive bank covenants.

Of course, the entire industry isn't going down the drain. In the simple division between qualitative and quantitative, face-to-face-reliant qual businesses are on their knees, but many quant-oriented companies are holding their own, and tech-based product and services firms, especially those whose offerings align with social distancing and working from home, are even enjoying a surge in new orders. Data and analytics vendors who can readily surface new insights and optimize operations are still getting their calls returned. At the same time, some client industries, most notably hospitality and travel, have been reduced to

grabbing any business they can get, but brands still need to track and understand their customers, and many have budget to carry on.

Like everyone else on the planet, we're burning with cabin fever and want to see shelter-in-place orders lifted. We've enjoyed discovering things about our neighborhoods we never knew, have binged the formerly unbingeable on Netflix and have heard some really neat podcasts. We also don't mind

Casual Friday extended from Monday to Thursday, but we dream about going out to dinner and flying down to Rio and spending an afternoon at Wrigley Field. Governments everywhere will do their best to ease restrictions and that's starting to happen, from schools in Denmark to shops in Germany. Late to the lockdown, Texas nonetheless has an itchy trigger finger to reopen and is starting with state parks and retailers.

A very enthusiastic online focus group

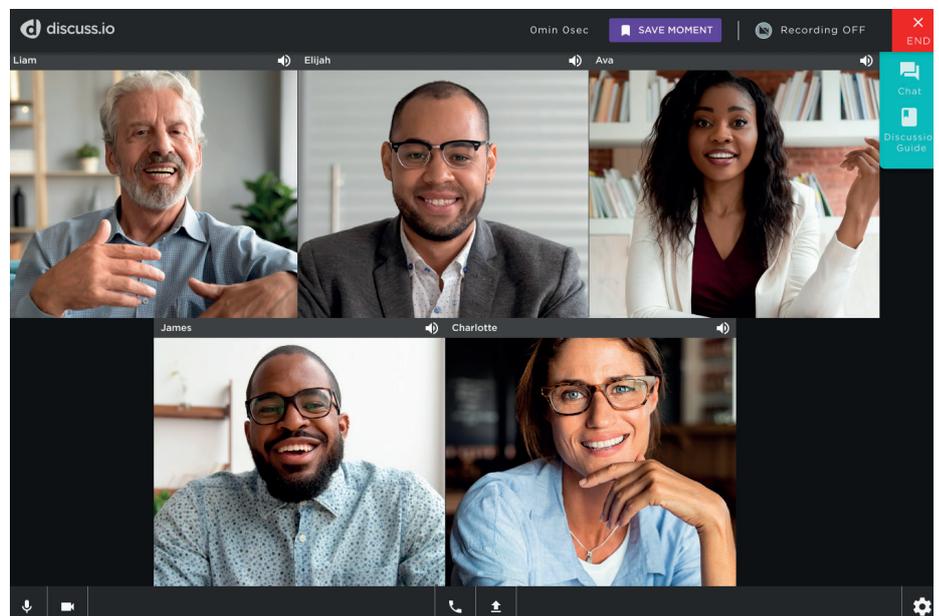




Photo: The Financial Times. Returning to school in Denmark

But we don't see a full return to normalcy – which we define as living our lives free of the threat of contracting COVID-19 – until everyone is either vaccinated or otherwise found immune. A quick breakthrough is always possible – Dr. Leonard McCoy once derived a vaccine in a day – but medical experts say we're at least a year from a proven remedy. (Former Treasury Secretary Larry Summers says the Corona shutdown costs the United States US\$80 billion in lost GDP every week. Why we're not throwing every resource we have into a cure stretches the meaning of ludicrous. How about a billion-dollar reward for the first effective vaccine? The prize will pay for itself in 126 minutes.)

New behaviors that will reshape the insights industry for the long term have already taken root. If we're 18 months away from people feeling comfortable enough to gather around a conference table to talk about Cherry Coke, then ripping those roots out may be near impossible. We are witnessing a new world being born right before our eyes. That's not something we had on our agenda for 2020, but here we are. Smart companies with the wherewithal to act now are riding the new age's

slipstream. Verizon's acquisition of Zoom-competitor Bluejeans is a declaration that widespread video conferencing is easy, cheap, healing for the environment and generally sufficient – and here to stay.

If forced to sum up the industry's great leap forward, we would describe it as a telescoping of the revolution. In other words, we are moving down a long path we've been on for a number of years already, but instead of getting there by 2030, we're now due to arrive in 2022.

But the industry's quick overhaul will not be confined to a technology upgrade that accommodates social distancing. Other trends will be equally consequential for many insights firms:

- **Our new world has birthed new consumers:** Success will fall to brand marketers who can decipher new behaviors, new attitudes, and new requirements. This will be especially true in the hardest-hit industries. Not only will brands need to reset their understanding of their consumers and customers, they will need to do so on a continuous and agile basis.

The opportunity has presented itself for insights companies to engage with consumers eager to be involved in research to inform the future. Research participation has declined in recent years as consumers have soured on spending time contributing to surveys, but what have we got now but time?

