TECHNOLOGY HOLDINGS

Investment Banking in Tech Services, Consulting, Software & Healthcare

Transforming Digital Marketing with Marketing Automation: A $350+ Billion Opportunity

An Analysis of the Digital Marketing and Marketing Automation Market and a Review of Deal Activity in 2022/23

November 2023

Introduction

This report from Technology Holdings aims to provide a comprehensive overview of the digital marketing market by highlighting major market trends and showcases the martech landscape. Additionally, the report examines deals in the ecosystem, including the types of buyers and the underlying reason for these acquisitions. The report identifies four main trends that are expected to shape the future of marketing automation:

1. **Marketing Automation offered as part of an Integrated Suite**
2. **Digital Marketing and Advertisement Spending on a Rise**
3. **Integration with Digital Commerce Platforms**
4. **Cloud, AI & ML to drive Intelligent Transformation via Digital Marketing & Marketing Automation**

M&A trends

1 Vertical Integration

Digital marketing companies are integrating with startups to enhance digital capabilities and offer customized products

2 Cross-functional collaborations

Digital marketing firms are exploring partnerships with companies outside the traditional marketing industry to incorporate new-age tech solutions

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About Technology Holdings

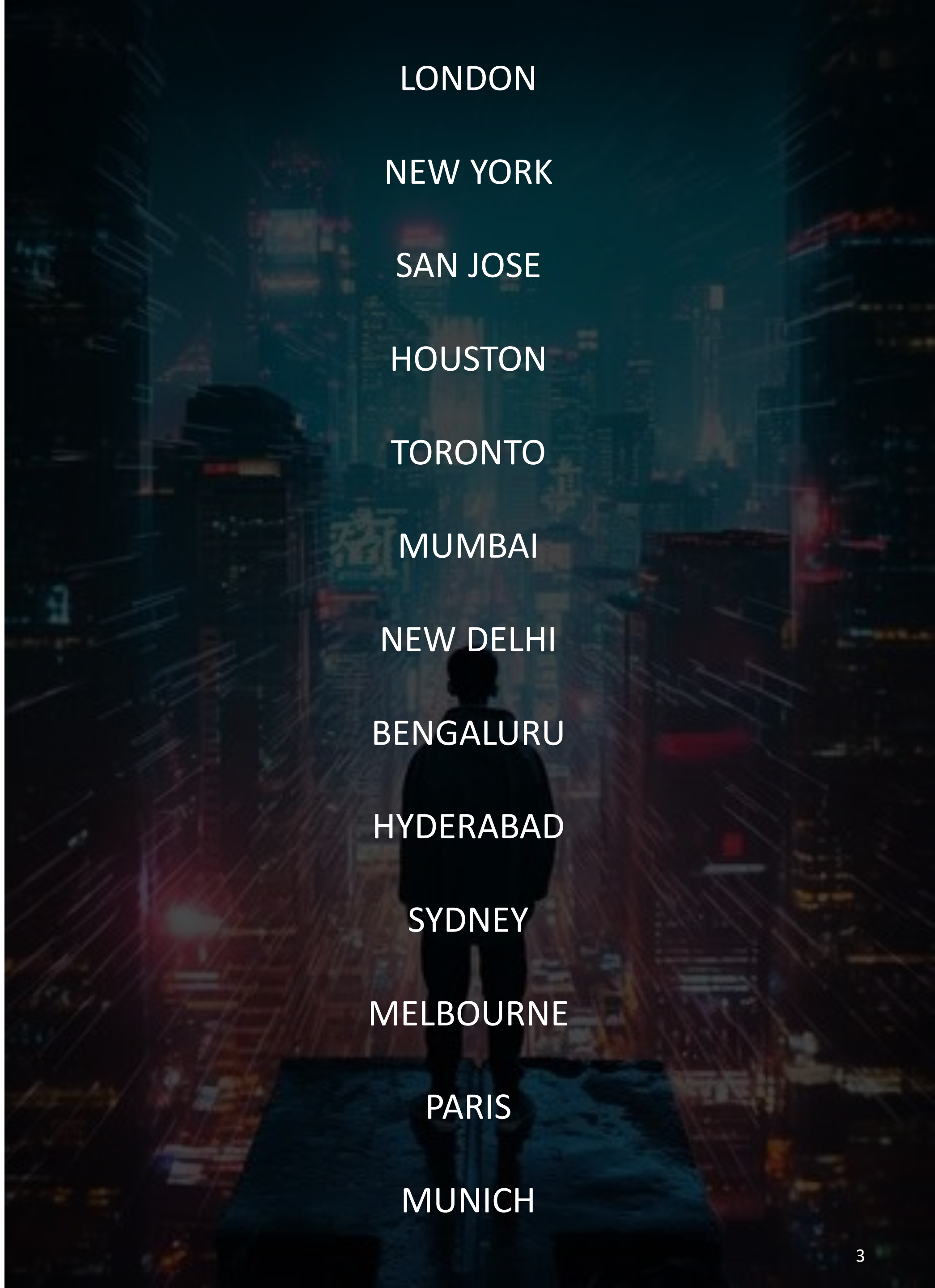
Technology Holdings (TH) is a **global boutique investment bank** dedicated to delivering M&A and capital raising to **technology services, software, consulting, and business process management companies** globally with enterprise values ranging from **US $20 million to US $250 million.**

TH has a global team of over 70 people with a strong track record of closing digital marketing and marketing automation transactions across Europe, the Americas, and Asia-Pacific.

TH has closed 13 Digital Marketing and Marketing Automation transactions with a cumulative enterprise value of over US $500 million

Our focus, with a 23-year track record...

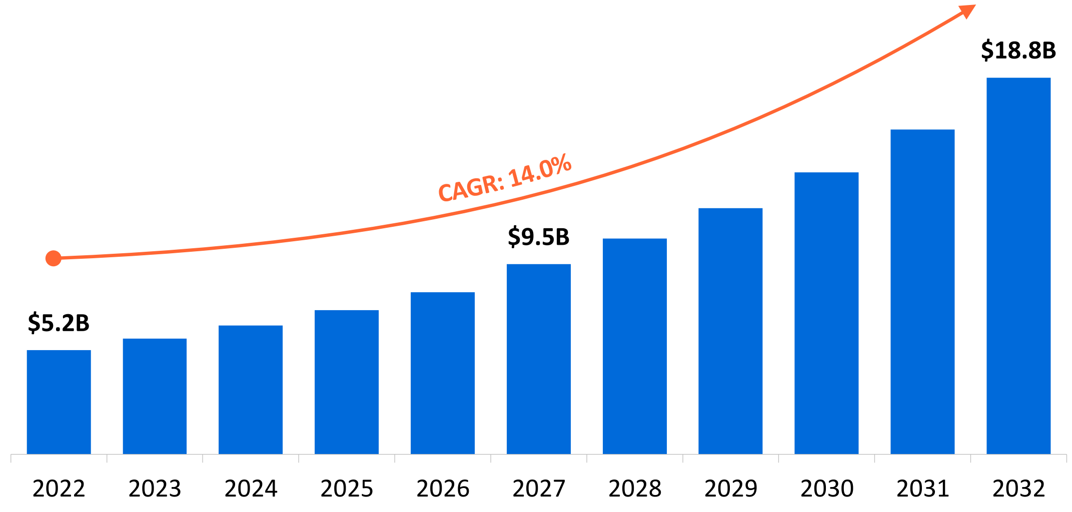
Digital Transformation & Innovation	IT Services Cloud & Cybersecurity	Analytics, Data Sciences & AI	Fintech, Insurtech and SaaS
Consultancies	Healthcare & Lifesciences	Business Process Management	Engineering Services



Empowering Digital Marketing with Marketing Automation

- The **Global Digital Marketing Market** was valued at **$321 billion in 2022**, growing at a **CAGR of 13.1%**, as per a study from Expert Market Research
- The **Global Marketing Automation Market** is primarily being fuelled by the **growing demand for innovative, tech-driven solutions** to improve the RoI, efficiency, and output of digital marketing activities
- With a projected **CAGR of 14% from 2022 to 2032**, the market is set to reach **US$ 18.8 billion in 2032**, creating exciting opportunities for both established players and new entrants in the space
- **IoT and AI/ML are forecast to grow rapidly**, and marketing automation companies are using these technologies to **provide predictive analytics, personalized recommendations, and automated decision making**
- With the advent of **conversational AI, the adoption of chatbots, virtual assistants**, and other such interfaces is on the rise as businesses seek to **create more interactive and engaging customer experiences**
- Marketing automation platforms are increasingly being integrated with other marketing technologies such as **CRM, content management systems (CMS) and e-commerce platforms**, allowing for a more seamless and an integrated approach
- **North America and Europe lead the market** in terms of adoption of marketing technologies. Across **APAC, the adoption of marketing technologies is expected to grow significantly** over the next decade

