

Knowing the importance of **staying in motion**

SPOT ON | MARKETING DATA & INSIGHTS | DECEMBER 2018

With decades of experience in the industry, Oaklins' marketing data & insights specialists share what is on their radar to help you create and maintain momentum.



"This issue of what was the Spot On Market Research newsletter comes to you not only with a fresh and attractive new design, but with a brand new name: Marketing Data & Insights. What's behind the change? Quite simply the recognition that a technology revolution has upended the placid world of market research. A tsunami of disruption is washing over the industry, leaving both damage and opportunity in its wake. We intend to cover it all — through the dealmaker's lens, of course — in the coming issues and years."

KEN SONENCLAR
MANAGING DIRECTOR
OAKLINS NEW YORK, USA

DEALS AS A LEADING INDICATOR OF MD&I'S FUTURE

Acquisitions and the inflow of capital provide strong indicators of the evolution of marketing data & insights (MD&I). For instance, Snowflake, a Software as a Service (SaaS) database-technology provider (underpinned by a novel high-performance SQL engine), was barely a blip on the radar 24 months ago, and yet has now raised more than US\$900 million, almost half of which was achieved in October with a pre-money valuation of US\$3.5 billion.

Snowflake is by no means the only data-technology unicorn. October also saw the US\$5.2 billion mega-merger of Cloudera and Hortonworks, while NASDAQ-quoted data integration tools provider Talend and non-SQL database technology company MongoDB achieved unicorn status — and the frenzy continues. Even more recently, MongoDB acquired cloud database provider mLab for US\$68 million.

This is important when considering what is happening and will happen in the MD&I sector, because businesses in this sector are increasingly being built on data and analytics technology.

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Market overview

While industrial-era market research businesses were built on manually administered and moderated surveys, polls, focus groups and panels, today's challengers and disrupters come out of the information era and are built on data, data science and technology. This means that what happens in the lower tiers of the data-to-insights technology ecosystem bubbles right up to those businesses providing data and insights to their customers. The changes in the lower tiers impact the breadth of possible insights, how fast they can be produced, and how quickly and directly they can be put in the hands of decision-makers or, in some cases, decision-making software.

October's deals aside, 2018 will unquestionably be important for the industry. Earlier this year, Salesforce.com — SaaS pioneer and leading enterprise customer relationship management (CRM) and marketing software provider — acquired two companies to stave off the potential threat of becoming less relevant in the emerging data ecosystem.

This has been good news for companies like Talend, which help customers create consolidated virtual data layers on top of their disparate databases and data sources. However, it's not such good news for companies like Salesforce or Oracle: while remaining important, these companies risk becoming just one among many databases or data sources, potentially marginalizing their importance in the future.

Back in March, Salesforce started to address this issue with its surprise purchase of MuleSoft at a premium price of US\$6.5 billion. This would solve the problem by enabling Salesforce's customers to stay with Salesforce, while starting to consolidate data from other internal databases and data sources to support applications like customer journey analytics and omni-channel customer experience analytics through the Salesforce platform. However, there remained one problem: how to connect with other third-party marketing data sources, particularly those providing internet marketing data, while also enabling customers to quickly onboard new data sources and databases as they become available. As a result, in July, Salesforce followed up the MuleSoft acquisition with a smaller deal of US\$800 million to acquire Datorama, a data integration platform widely used by marketers and marketing agencies.

Assuming the integration of these two platforms into Salesforce's core CRM and marketing cloud platforms goes well, this puts Salesforce in a strong position to act as a buffer for its customers between the changes happening in the lower tiers of the data and insights technology ecosystem and its customers' analytics capabilities and data management needs. These mergers and acquisitions moves by Salesforce also portend the company becoming a capable and extensible customer data platform (CDP) for companies who want to consolidate

their customer data assets in one place in order to undertake the kind of 360-degree customer analytics now becoming so critical to underpin omni-channel and customer journey marketing programs.

It is clear, moreover, that large enterprises are not going to abandon their complex patchwork of databases and data sources. To the contrary, the pace of innovation in the ecosystem will drive a proliferation of this situation.

Given Salesforce's recent acquisitions, we may see further M&A activity among Salesforce's competitors as they scramble to get their data integration, omni-channel analytics, customer journey analytics and CDP strategy in place, all in a world moving quickly to cloud-based data technology architectures.

Keep in mind that we are only four or five years into the disruption now taking place in the industry — nearer the beginning than the end.

— John Matthews, Oaklins DeSilva+Phillips

Disrupting the Customer Service Model

The power of the customer has never been greater than it is today. No longer are customers exclusively dependent on brand marketers for information to make their purchase decisions. They are now also likely to learn what they can from a variety of online sources, including reviews from other customers. These customers share their satisfaction or displeasure via social media, surveys and satisfaction ratings, putting brand marketers on notice in real time in a whole new way.

Moreover, there is a wide and measurable gap today between how well brand marketers think they engage their customers and how much value those customers feel they're getting.

The State of Engagement (2017), Marketo's study of both brand marketers and customers, clearly shows a critical gap between marketer and customer perceptions. While customers want to be heard and serviced as unique individuals, they are dissatisfied with the experience that brand marketers are providing to them. The brand marketers who figure this out first and adjust their strategies will be the winners.

