



## ***POV: AS MARTECH GROWS, SO DOES IMPORTANCE OF MEDIA INTEGRATION***

March 18, 2019

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Adobe reported earnings last Thursday evening, but few in the media industry likely noticed. Despite \$9bn of revenue last year for Adobe, and nearly \$11bn of annual revenue for its closest peer Salesforce.com – and more than 20% organic growth for each -- neither seems to generate much attention outside of the marketing technology (or Martech) and software communities. Investors at least have a general understanding of the potential for value. By market capitalization, the two companies are each worth around \$120bn, or more than the combined value of CBS, Viacom, Discovery, AMC and the new entity which houses Fox.

Defining the industry's boundaries is tricky, but Martech is often centered around suites of products called "marketing clouds". Salesforce.com's description of its offering states that its products can "know the customer," "personalize with intelligence," "engage across the entire journey" and "analyze the impact." Oracle's Marketing Cloud "sees a world where marketers use data to create irresistible connected experience." Adobe's message is that it "allows (marketers) to manage, personalize, optimize, and orchestrate cross-channel campaigns." Put differently, these companies provide a software layer to marketing functions.

Growth isn't only limited to behemoths. Over the past decade, the industry exploded with small companies – "point" or individual solutions – as Martech expanded massively. The blog Chiefmartec.com which publishes an industry landscape visualization included 150 companies in its inaugural 2010 version. Their 2018 version features 6,242 of them. Quantifying the space differently, analyzing data from LinkedIn we can see that 200 of the largest Martech companies which are independent (aside from Salesforce and Adobe) employ more than 90,000 people in total. Headcount growth among them has been averaging in a low double-digit range in recent quarters. For reference, Salesforce and Adobe employ approximately 56,000 people, and there are tens of thousands more who work on Martech within more diversified companies including Oracle, IBM, Microsoft and Google.

Applying a simple extrapolation of revenue per employee at the public companies to private company and divisional headcounts indicates that there many tens of billions of dollars in spending on Martech annually beyond Salesforce and Adobe. While these figures are significant given the limited history of Martech, they are still dwarfed by the overall size of the global marketing industry, which can be measured in trillions. To the extent that today's spending on internal and external marketing services, media and other related activities will continue to shift spending to Martech, the sector is sure to experience solid growth for many years to come.

Consequently, media-focused marketers should generally pay increasing attention to Martech with every passing year. This will not be a do-over of ad tech, which is mostly about applying more automation and data to trading-related activities. Marketing technology goes much further by providing solutions helping marketers manage all of their internal workflows and engagements with consumers. Applied well, Martech should improve the efficiency and effectiveness of marketing operations, allow for the use of more and higher quality data in the making of decisions and better tie media executions more tightly to evolving marketing goals.

To illustrate use cases, consider:

- A CDP (customer data platform) can capture first party customer data and then be used to improve retargeting or customer acquisition campaigns
- A marketing automation / email-based campaign can be used to reinforce brand-building or other goals driven by other media activations and tie the offline objectives to online actions
- Site experience tools can help segment customers who visit a marketer's site, improving branding goals or performance goals associated with other media activations.

Many of these activities commonly occur today. However, they also commonly occur in isolation, or at least separately from media. To the extent that marketers and agencies focused on traditional advertising functions can be more involved with the deployment and assessment of resources associated with Martech solutions, resources could be allocated fluidly (and possibly more efficiently) between paid media, creative assets, ad technology and marketing technology-related activities. As an increasing share of marketing activities benefit from technology, the more important that integration will become.