Figure 1: **Global Marketing Automation Market Size ($ Billions) : 2022- 2032[1]**



Key Growth Drivers

1 Rising adoption of SMAC technologies

2 Drive & optimize revenue growth

3 Improve marketing RoI

4 Provide great buyer/ consumer experiences

Key Technology Enablers

- AI/ML
- Cloud
- AR & VR
- IoT

Marketing Automation platforms serve as an essential tool for digital marketing service providers in facilitating customer journey orchestration – customer acquisition, retention and growth objectives

Source :[1] Marketing Automation Market Report – Forecast to 2027 by Markets and Markets

MarTech Landscape

Traditional MarTech Providers

HubSpot, Adobe, salesforce, mailchimp, hahm partners, mediamint, LAMARK MEDIA, CARNEGIE DARTLET, supreme, Power Digital, ErhvervsWebdesign, ClickDimensions, Avenue Z, Aldmic COOPN Digital, fusion92, Boostability, intrepid AN ASCENTIAL COMPANY, NEMOPHILA, FCB, kinnect

Cloud-based MarTech Providers

Adobe, salesforce, HubSpot, sprinklr, Venture Stream, ALMOND, ACEWILL, collabra TECHNOLOGY, spotler, hype scout, konnecto, a:m, aument, CHANNELNET, LEADVENTURE, MOVABLE INK, advisorwebsites, bee2link, Sailplay

New-age MarTech Providers (AI, ML, AR / VR)

AI & ML

DRIFT, HubSpot, Appier, Demandbase, Adriel, wevnal, Digitalfirst.ai, InstaScaler, ROR PARTNERS, cogndata, customer science, Clickvoyant, Cheerio

AR & VR

Cross Creators, Stream, REALITY X MEDIA

Advertising & Promotion

- Display & Programmatic Advertising
- Mobile Marketing
- Native / Content Advertising
- Search & Social Advertising
- Video Advertising

Social & Relationships

- ABM
- Call Analytics & Management
- CRM
- Social Media Marketing & Monitoring
- Live Chats & Chatbots

Data

- Analytics Performance & Attribution
- Cloud Data Integration & Management
- Dashboards & Data Visualization
- Customer Data Platform
- Mobile & Web Analytics

Commerce & Sales

- Retail, Proximity & IoT
- Affiliate Marketing & Management
- Sales Automation Enablement
- E-Commerce Marketing
- Channel Partner & Local Marketing

Content & Experience

- Content Marketing
- CMS & Web Experience Management
- Email Marketing
- Marketing Automation & Campaign
- SEO

Management

- Agile & Lean Management
- Collaboration
- Talent Management
- Product Management
- Vendor Analysis & Management

Integration of traditional digital marketing platforms with cloud-based tech and new-age tech (such as AI, ML, AR, VR) is rapidly evolving the MarTech landscape

Top Martech Companies have Transformed into Cloud-based Providers, leveraging AI & Automation

Adobe

- 2005 Macromedia
- Omniture 2009
- 2010 Day Software
- Efficient Frontier 2011
- 2012 Behance
- Neolane 2013
- 2015 Fotolia
- TubeMogul 2016
- 2018 Magento
- Marketo 2018
- 2019 Allegorithmic
- Workfront 2020
- 2021 Frame.io
- ContentCal 2021
- 2022 Abstract Notebooks
- Figma 2023

Adobe has made several acquisitions over the past two decades to transform itself to a cloud-based provider and has also focused on incorporating AI & automation to lead the design & digital marketing space

HubSpot

- 2011 GroupSharp
- Performable 2011
- 2011 OneForty
- PrepWork 2013
- 2013 Chime App
- The Agency Post 2014
- 2015 Rekindle
- Kemvi 2017
- 2017 Evolve App
- Motion AI 2017
- 2019 Acenna Data
- PieSync 2019
- 2021 The Hustle
- Clearbit 2023

Hubspot is leveraging AI in its workflow & businesses to provide value to its customers, effectively transforming itself into a complete digital marketing and marketing automation provider

Digital Marketing Market

Key Trends in Digital Marketing

1. **Marketing Automation offered as part of an Integrated Suite**
   Integrated suite approach preferred over best-of-breed approach for selecting marketing technology

2. **Digital Marketing and Digital Ad Spending on the Rise**
   Digital marketing is growing rapidly with increasing adoption of analytics to deliver personalized content to customers

3. **Integration with Digital Commerce Platforms**
   Rapid shift towards business digitization across verticals

4. **Cloud, AI & ML to drive Intelligent Transformation via Digital Marketing & Marketing Automation**
   Strategic inclination towards digital and intelligent transformation of enterprises across industries

Generative AI, Predictive Segmentation, Chatbots, Conversational Marketing, Hyper-personalized Content, and **Omnichannel Marketing**, are being extensively explored for innovation and growth

Market Trend 1 – Marketing Automation offered as part of an Integrated Suite

Integrated Digital Marketing Solutions – Leveraging Digitization to Pip Competitors

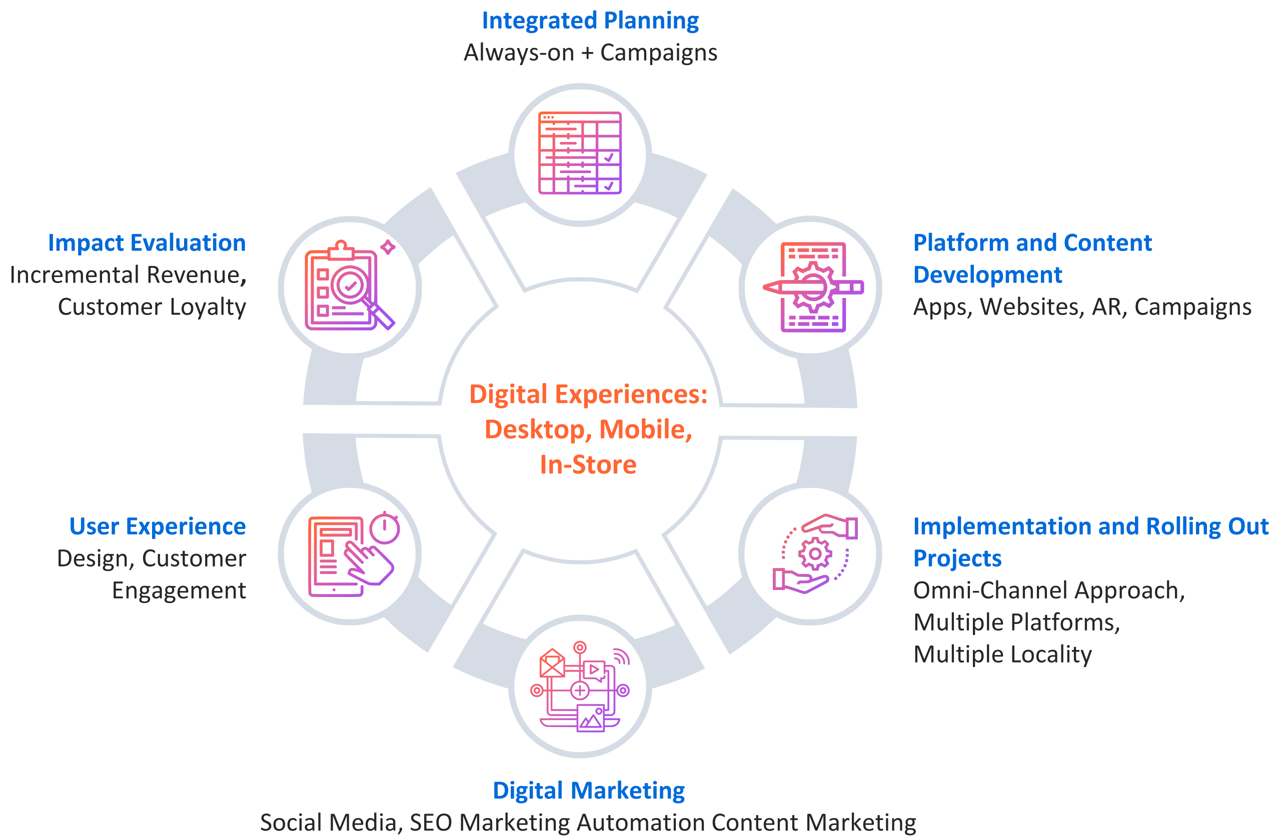
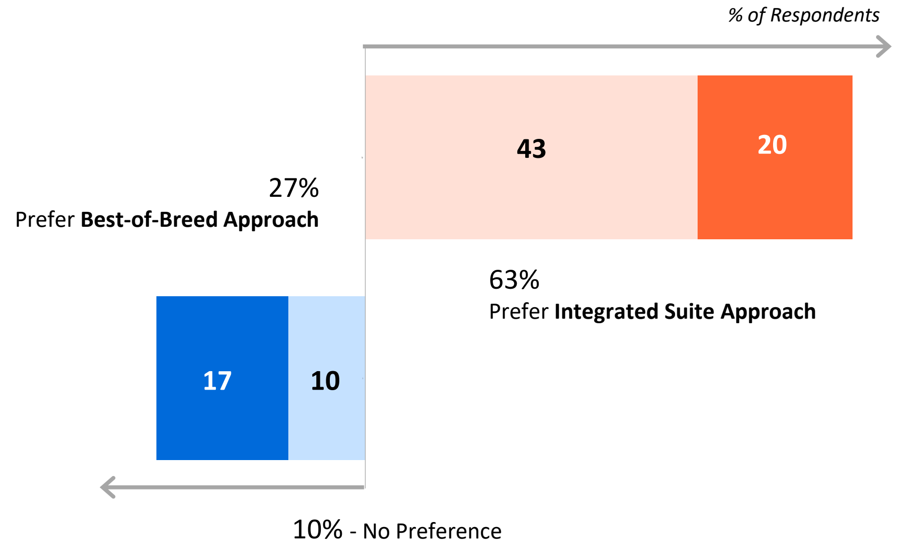