Brand marketers are responding by personalizing the customer experience (CX). They are acting at the enterprise level by aggressively transitioning to a more customer-centric model. Delivering a superior, personalized customer experience at the individual level, and at scale, will be the new model with which

to compete and grow. To achieve this goal, brand marketers must establish a continuous relationship with their target customers along their decision journey – from discovery to purchase to renewal to advocacy. Reaching this level of understanding means knowing where each customer (or potential customer) resides along the path to purchase, and being able to answer questions and serve up relevant content to inform and influence the journey in real time. Delivering a superior, personalized customer experience at each touchpoint will be the basis by which customers buy, renew and advocate — or not!

“By 2017, 89% of marketers expect customer experience to be their primary differentiator.”

GARTNER

The effective use of marketing insights to drive consistently solid decision-making at each touchpoint of the customer-decision journey is critical to delivering superior, personalized customer experience. The quality and importance of these insights are improving rapidly, taking advantage of the wealth of structured and unstructured data, both online and offline, in combination with the more powerful analytics and technology that enhance them.

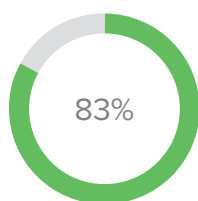
Brand marketers and the marketing insights firms that serve them will determine how to organize and link this data in the most logical way, so that more is known about individual target customers, their paths to purchase and how they respond to marketing programs in real time. As more is learned, brand marketers will develop better marketing, customer knowledge and competitor insights to drive more effective planning and improved performance across all marketing activities. The use of these insights will be the key to consistently delivering a superior, personalized customer experience and driving profitable top-line enterprise growth. To address this new focus, we believe that the traditional four Ps foundational model of marketing – product, pricing, promotion and placement – now need to include personalization as the fifth P. This model is the framework for the four broad areas of decision-making that are the growth drivers for a company. Personalization will become the filter that organizes and integrates the four Ps into a personalized customer experience for the target consumer.

This transition to a personalized customer experience focus is changing relationships between brand marketers and traditional marketing and commercial insights firms, opening opportunities for non-traditional, tech-enabled players to compete. To be successful, marketing insights services firms will need to understand why and how demand for their services is changing and be able to respond appropriately to add value and deliver against evolving customer expectations.

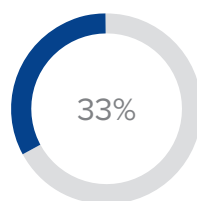
The goal now for brand marketers must be to deliver personalized customer experiences anytime, anywhere. Marketing insights services firms must demonstrate how their portfolio of services helps the brand marketer achieve this goal.

– Elaine Riddell and Jim Follett, Oaklins DeSilva+Phillips

Most buyers don't believe you are trying to understand them



of marketers say their engagement efforts are effective








of buyers believe brands try to deliver value




Source: *The State of Engagement* (Marketo, 2017), a study among B2B & B2C customers and marketers

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	124.26	132.24	94%	25,173.4	35,229.4	8,475.0	1,786.0	21.1%	4.2x	19.7x
 nielsen	26.26	42.16	62%	9,327.8	17,788.8	6,659.0	1,657.0	24.9%	2.7x	10.7x
 experian	22.78	26.21	87%	20,525.7	23,787.0	4,662.0	1,432.0	30.7%	5.1x	16.6x
 Verisk Analytics	113.23	122.80	92%	18,649.9	21,295.2	2,301.9	1,045.4	45.4%	9.3x	20.4x
 Gartner	147.05	161.21	91%	13,354.8	15,643.8	3,760.6	507.1	13.5%	4.2x	30.9x
	28.61	47.79	60%	21,599.1	18,634.2	2,696.6	586.1	21.7%	6.9x	31.8x
 + a b l e a u	101.78	118.08	86%	8,442.0	7,529.8	992.8	(123.9)	NM	7.6x	NM
 Ipsos	29.39	39.99	74%	1,280.1	1,839.1	2,021.5	232.2	11.5%	0.9x	7.9x
 MACROMILL a Macromill Group company	20.84	31.28	67%	829.1	1,098.8	361.1	78.0	21.6%	3.0x	14.1x
 ICF	71.60	82.25	87%	1,350.4	1,587.7	1,253.6	111.2	8.9%	1.3x	14.3x
 GlobalData	7.59	8.78	87%	895.7	976.2	184.5	23.7	12.8%	5.3x	41.3x
 nrc HEALTH Human understanding	37.22	42.85	87%	920.8	953.8	117.9	37.4	31.8%	8.1x	25.5x

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FORRESTER®	40.62	50.00	81%	734.2	591.1	344.8	31.6	9.2%	1.7x	18.7x
 intage	8.15	13.41	61%	335.3	238.2	456.0	47.2	10.3%	0.5x	5.0x
YouGov®	5.78	6.70	86%	610.2	569.9	152.8	22.2	14.5%	3.7x	25.7x
 ISG	4.36	5.45	80%	196.6	285.4	274.9	25.5	9.3%	1.0x	11.2x
 HARTE HANKS	6.11	12.16	50%	38.1	27.6	345.1	(0.6)	NM	0.1x	NM

Median 3.7x 18.7x

Mean 3.9x 19.6x

Data source: Capital IQ

Market cap and Total Enterprise Value (TEV) based on closing stock prices on 27 November 2018

Valuation trends in the market research industry



Data source: Capital IQ

Graph is calculated using market value weighted indices

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