

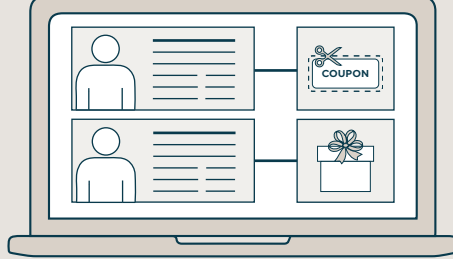
Cracking the Code: Innovation in Marketing Technology Sector Provides Opportunity for Private Equity Investors

There is a growing expectation that marketing through digital and traditional media will be tailored to the preferences and intent of the recipient, for both B2B or B2C targeting. This shift has led to the need for enhanced personalization in marketing messaging and investment in the tools required to execute personalized marketing across all channels.

In order to adopt a successful one-to-one marketing strategy, organizations need to piece together the disparate data points of a consumer to create a single source of truth. Better targeting is achieved when the data is unified, harmonized and reconciled across multiple channels, devices and life cycle stages to analyze true consumer behavior and build highly customized audiences.

The rise of big data has made personalization possible, but with the proliferation of big data comes the need for better data management and data governance. Emerging regulations like the General Data Protection Regulation (GDPR) in Europe, and California Consumer Privacy Act (CCPA) in the United States help consumers take back control of their personal data. However, the regulations have created challenges for multichannel marketers as they need to better manage their data collection, consumer consents, governance/storage and targeting, and they are ultimately accountable for compliant campaign execution.

To meet these challenges, marketers can turn to sophisticated technology solutions that have emerged over the past several years. In fact, these solutions are now integral for any enterprise establishing a cohesive one-to-one marketing strategy and utilizing data to its full potential.



Monolithic Marketing Technology Platforms

There are a multitude of technology solutions that marketers can choose from, however, too often using best-in-breed solutions create complex marketing technology stacks and leave different components of data living in disparate systems—foregoing a single source of truth and making it near impossible to execute an omnichannel personalization strategy at scale.

Marketers can avoid those challenges and simplify their approach to marketing execution by deploying a monolithic marketing technology stack. Moving to a comprehensive platform instead of point solutions will help navigate the growing complexity of marketing technology while allowing for the creation of a true one-to-one marketing strategy.

Private equity investors seeking to invest in the marketing technology sector have the opportunity to back developing platforms addressing one piece of the marketing technology stack – from customer relationship management (CRM), to data management (e.g. MDM, CDP) or marketing execution (e.g. e-mail services provider). Then they can pinpoint various technology solutions that fill gaps to build a multichannel marketing hub, forming a cohesive solution that will be prime for a strategic exit in the future. Technologies that are ripe for investment and consolidation include:



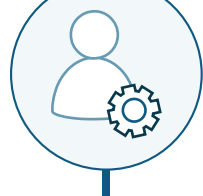
Customer relationship management (CRM):

Solutions used to record, manage and analyze interactions with past, current and prospective customers.



Data governance, management and analytics:

Enterprise or customer data management technology, such as Master Data Management (MDM) or [Customer Data Platforms](#) (CDP), that manage product, consumer or transactional data to help with audience building and better targeting. Data analytics and visualization solutions help companies interpret data and derive actionable insights from large pools of enterprise or customer data. Other solutions such as consent management and tag management support data governance and compliance functions.



Personalization engines:

Digital technology that personalizes marketing technology to automate content creation.



Marketing automation and campaign execution solutions:

The technology powering campaign execution, automating the consumer experience through the fulfillment of campaign assets, from a personalized email to a piece of direct mail. Solutions include Account Based Marketing (ABM) platforms for B2B marketing and E-mail Service Providers (ESPs) for both B2B and B2C marketing drive decisioning, campaign execution and targeting, including who to contact and when.

Private equity investors can employ a buy-and-build strategy to create a solution that addresses all enterprise marketing needs and leads to better data integrity and integration. Seamless marketing and flawless execution is possible when the decisioning, personalization, content creation and automation layers are informed by data collected from all channels and sewn together into a singular process.

Lincoln Perspective:

The need to personalize communications and one-to-one marketing will only increase as consumer preferences adapt and evolve. Yet, the code on how to automate the end-to-end process has not been fully cracked, and investors will find opportunities to invest in technology solutions that solve for that need, connect the marketing technology stack and support enhanced customization.

Lincoln International identified the following additional factors private equity should pay attention to when evaluating potential investments in the marketing technology sector:

The most valuable targets have deep vertical specialization and/or proprietary data sets.

When evaluating potential investments, marketing technology offerings that specialize in a specific vertical or end market provide a competitive advantage in a mature and increasingly crowded space. Additionally, proprietary technology or access to unique first-party data enhance targeting capabilities, help optimize marketing spend and serve as critical differentiators. Examples of proprietary data assets include behavioral, response and transactional data that can be appended to existing consumer records.

There's room for growth in the SMB market.

Small and medium businesses (SMBs) have underinvested in marketing automation technology, primarily because they did not have access to lower cost solutions until recently. Historically, large enterprise solutions were either highly customized or took a 'one size fits all approach,' offering much more than the typical SMB needs and at a much higher price. SMBs have the same needs around data management and personalization, and there is growing investment in the largely untapped SMB market as these businesses look for increasingly sophisticated monolithic marketing solutions.

Both B2B and B2C require nuanced, comprehensive solutions.

While both B2B and B2C organizations require comprehensive solutions, they have their own distinct needs—there are key differences between targeting an individual consumer and targeting an entire business. With B2B marketing, technology that customizes the message for each decision maker and stakeholder in an automated, coordinated manner is critical. On the other hand, B2C marketers need technologies that follow the workflow of a consumer, tracking cookies and websites visited and then testing and retargeting those consumers.

The accelerating shift to digital commerce.

With the accelerating shift to [digital commerce](#) over the past several years, more marketers are turning from traditional media to digital channels. This dynamic generates even more consumer data (e.g. behavioral, transactional) which is advancing the need for more sophisticated marketing technology and leads to better attribution of the impact from marketing spend. General attribution was possible with traditional media, but digital marketing provides enhanced opportunities for purchases to be attributed to specific marketing channels and campaigns, making it easier and cleaner to measure ROI.

Lincoln International's expertise in the marketing technology sector delivers best-in-class outcomes for clients. Contact us at contact@lincolninternational.com to learn more about our TMT and business services experience and find out how we can help you with **Real Connection and True Perspective**.