

## Technology Strategy For Digital Marketing Agency: Adding Technology Offerings To A People-driven Agency Model

**The Challenge:** Our client, a large independent digital marketing agency owned by a PE firm, was looking to build its technology capabilities in order to transform its people-driven agency business, an opportunity Gotham had identified while conducting due diligence of the original platform acquisition. To capture this opportunity, our client wanted to understand the technology offerings available and develop a strategy on how best to implement them. To this end, our client asked Gotham to perform a technology strategy effort in order to establish: 1) the digital marketing technology landscape; 2) competitor technology capabilities; 3) client's opportunities to expand its technology capabilities; and 4) a technology roadmap to develop technology capabilities.

**Technology Opportunities Assessment And Strategy Creation:** To develop a robust fact base and create strategy, Gotham:

- Built a detailed profile of technology capabilities of both media holding companies and independent full-service agencies
- Developed a technology framework determining technology segmentation in the digital marketing agency ecosystem and the specific technologies in each segment and their level of adoption
- Created technology evaluation criteria to assess the full range of technology opportunities based on potential EBITDA benefits, technology value proposition, and implementation requirements
- Developed a technology offering end-vision and an implementation roadmap.

### **Dashboard And Analytics Are Core Technologies Needed By Clients To Optimize Their Ad Spend**

Digital marketing agencies are tasked with improving their clients' visibility and reach while maximizing ROAS (return on ad spend). Agencies need to properly mix and match spend among different marketing channels that afford the appropriate audience reach and ROAS to achieve their clients' marketing goals. Dashboards help agencies and clients understand campaign performance by distilling vast amounts of campaign data into actionable KPIs and visualizations. While basic dashboards track the most common metrics of campaign performance (e.g., spend, views, conversions), more advanced dashboards provide more elaborate visualizations, allowing for creation of configurable metrics and removable widgets to personalize the tool, and for granular drilldowns by channel, device type, location, budget segment, time interval, and others. Dashboards can either be built on a third-party platform (e.g., Tableau, Power BI) or custom developed for more configurability and improved efficiency. Analytical technologies are also key, helping agencies and clients: prioritize the most successful campaigns by identifying and evaluating the drivers of campaign performance; optimize campaign budget and content; and predict campaign performance via performance analytics, predictive analytics, customer targeting analytics, campaign optimization analytics, attribution analytics, and media mix modeling. Agencies can also benefit from automation technologies that provide cost reductions and improve campaign effectiveness. Common automation applications include: email marketing technology automatically sending out personalized email messages based on predefined rules and triggers; content personalization technology tailoring marketing content to individual customers; and programmatic media buying making purchasing decisions in real-time online auctions bidding in alignment with spend metrics.

### **Deprecation Of Third-party Cookies Necessitate Technology Utilizing First-party Data**

Third-party cookies are a key technology that track user activity beyond a company's website. However, recent laws such as EU's GDPR, California's CPA, and Apple allowing users to disable app tracking are leading to their diminished value. This creates a major shift in how digital marketing works and emphasizes the importance of first-party data, which is any information (e.g., contact information, number of visits, purchase history) that is collected by the company itself. To help organize and utilize first-party data, companies use customer data platforms (CDP) to ingest a variety of customer data and create customer profiles. These profiles can be data appended to commercial databases to determine the demographic makeup, interests, and purchase habits of the company's customers. More sophisticated CDPs personalize interactions to individuals within a segment and run campaigns with a sequence of messages across different channels. While many large brands have invested in CDPs, most mid-sized and small companies do not have the resources to build or implement a platform on their own. This creates an opportunity for marketing agencies to offer CDP as a value-added service to improve their clients' marketing campaign efficiency. First-party data also allows companies to better pursue account-based marketing (ABM) strategy, utilizing an individualized approach to each account by tracking existing customer leads, matching individual customers to user-defined target accounts, and providing content recommendations.

### **Most Independent Agencies Lack A Robust Technology Offering**

Over the last decade, the large media holding companies have invested heavily in building their technology capabilities. For example, Publicis Groupe acquired the customer data append platform Epsilon and has invested in further capabilities. However, only a handful of independent agencies have a robust set of technologies/tools, primarily focused on dashboards and analytics. While dashboard capabilities are similar between the independent agencies and holding companies, independent agencies' analytics capabilities are much more basic. Leveraging our technology landscape assessment and understanding of technology trends, Gotham identified multiple opportunities for our digital marketing agency client to build upon its technology offering. Gotham also created a technology roadmap for realizing these improvements, as well as identified potential acquisition targets.

**The Outcome:** Gotham's fact-based assessment provided the client with a clear and actionable technology strategy, allowing it to have a well-focused acquisition and development process. Gotham also supported the client's RFP process for the development of in-house tools.