- **Client budgets will remain flat:** Demand for a 'reset' in consumer understanding will not likely be supported by a commensurate rise in budgets. Prices, in fact, are likely to come down.

To mitigate the impact on profits, insights companies will need to accelerate the automation of basic research, such as test & learn, and start to advance the automation of more advanced decision support in areas such as pricing. While clients will remain tepid at best to embrace DIY, automation can reduce the need to staff up to support new demand.

- **Brands will push more work to their Insights suppliers:** But look hard into this gift horse's mouth. Brands' motivation will not be to prop up the insights industry, but rather to off-load risk through the downturn. With business more volatile, clients will want suppliers to take on additional staff so they don't have to. But for suppliers who can bring organizational flexibility to assignments – the ability to scale up and down quickly, which translates to greater automation – more work means more revenue and hopefully more profit.

Brand teams will need to have insights identified and distributed in real-time for them to take actions that improve commercial outcomes. Client-side consumer insights professionals will need to focus on pushing actionable insights to their organizations, which means doing business with smart, trusted partners. This will likely accelerate partnering with consulting firms who are adept at bringing the range of requisite data together with the relevant analytics to inform real-time decision-making.

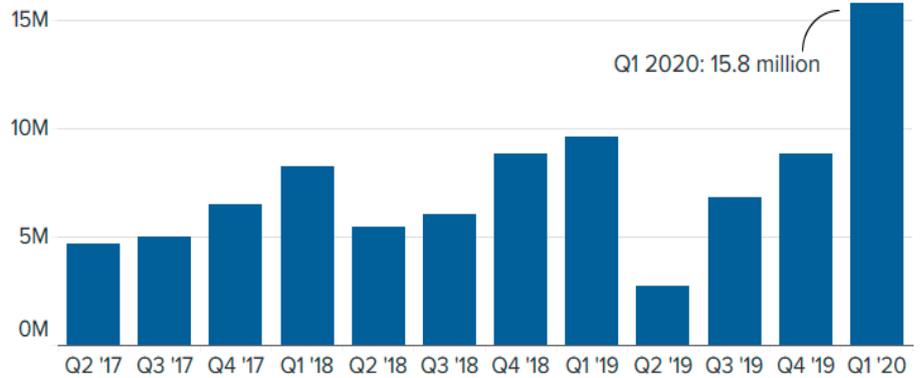
- **Our new world has a lot of old data lying around:** To complement an earlier point, help your clients make more and better sense of data already on hand. Companies – both users and vendors – should redouble efforts to make more of what they already have. Help them build and then dredge a data lake.

Brand marketers, not governments, will be trusted for safety and financial security – Consumer Experience and Brand Value assessment will need to incorporate ESG (environment, social, governance actions). This represents new data to measure, monitor and manage business performance.

The first wave of terror, especially for companies that faced multiple project postponements and cancellations, is

Netflix subscriber growth

Quarterly paid subscribers added, both US and international



Source: FactSet, company statements

over. You have already furloughed some of your team, and you have reduced some good producers to half-time because you really do want them to stay. Yes, survival comes first, and every company, whether it took a punch to the face or not, needs to examine itself from top to bottom and make sure that every penny going out the door is justified.

But survival mode alone is just a slow road to the cemetery. Ask the newspaper industry, where far too many publishers tried to shrink their way to profitability. The result, with a few notable exceptions, was mass value destruction.

So what is to be done? In the near-term, look internally to slash unnecessary costs. Externally, go the extra mile and then some for your customers. Yes, you are hurting but so are they and any extra kindness or courtesy you extend will be long remembered. Thoughtfulness can reach beyond insights. Have a service-journalism mentality. Share your thoughts on everything from how to work better from home to how best to disinfect FedEx deliveries.

Force majeure?

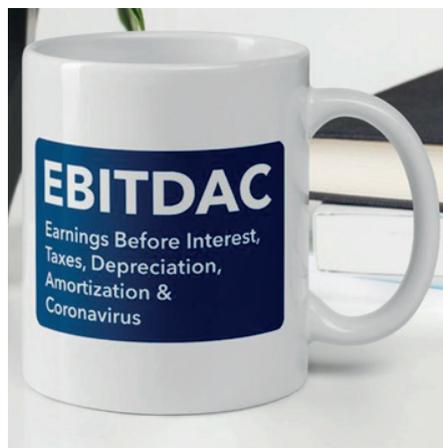


Photo: Elevenvoid.com

"I'm a doctor, not a genetic engineer!"



Photo: Universal Studios



Photo: WFAA TV, Dallas, TX

– But once costs have been cut and any available government loans have been applied for, the focus must turn to building new demand. Companies that will succeed are the ones who are planning for the post-crisis world now. Moreover, we contend it is possible to grow through a recession. Winners are constantly evolving their businesses, and always taking a growth orientation. This includes a constant review of what’s working and what’s not and mapping that against evolving customer needs and exogenous influences (e.g., pandemic viruses from Chinese wet markets, bursting housing bubbles). Overall, embrace the fact that the Insights industry will not see a return to the status quo ante of life before COVID-19.