Figure 2: **Preferred Approach to Select Marketing Technologies**[1]



- Marketing teams in B2B organizations drive the sponsorship of lead management projects and the decision making around vendor selection of marketing automation technology
- When working with a core automation platform, marketers leverage 3rd party solutions to fill in gaps where the anchor vendor doesn't provide native capabilities

2/3rd of a Company's edge comes from its customer experience

67% of consumers will pay more for great experience

74% of marketers say it is important to have a cohesive omnichannel experience

55% of marketers are prioritizing more effective audience targeting

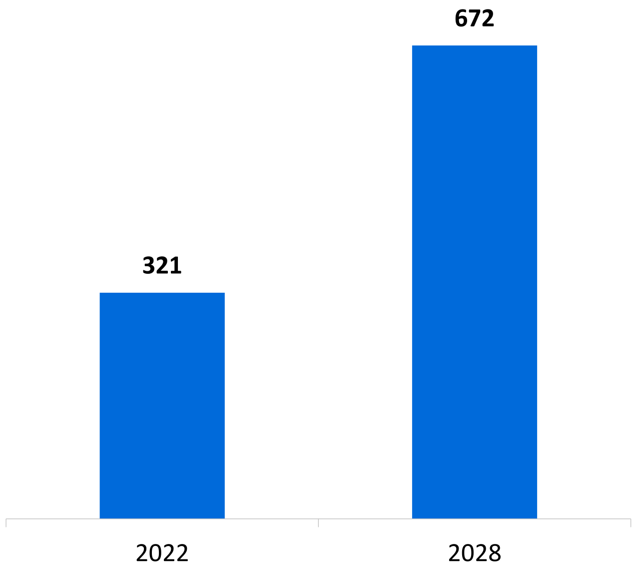
Marketing Automation industry to grow considerably amid an increasing demand from businesses to automate their marketing workflows and be able to better engage and retain their users

Source :[1] Gartner, Market Research Reports

Market Trend 2 – Digital Marketing and Advertisement Spending on a Rise

Rapid Growth in Digital Marketing Calling for more than just Advertisement Driven Sales

Figure 3: **Global Digital Marketing Market Size ($B)** [1]



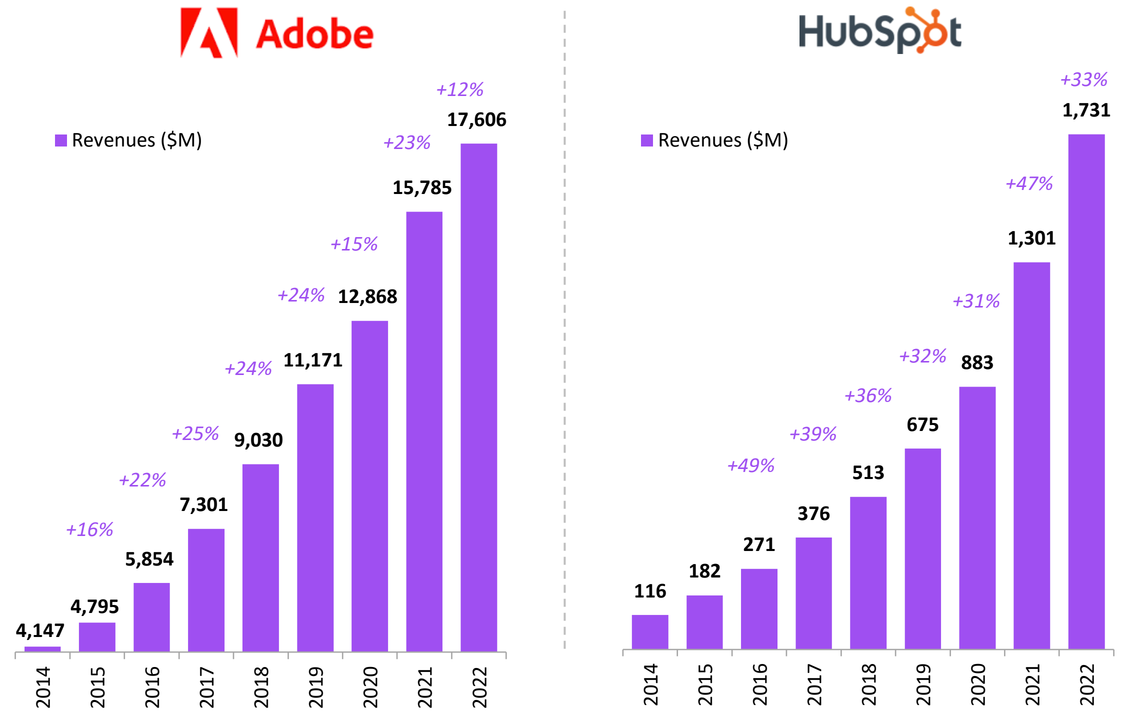
- **North America** will continue **dominating the industry** and is expected to contribute about **38% to 42% to the total digital marketing expenditure** in the forecast period
- One of the key drivers of the growth is significant **rise in online content consumption**

Rising Digital Spending
Digital Ad spending is expected to grow to **~$835B by 2026**

Rising Digital Marketing Spend
Forrester has projected **digital marketing** will make up of **46% of all ad spend in 2021**

Rise in Digital Marketing Budgets Allocation
Gartner CMO Spend Survey found that **26% of marketing budgets** were spent on **paid media**, and when that was broken down by category, **digital paid media accounted for 16%** of total **marketing budgets**

Figure 4: **Adobe and HubSpot Revenues**[1]



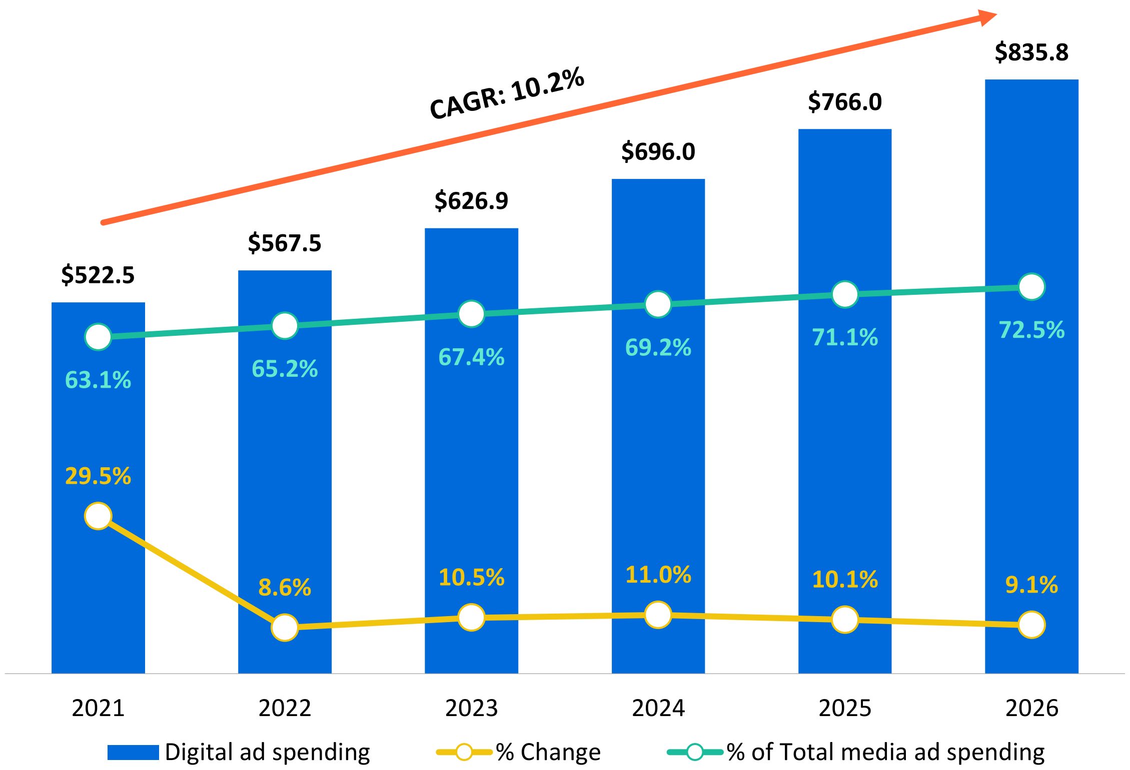
- Retail is moving away from aggressive sales through advertisements to providing positive experiences
- Growing demand for offerings which combine multiple channels (web, mobile & physical) with multiple content sources (blogs, social & SEO)

