



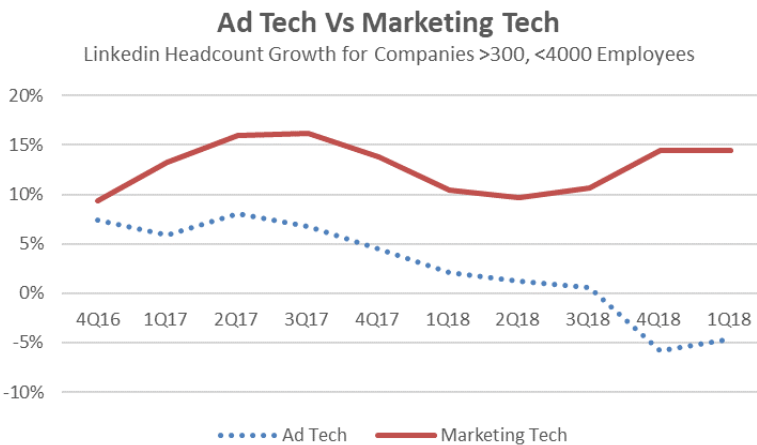
POV: A 19% GROWTH GAP REFLECTS ADTECH MATURITY, INCREASING IMPORTANCE OF MARTECH

April 29, 2019

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Martech and ad tech have much in common, but many differences. Marketing technology and advertising technology have in common the basic premise of automating marketing-related functions, including insights developed from the inclusion of substantial volumes of data. However, martech is focused on a marketer's internal operations, digital consumer experiences and first-party data. By contrast, ad tech is typically focused externally on media trading and third-party data. Ad tech is generally funded as part of a media budget while martech is more often funded as part of a technology or general marketing budget. Ad tech generally has a higher profile for the new and sexy ways it is can be applied (driving the growth in connected TV, for instance).

Growth trends are also divergent. Analyzing LinkedIn headcount trends through 1Q 2019 and looking at 73 medium-sized to large companies (those with more than 300 employees as of early 2016 and excluding those with more than 4,000 at the present time), a subset of relatively pure-play ad tech firms declined by -5%. By contrast, the larger group of companies we would characterize as martech grew by +14%. The observed growth gap amounted to 19%, similar to a 20% gap observed during the fourth quarter of 2018. *(Note: we scoped our analysis to companies with between 300 and 4,000 employees in an attempt to include companies which were scaled but to omit companies where employment growth could be disconnected from revenue growth given the absolute scale of each).* Here, we are using employment growth as a proxy to understand the approximate overall growth of these companies.



Source: GroupM analysis of LinkedIn data

Several factors explain observed trends and validate other industry changes. While headcount growth won't perfectly reflect industry trends, they are almost certainly directionally correct as a proxy for revenues. Further, while the gap between the trajectories does not necessarily mean one group of companies is more or less important than the other, it probably reflects the relative maturity and commoditization of ad tech, growing marketer sophistication, and the industry's focus on driving efficiencies in a system that can be more readily standardized. GDPR and concerns around third-party data have likely also had a negative impact on ad tech, while those same concerns may be positively impacting martech. Growth trends may also reflect the growing importance placed on user experience, marketers' requisite allocation of resources to first-party data sets and automation of operations at customer touchpoints. This underscores why agency holding companies, IT services, and consulting firms are investing in related areas.

Over time, martech and ad tech tools will increasingly converge to drive efficiency and further improve total consumer experience. Presently, martech is generally implemented by specialists with distinct competencies. Software providers are increasingly focused on offering integrated solutions for martech and ad tech, illustrated well by recent news that martech company Zeta Global has agreed to buy the DSP business of the bankrupt ad tech company Sizmek. While individual point solutions will undoubtedly continue to exist, over time marketers and agencies will increasingly be able to manage ad tech and martech (including the underlying data sets) in a more integrated fashion. Ideally, this will make it easier to shift resources between different marketing activities more efficiently as well. To the extent that ad tech concepts and processes are applied across all media, with time this integration should then help to improve the efficiency of marketing more generally.