And don’t look to clients for guidance. Accelerating through the pandemic and ensuing recession will require imagination, a commodity as rare as a hummable tune from Stephen Sondheim. The hardest tool to direct is imagination. How can we take what we’ve got, what we can get (or make) and improve ourselves?

WHAT ELSE CAN YOU DO?

Invest only in innovation. Think online first in everything. Shift to tech-enabled research methods: Qual and Quant. Don’t get caught flat-footed for the rebound in demand. Think through development of new sales channels that rely less on in-person contact. Build new supply-chain relationships to counter the next apocalypse. Look for new ways to build confidence and trust, the foundation of any relationship. See how client businesses are changing and support them at that.

We believe the US economy is more resilient than many contend. Despite the opinions of some, the crafters of emergency fiscal and monetary policy are doing a decent job sustaining economic activity. Now the Administration needs to devise and implement a comprehensive testing strategy, as Germany and South Korea have done.

More than a few TV shows and movies in recent years have revolved around the notion that the universe we inhabit exists alongside one – or countless –

parallel versions. Typically, these worlds are similar but subtly different, and it is recognizing the differences that allow heroes to survive once they cross over.

The post-Covid world, in most ways, will be very much like the world we already know, or at least the world we knew until 60 days ago. But recognizing, understanding and adapting to the differences, many of which are already apparent, will determine who doesn’t merely survive, but thrives.

Article by [Ken Sonenclar](#), [Elaine Riddell](#) and [John Matthews](#), Managing Directors at Oaklins DeSilva & Phillips, LLC.

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™	137.65	169.14	81%	26,286.2	38,129.2	11,158.0	2,002.0	17.9%	3.4x	19.0x
 nielsen	14.15	24.72	57%	5,044.1	13,648.1	6,494.0	434.0	6.7%	2.1x	31.4x
 experian.	32.05	37.82	85%	29,234.7	33,391.7	4,992.0	1,189.0	23.8%	6.7x	28.1x
 verisk Analytics	159.57	171.73	93%	25,891.7	29,021.0	2,671.9	1,074.5	40.2%	10.9x	27.0x
 Gartner	122.58	171.78	71%	10,931.1	13,701.4	4,293.8	665.9	15.5%	3.2x	20.6x
	29.93	45.86	65%	23,483.9	19,950.3	3,480.1	735.0	21.1%	5.7x	27.1x
 Ipsos + tableau	19.83	35.62	56%	871.3	1,729.4	2,242.5	279.3	12.5%	0.8x	6.2x
 MACROMILL a Macromill Group company	6.56	13.42	49%	264.3	549.8	402.3	86.6	21.5%	1.4x	6.3x
 ICF	64.35	95.24	68%	1,211.5	1,832.2	1,495.5	125.2	8.4%	1.2x	14.6x
 GlobalData.	16.02	18.67	86%	1,903.1	2,034.1	227.4	47.0	20.7%	8.9x	43.3x
 nrc HEALTH Human understanding	57.40	71.35	80%	1,442.6	1,463.2	128.0	48.1	37.6%	11.4x	30.4x
 FORRESTER®	34.40	50.51	68%	645.3	787.2	461.7	42.2	9.1%	1.7x	18.6x

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 intage	7.37	9.76	75%	296.0	249.4	513.1	39.1	7.6%	0.5x	6.4x	
 YouGov	8.01	9.96	80%	872.1	848.2	187.6	39.5	21.0%	4.5x	21.5x	
 ISG	2.63	3.76	70%	123.6	210.2	268.2	18.5	6.9%	0.8x	11.4x	
 HARTE HANKS	2.50	3.97	63%	15.8	36.8	217.6	(17.9)	N/A	0.2x	N/A	
									Median	2.6x	20.6x
									Mean	4.0x	20.8x

Source: PitchBook Data

Market cap and total enterprise value (TEV) based on closing stock prices on 10 May 2020

Valuation trends in the market research industry



Data source: Capital IQ

Graph is calculated using market value weighted indices

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✉ KEN SONENCLAR

Managing Director
New York, USA
T: +1 212 651 2602

Ken leads Oaklins' insights, data, experiences & analytics team. He is also a managing director at Oaklins DeSilva & Phillips in New York. Ken has advised multiple clients in the market research sector, often through complex cross-border transactions. This includes RDA Group on its sale to Ipsos, Vision Critical Research & Consulting on its sale to Maru Group/Primary Capital, MarketTools/TPG on its sale to MetrixLab, and PhoCusWright on its sale to Northstar Travel Media. Prior to Oaklins DeSilva & Phillips, Ken enjoyed a successful career in research, first as a program director at Gartner, Inc. and then as founder and CEO of New Science Associates, a subscription research and consulting firm focused on advanced information technologies, including artificial intelligence. New Science was acquired by Gartner.



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