Top global companies are using their digital marketing operations to acquire new customers and increase revenues from key client accounts

Source:[1] Expert Market Research, Company Annual Reports

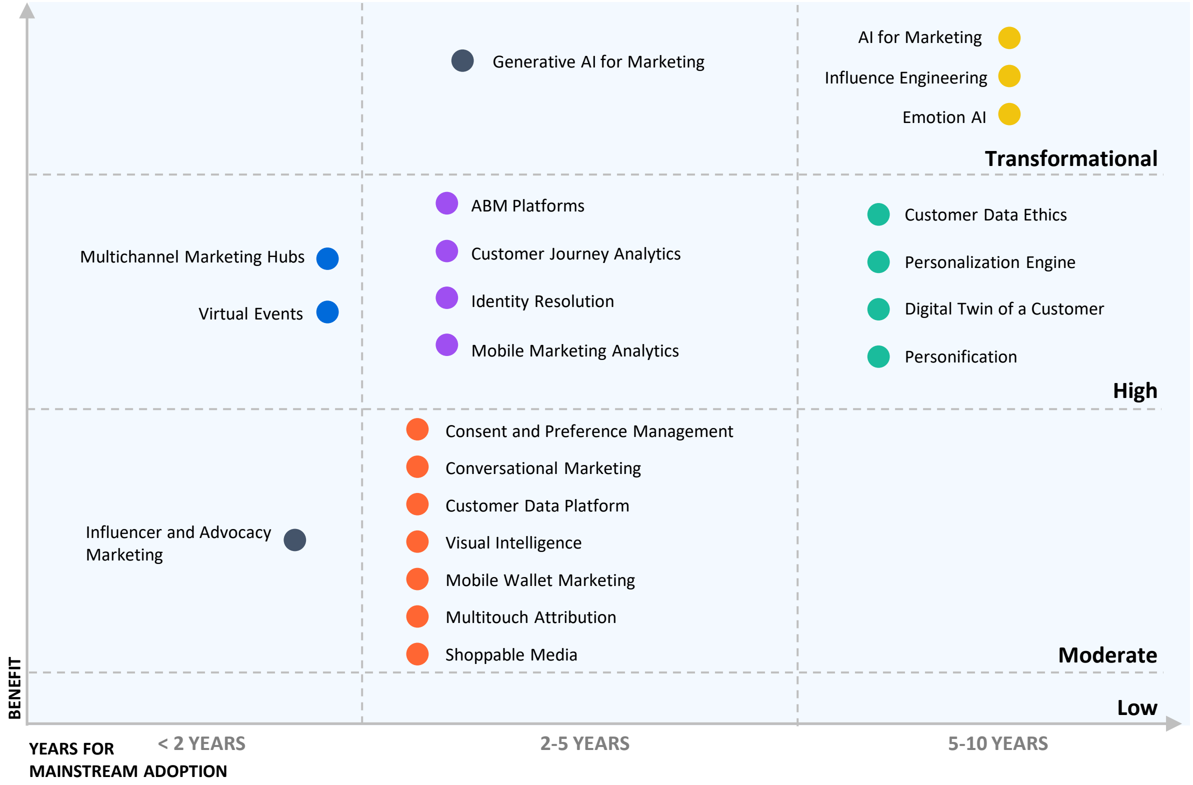
High Growth of Global Digital Advertisement and Marketing Spend

Figure 5: **Digital Ad Spending Worldwide, 2021-2026 ($B)** [1]



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; and includes all the various formats of advertising on those platforms; excludes SMS, MMS, and P2P messaging-based advertising

Figure 6: **Priority Matrix for Digital Marketing, 2022**[1]



Gartner has highlighted that **AI** to be **transformational** for **digital marketing** in the **coming decade**, while **ABM Platforms** and **Customer Data Ethics** are among the **high importance sectors within 2-5 yrs. and 5-10 yrs., respectively**

Digital marketing is growing rapidly with increasing adoption of analytics to deliver personalized content to end-users

Source:[1] eMarketer 2022, Gartner

Digital Commerce driven by Changing Customer Preferences & Increased Business Digitization

The global digital commerce market is expected to grow at a CAGR of 11.1% to reach $5.56T by 2027

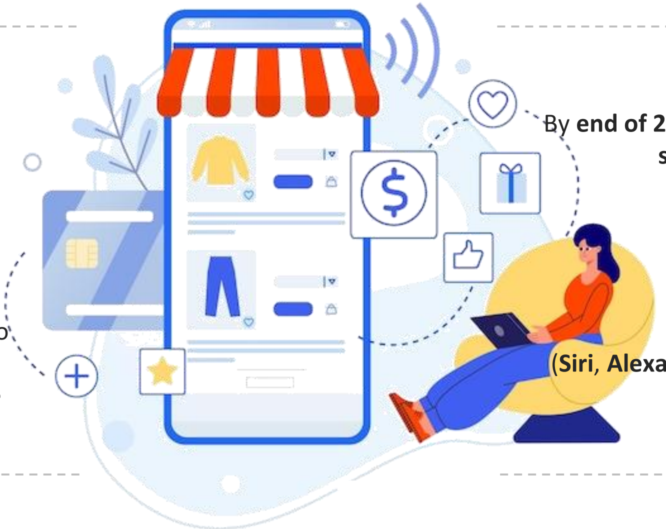
Top Global Digital Commerce Trends[1]

Digital Commerce penetration is forecasted to increase from **22%** in **2022** to **32%** in **2027**

COVID-19 had **accelerated e-Commerce** growth with online spend up **77% YoY** in **May 2020**

~**100 million** customers shop using **Augmented Reality**

By **end of 2023, 60%** of **digital commerce sales** to take place on a **mobile**



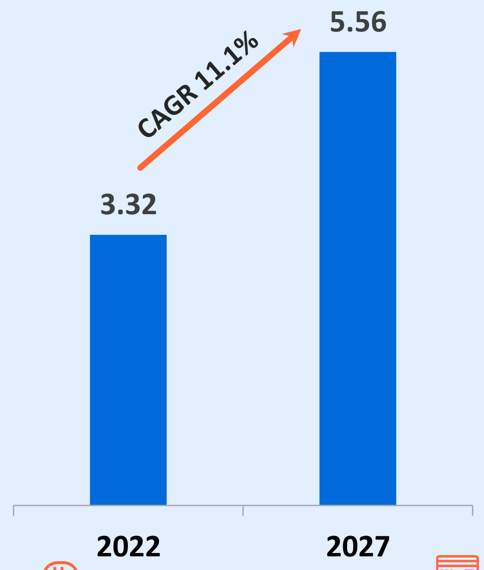
Over 80% customers are more likely to buy from an **online store** providing **personalized e-Commerce experience**

Voice Shopping (**Siri**, **Alexa**, **Assistant** etc.) is expected to grow to $**40 billion** by **2022**

By **2025**, the **global chatbot market** would generate revenues >**$1 billion** with **80%** of businesses using chatbots

Half of all adults are **millennials** who prefer **self-serve digital commerce experience**

Global e-Commerce Market ($T)[1]



5.3B
Users by 2027

$827.4
Average Revenue per user

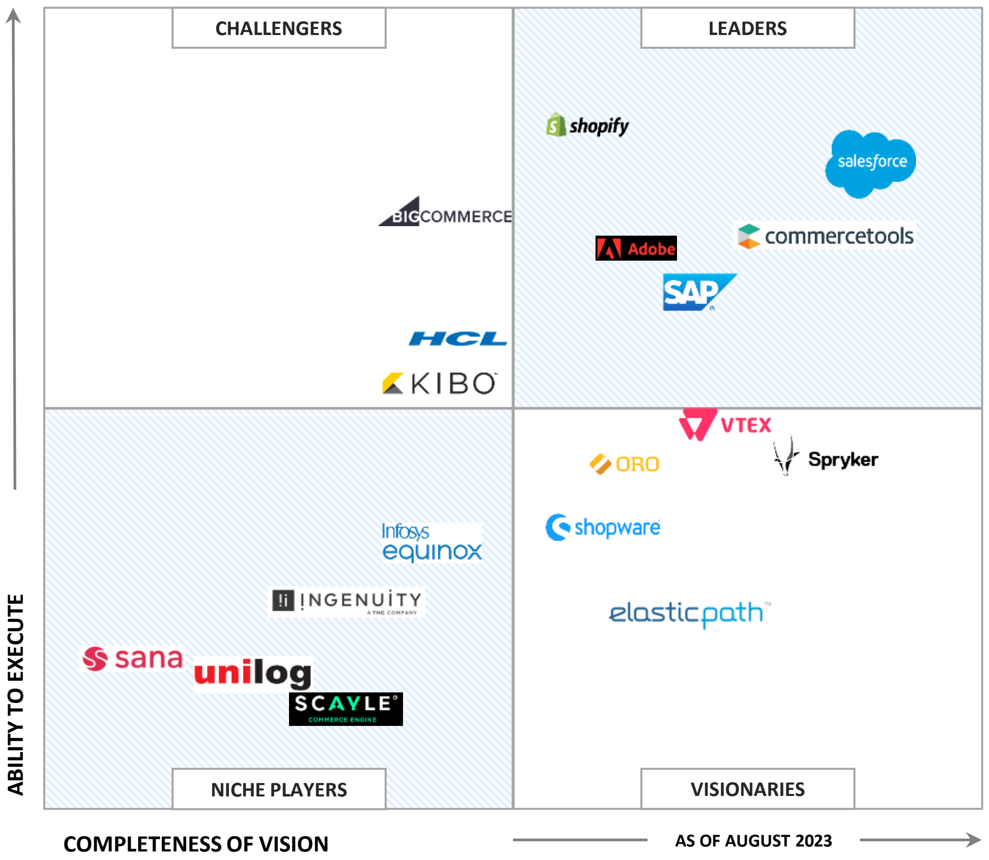
Changing customer preferences and technology progressions are re-creating the digital commerce landscape

Source:[1] Statista, Forbes, Big Commerce, Grow Code

Market Trend 3 – Integration with Digital Commerce Platforms

Digital Commerce Platform Ecosystem

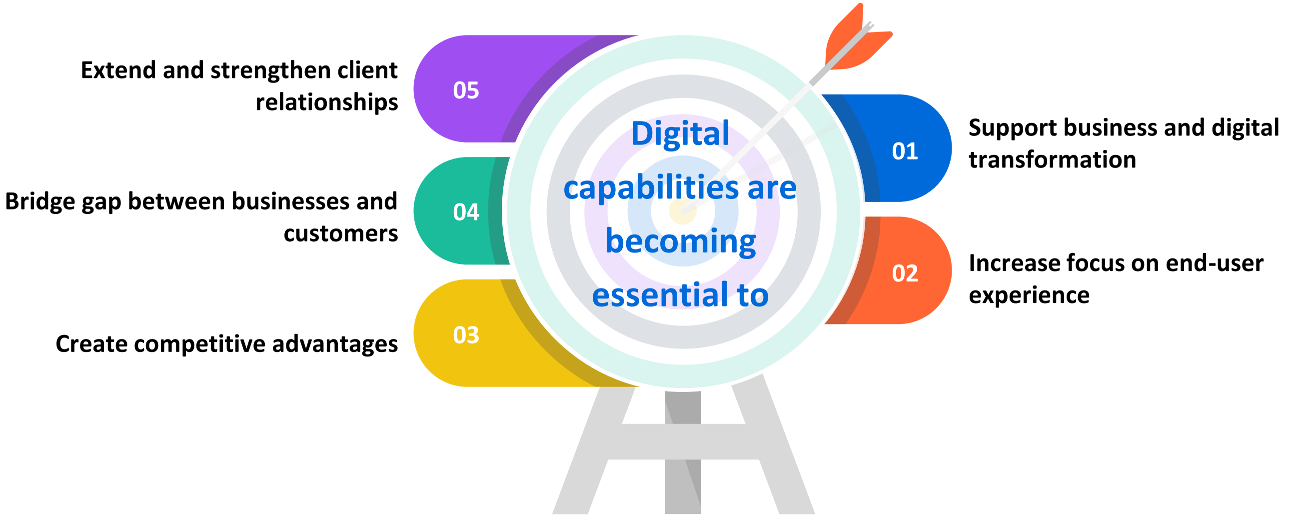
Figure 7: **Gartner™ Magic Quadrant for Digital Commerce**



Sustained M&A Activity in Digital Commerce & Marketing

Digital Marketing and Digital Transformation has become a critical core competency as large corporations spend millions of dollars to enhance customer experience and retention

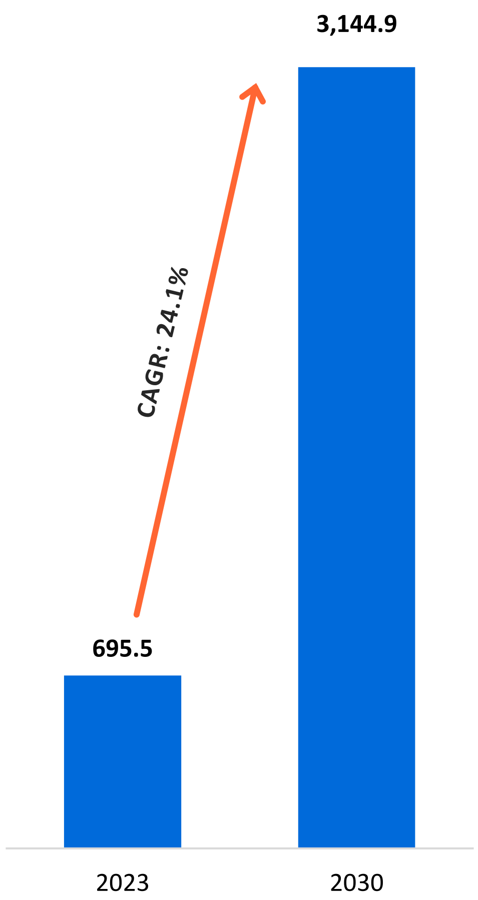
Companies have spent the last 4-5 years in making agency focused acquisitions but are now increasingly focused on making acquisitions in the digital commerce and marketing capabilities



Most of the leading digital commerce platforms provide complete and integrated suite of solutions

Digital Marketing has Become the Key Strategic Imperative for Most Companies

Figure 8: **Digital Transformation Market Size[1] ($B)**



- The **Global Digital Transformation market size** is expected to reach **$3,144.9B by 2030**, rising at a market growth of **24.1% CAGR** during the forecast period
- **North America** held the **dominant market position** at **over 30% share in 2022, closely followed by Europe** and **Asia Pacific**
- Businesses across the world are embracing digital solutions to optimize processes, enhance customer experiences, and gain data-driven insights
- Notable tech collaborations in 2023 include:
  - IBM Watson technology to be embedded into SAP solutions
  - Leveraging Azure OpenAI Service and Epic's EHR to benefit healthcare sector
  - Norwegian Institute of Bioeconomy Research to use Oracle Cloud Infrastructure
  - Google launched new AI that enables Claims Acceleration Suite for healthcare sector

Cloud Services are Driving the Digital Transformation Process

- **69%** users believe that **low code development tools accelerate the digital transformation process**
- By 2024, **75%** of the large enterprises will **use** at least **4 low-code development tools**
- In 2022, **digital transformation spending was** expected to reach **$1.8T worldwide,** 47% increase from 2021
- In 2022, **>30%** of the 100 largest vendors' new software investments **will be shifted from cloud-first to cloud-only**
- By 2022, **over 40% of digital transformation initiatives** will be **supported by cognitive/AI** capabilities
- **Increased demand** from **high computational workloads** such as artificial intelligence, RPA, analytics and IoT

Key Technologies behind Digital Transformation

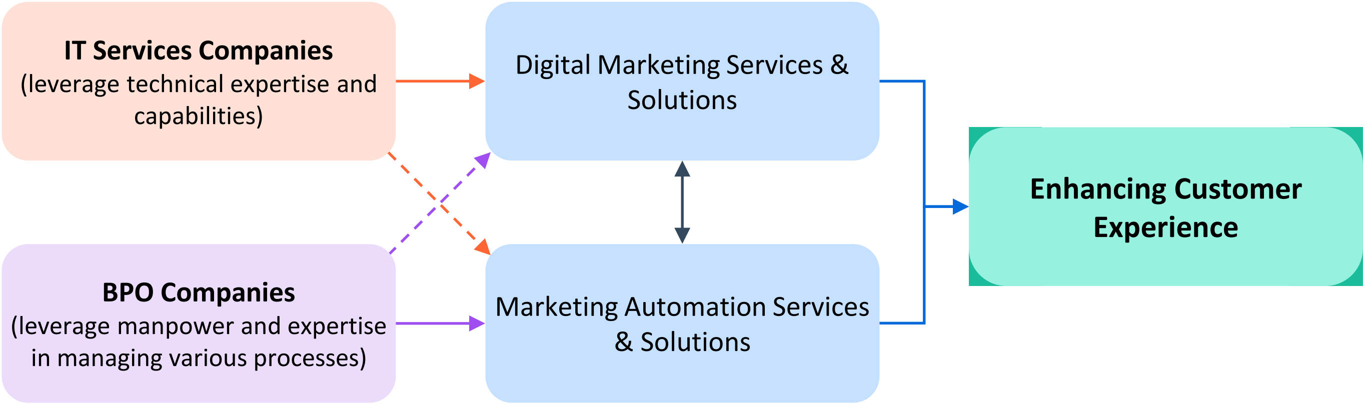
1. Cloud Technology
2. AI/ML
3. Robotic Process Automation (RPA)
4. Big Data and Analytics
5. Internet of Things (IoT)
6. Robotics
7. AR and VR
8. Digital Twin

Digital marketing leveraging cloud, AI & ML, and AR & VR is driving digital transformation across industries

Source:[1] Statista, Markets and Markets

Opportunities for IT Services & BPO Companies in Digital Marketing and Marketing Automation

Key Opportunities for IT Services and BPO Companies		
Website & App Development and Optimization	Chatbots and AI/ML Integration	Lead Generation and Qualification
Marketing Technology Implementation & Integration	User Experience (UX) and User Interface (UI) Design	Social Media Management
CRM Integration	Data-driven Marketing & Marketing Analytics	Content Creation and Management
Campaign Tracking and Optimization	Managing Digital Marketing Operations	Augmented Reality (AR) and Virtual Reality (VR)
E-commerce Solutions	Localisation	SEO and Performance Marketing



IT Services Companies

- IT Services Companies can leverage various opportunities in the digital marketing and marketing automation space to **provide valuable solutions and support** to businesses aiming to **enhance their online presence** and **reach their target audiences more effectively**
- **IT Services companies** are aiming to **tailor customized services** to deliver measurable results in terms of **online visibility, customer engagement**, and **overall digital marketing success** for their clients
- By **capitalizing on these opportunities**, **IT services companies** can play a crucial role in **helping businesses navigate the complexities of digital marketing and marketing automation**

Business Process Outsourcing (BPO) Companies

- BPO Companies can explore various opportunities in the digital marketing and marketing automation domain to **provide specialized services** and support to businesses seeking to **enhance their online presence** and **streamline their marketing processes**
- By **leveraging their operational efficiency** and **expertise in managing various business processes**, **BPO** companies can **position themselves as valuable partners** in the digital marketing ecosystem
- By **enhancing their offerings** with these opportunities, BPO companies can help businesses **enhance their digital marketing efforts, improve efficiency,** and **achieve better results through automation**

Integrating and implementing key marketing platforms such as Adobe, HubSpot, etc. to drive & optimize digital marketing success and enhance customer experience is the way forward for IT services and BPO companies

TH's Global Track Record in the Digital Marketing & Marketing Automation Space for IT Services Companies

Deal	Cyber-Duck (UK) acquired by CACI (UK) (Nov 2023)	Atom Ideas (Belgium) acquired by valantic (Germany) (Jun 2022)	Lister Digital (India) acquired by bounteous (USA) (Sep 2021)	yesler (USA) acquired by accenture (USA) (Apr 2020)
About the Target	▪ Cyber-Duck is headquartered in UK and has significant expertise in combining human-centred Service Design, User Experience (UX) and User Interface (UI) design with open-source technology including Laravel, Drupal and Acquia to create transformational, next-generation experiences, services, products and systems.	▪ Atom Ideas is leading Salesforce, Microsoft and Veeva partner with a suite of IP and accelerators developed to drive efficiency for clients in healthcare, life sciences and the public sector. The company offers end-to-end CRM consulting and marketing automation services to enterprise clients from customer strategy through the CRM process, platform implementation and beyond.	▪ Founded in 2000, Lister Digital is an end-to-end Digital Transformation, digital marketing and digital commerce solutions provider with over 350 digital experts and offices in Chennai, India and San Mateo, California.	▪ Yesler offers a full stack of digital marketing services – from strategy, creative and content through automation, technology and operations, to support enterprise customers such as Microsoft, Amazon, SAP and Adobe with the execution of global B2B marketing campaigns.
About the Buyer/ Investor	▪ CACI International Inc. is an information solutions and services provider, offering a variety of information solutions and services to its customers. The company provides information solutions and services supporting national security missions and government modernization/transformation for intelligence, defense, and federal civilian customers.	▪ Provider of information technology consultancy services intended for automotive, banking and trading, building sector, pharmaceuticals and retail sector. The company offers enterprise resource planning, customer experience, digital strategy, business analytics, and supporting services.	▪ Bounteous is an insights-driven digital experience consultancy. The company offers strategy, experience design, analysis and marketing execution services, enabling clients to win in an increasingly competitive digital landscape.	▪ Accenture is a global IT-services firm that provides consulting, strategy, and technology and operational services. These services run the gamut from aiding enterprises with digital transformation to procurement services to software system integration.
Deal Outcome	▪ With the acquisition of Cyber-Duck, CACI seeks to enhance its Digital Solutions Business. Cyber-Duck's significant skills and track-record of service delivery for clients makes them an excellent fit with CACI's Digital Solutions capability.	▪ With the acquisition of Atom Ideas, Valantic has gained an international partner who will significantly expand our competencies in strategy development, process consulting and the implementation of CRM projects. With combined expertise in CRM and omnichannel automation technologies, Valantic can better serve European customers and their high demand for digitization solutions.	▪ With this acquisition, Bounteous rounds out a stellar technology partner roster with additional certifications and expanded digital transformation capabilities for Salesforce, Adobe, BigCommerce, Oracle and Acquia. Lister Digital aims at meaningful and authentic customer experiences—throughout the entire lifecycle of prospect acquisition, engagement, conversion, and retention.	▪ With the addition of over 400 professionals from Yesler, Accenture enhances its ABM, customer advocacy, sales enablement and marketing automation capabilities, as well as a flexible business model that includes fully outsourced digital marketing services through Yesler B2B, and strategic B2B marketing resource solutions through Projectline Services.

Deal Activity in the Digital Marketing Services Industry (2022 & YTD 2023*)[1]

Target	Buyers/Investors	Date	Target
Growth Funding			
Media Mint	Everstone Capital, Recognize Partners	Jul-23	
Supreme Optimization	Balance Point Capital	Jul-23	
ChannelNet	Reseda Group	Jul-23	
Hahm Partners	Anda Asia Ventures	Jul-23	
Web-Koncept	CataCap Management, Group Online	Jun-23	
LoopGenius	10X Capital, AI Operators Fund, Keeler Investments Group, Underdog Labs	Jun-23	
RepValue	RepIndia, V360 Group	May-23	
Erhvervs Webdesign	Mentha Capital	May-23	
Lamark Media Group	Churchill Asset Management	Mar-23	
Karinca Teknoloji	Techmine Gsyo	Mar-23	
Avenue Z	Baleon Capital	Feb-23	
Intero Digital	Everlane Equity Partners	Feb-23	

Target	Buyers/Investors	Date	Target
ClickDimensions	Volaris Group	Jan-23	
SpreadIt	Antler	Dec-22	
WTWH Media	Mountaingate Capital	Dec-22	
ROR Partners	Gemspring Capital	Nov-22	
Technology Acquisition			
Conductor Studio	Gruppo Media	Jun-23	
Questline	N. Harris Computer	Jun-23	
Mindshaker	Fuseproject	Jan-23	
Handoff Digital Agency	Izinga	Jan-23	
R2Integrated	Protiviti	Dec-22	
bee2link	ByMyCar Group	Dec-22	
Fuel Media	SDI MKTG	Nov-22	
Eye Media Networks	Garage Productions	Oct-22	

Target	Buyers/Investors	Date	Target
Oomph Works	ACI Group	Oct-22	
Stria	Bitwise Industries	Aug-22	
SeQuel Response	Franklin Madison, Mill Point Capital	Mar-22	
Nateevo	Ecenta	Jul-22	
Core Digital Brands	Street Media	Jul-22	
Market Expansion			
Conversion First Marketing	Web Services Team	Jul-23	
Rocket Man Digital	Responsory	Jul-23	
Owned	Vector	Jul-23	
Plan B	ADK Group, Bain Capital	Jul-23	
Shift Marketing	Telfaz11	Jun-23	
Leverage Marketing	Hawke Media	May-23	
Lemm en Ten Haaf	Happy Horizon, MaasInvest, MG Partners	May-23	

Target	Buyers/Investors	Date	Target
Chair 10 Marketing	American Discovery Capital, SmartBug Media	May-23	
Agencia KTBO	Globant	May-23	
Acewill	Weimob	May-23	
Integrous Marketing	Avionos	May-23	
FLOCC	Impression Studio	Apr-23	
Your Social	Superist	Apr-23	
Care One	New Frontier Energy	Mar-23	
Diversification			
Cheerio	Vertoz	Jun-23	
Candor Public Relations	Salient Global	Apr-23	
Authentic Digital	Cobalt Ventures, Concord USA(, H.I.G. Capital	Jan-23	
Boom Ideanet	CrowdPharm	Dec-22	
Adwords Specialist	Capidea, Obsidian Digital	Jan-22	

Strong growth in private equity & venture funding transactions, market expansion and technology acquisition indicate the dynamic and evolving nature of the industry

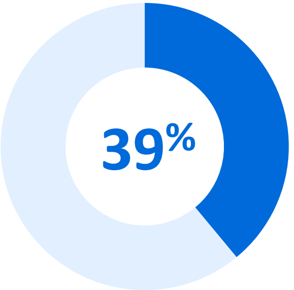
*YTD 2023: Deals until September 2023 are analysed

Source: [1] Technology Holdings, M&A Tracker 2023

Key Drivers for Deal Activity in Digital Marketing Services Industry

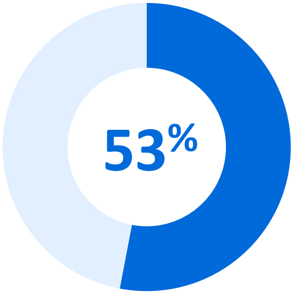
Market Expansion

- Digital marketing companies seeking to expand their **market presence** and reach **new customer segments**
- Acquiring companies in new geographic regions or entering untapped markets
- For instance – **Leverage Marketing**, a digital marketing agency, was acquired by **Hawke Media** to provide innovative digital marketing solutions using Leverage's e-commerce platform capabilities



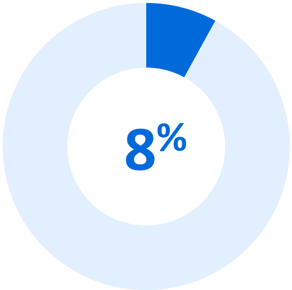
Value Creation by PE and VC Firms

- PE and VC firms are investing in digital marketing companies to support their accelerated growth strategies, **leveraging their expertise and resources**
- Facilitating **strategic partnerships** and **collaborations** with other industry players
- **Everstone Capital** and **Recognize Partners** invested in **MediaMint**, allowing the company to expand its operations to serve digital marketing platforms, agencies and publishers worldwide



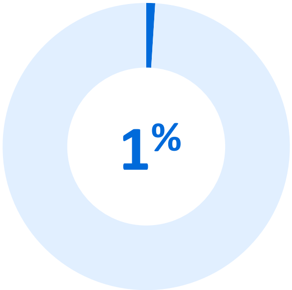
Technology Acquisition

- Digital marketing companies acquiring **technology-focused startups** to enhance their existing capabilities
- Market players are inclined towards automating processes within digital marketing using **advanced technologies** such as **AI, ML,** and **IoT**
- For instance – US-based digital marketing services provider **Handoff Digital Agency** was acquired by **Izinga,** to expand its service offerings across the US



Diversification

- Digital marketing and marketing automation companies are acquiring capabilities to diversify their offerings
- Expanding into **new-age digital marketing technologies** or **entering adjacent industries**
- **Obsidian Digital**, aimed to strengthen its competencies within Google Ads advertising through the acquisition of **Adwords Specialist**



Deals in the digital marketing services sector are driven by growth strategies, partnerships, technology acquisition and diversification efforts

Source: Technology Holdings, M&A Tracker 2023

Digital Marketing Services Industry M&A Deal Activity: Quarterly Trends

- In 2022, **93 M&A deals** took place, compared to **75 deals** in 2021. However, **deal activity has dropped in 2023**. Marketing budgets have slowed in 2023 consistent with the broader M&A market.
- This is in part driven by some **cautiousness on the buy-side** and hindered by the **supply of quality assets** (i.e., companies that have been able to continue to grow profitably). We have seen that these **businesses have still been able to command a strong valuation**.
- On an average, around **20% of marketing budgets are being spent on marketing technologies**, hence companies are **integrating vertically** with digital marketing startups to enhance digital capabilities and offer customized products
- Digital marketing and marketing automation service providers are exploring **cross-functional collaborations** with companies that can add onto their existing capabilities and help in **strategic organic growth**
- The largest transaction in this period is the acquisition of **Mail Chimp** by **Intuit** for **US$12 billion** in **November 2021**

Figure 9: **Number of M&A Deals: Q1 2021 to Q3 2023**[1]

Year-Wise Deals

205 2021-23†	**93** 2022	**75** 2021

† 2021 to YTD 2023

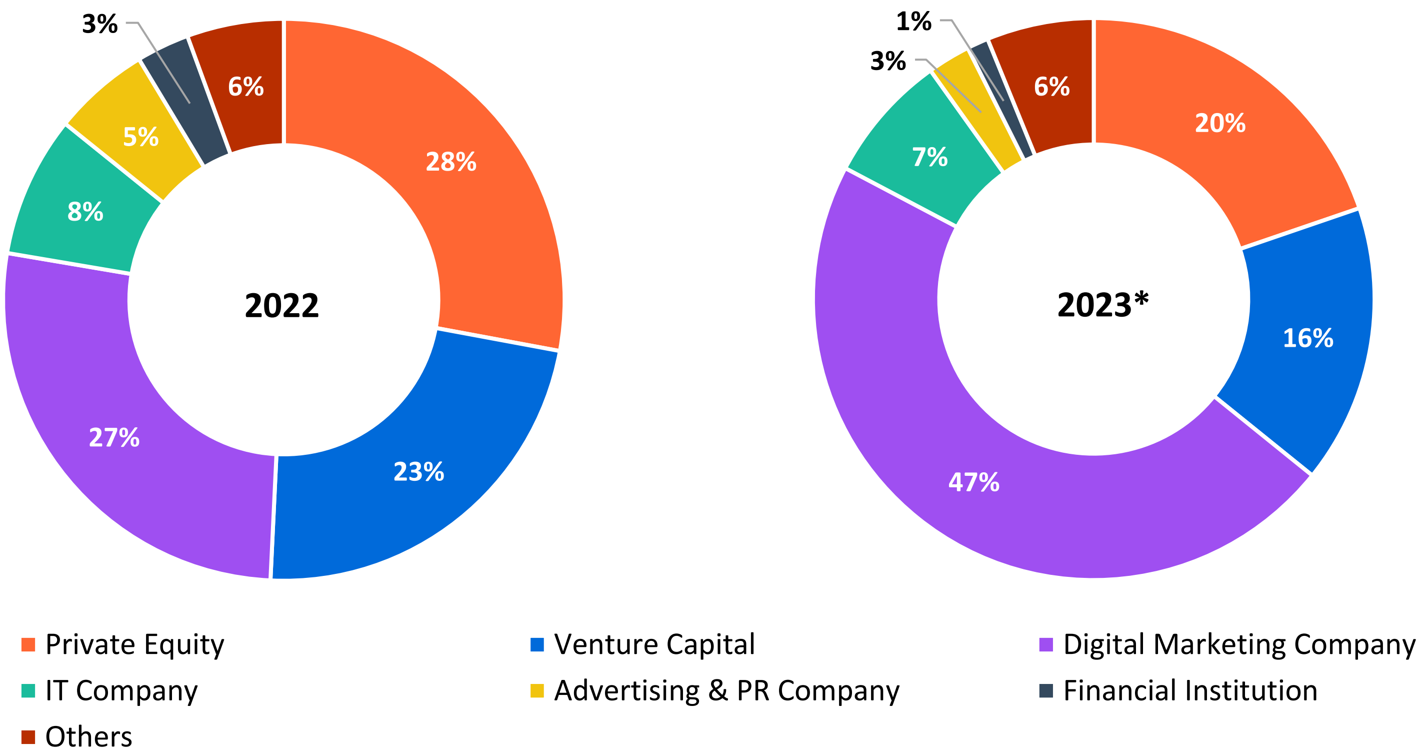
*YTD 2023: Deals until 30 September 2023 are analysed

Despite prevailing macroeconomic challenges, the digital marketing services landscape is witnessing significant activity, driven by growth strategies such as vertical integration and cross-functional collaborations

Source:[1] Technology Holdings, M&A Tracker 2023

Buyer Landscape in Digital Marketing Services Industry

Figure 10: **Buyer Type (%): CY 2022 vs CY 2023[1]**



- **PE and VC firms have strategically invested** in digital marketing and marketing automation services companies to fuel growth and capitalize on the **potential of innovative tech-driven solutions**
- **Traditional digital marketing players** are potentially **seeking strategic cross-functional collaborations** to incorporate new-age tech solutions
- **Large and established digital marketing players** have continued their acquisition strategy to **expand their market presence, gain competitive advantage, and enhance their product offerings**
- **IT and advertising & PR companies** are looking at **diversifying their product offerings** as well enhancing their existing portfolio by **partnering with new-age digital marketing companies**

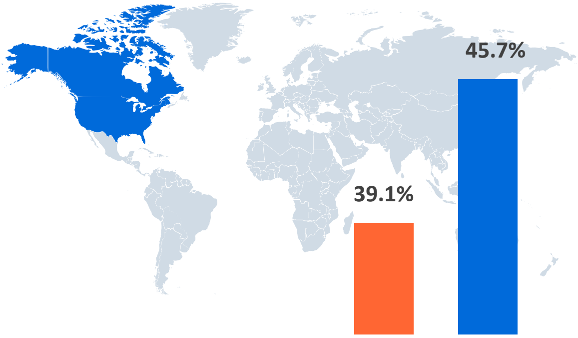
The digital marketing services sector reflects diverse buyer types, with PE and VC firms driving significant investment and digital marketing companies seeking strategic partnerships

*YTD 2023: Deals until September 2023 are analysed

Source:[1] Technology Holdings, M&A Tracker 2023

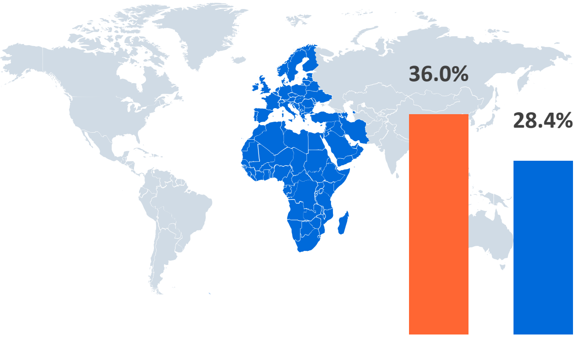
Regional Breakdown

Figure 11: **Regional Analysis[1] – North America leading the way, followed by notable growth in Asia-Pacific**



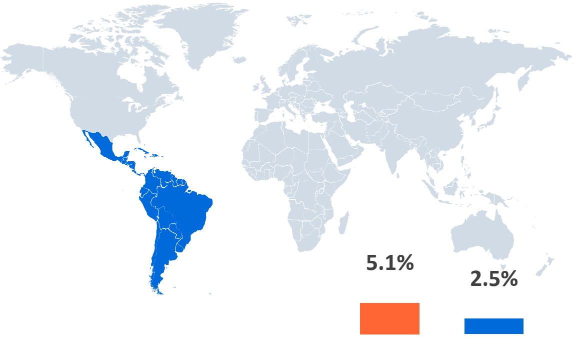
North America

- **Dominant region with highest deal activity in 2022 and 2023** till date, with majority of deals aimed at market consolidation, expansion and access to innovative technologies
- North American companies **attracting significant investment** and **driving innovation** within the digital marketing ecosystem



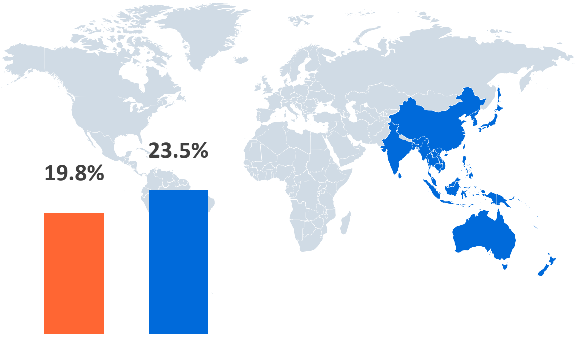
EMEA

- **Slight decline** in the **level of deal activity in 2023**, although the region is witnessing technological advancements in this industry
- A technologically advanced market boosted by **digital transformation initiatives** contribute to the **region's consistent growth** in this ecosystem



Latin America

- **Notable decrease in deal activity in 2023** so far, **indicating lack of interest and investment** in the region's digital marketing ecosystem
- **Limited marketing budgets** and lack of innovation hampering growth for firms **across Latin America**



Asia Pacific

- **Notable growth in digital marketing related transactions**, demonstrating the region's rapid growth and potential
- The **increasing demand for digital transformation** and presence of emerging economies drives the vibrant landscape in **Asia-Pacific**

■ 2022 ■ YTD 2023*

Digital marketing deal activity trends reflect the global appetite for collaboration, innovation, and market expansion

*YTD 2023: Deals until September 2023 are analysed

Source:[1] Technology Holdings, M&A Tracker 2023

Key Takeaways

Drivers of Growth for Digital Marketing

The global digital marketing market is growing rapidly, fueled by the need for innovative **technology-driven solutions** to **enhance marketing RoI** and **provide great buyer/consumer experiences**. Startups are disrupting the market, particularly with the **integration of new-age tech such as cloud, AI/ML, AR/VR** thereby catering to business across new sectors. Established incumbents face a threat as they struggle to keep pace with these trends, hence are looking to merge/acquire new-age companies. Some of the key trends discussed in the report are -

Integrated Suite Marketing Automation Solutions

Marketers prefer to have an integrated suite of solutions to provide a cohesive omnichannel experience and prioritize more effective audience targeting

Integration of Cloud, AI/ML, AR/VR

Web 3.0 with its use of blockchain technology coupled with the integration of new-age tech will have a strong impact on various kinds of services provided by marketing agencies

Rise in Digital Marketing & Ad Spending

The growth of e-commerce and consumer time spent online will continue to shift advertising budgets toward digital channels

Proliferation of Digital Commerce Platforms

Changing customer preferences and technology progressions are re-creating the digital commerce market landscapes

Deal Activity Summary

- Deals in digital marketing services market are driven by **growth strategies**, **partnerships**, **technology acquisitions** and **diversification** efforts
- The digital marketing services sector reflects diverse buyer types, **with PE and VC firms driving significant investment**, and **digital marketing companies seeking targeted and strategic partnerships**
- **Despite prevailing macroeconomic challenges**, the **digital marketing services landscape** is witnessing significant activity, **driven by growth strategies such as vertical integration and cross-functional collaboration**

Technology Holdings' Digital Marketing & Marketing Automation Transaction Track Record

Technology Holdings (TH) is exclusively focused on investment banking in technology services, BPM and software and is the digital transformation advisor of choice globally. Over 23 years, TH has built deep expertise in digital platforms, with global reach and extensive strategic buyer and private equity relationships to help clients navigate through a sale and/or capital raise process, and to secure premium valuations.

Boutique Investment Bank of the Year Award (2023 The M&A Advisor International M&A Award Winner)

M&A Deal of the Year Award ($100M - $250M) (2023 The M&A Advisor International M&A Award Winner)

Cross-Border Deal of the Year Award (2022 The M&A Advisor Award Winner)

Mid-Market M&A Advisory Firm of the Year Award (FM. M&A Awards2022 Winner)

TH has closed 13 Digital Marketing & Marketing Automation transactions with a cumulative enterprise value of over US $500 million

NOV 2023
Cyber-Duck
Has been acquired by
CACI
Digital Transformation Agency

OCT 2023
Quarry
Has been acquired by
RTC Partners
B2B Marketing Services & Marketing Automation

AUG 2023
Williams Commerce
Has been acquired by
Next15
Digital Commerce & Digital Marketing

APR 2023
AiOpsGroup
Has been acquired by
valantic
Digital Commerce, Salesforce & AIOPs

JUN 2022
Atom Ideas
Has been acquired by
valantic
Marketing Automation

DEC 2021
rego consulting
Has been acquired by
IBM
Adobe Workfront Consulting

NOV 2021
brightgen
Has been acquired by
Credera OmnicomGroup
Salesforce Consulting

SEP 2021
Lister digital
Has been acquired by
bounteous
Digital Transformation

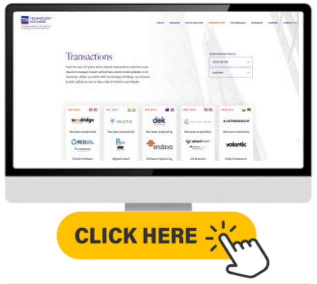
FEB 2021
Across Health
Has been acquired by
Precision value & health
Life Sciences Omnichannel Consulting & Insights IP

APR 2020
yesler
Has been acquired by
accenture
Digital Marketing

DEC 2019
exozet
Has been acquired by
endava
Digital Transformation

DEC 2018
blue latitude health
Has been acquired by
Fishawack Health
Strategic Healthcare Marketing Consultancy

DEC 2017
netcentric
Has been acquired by
Cognizant
Digital Marketing



To View All Transaction

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