

SUCCESS STORIES - SUMMARY

Project Name	Client	Brief Description	Services
Identification Of Investment Opportunities In The Digital Space For a PE Firm	Private Equity Firm	Performed secondary research to assess the companies in five different categories within the consumer sector and identify digital investment opportunities based on the client's investment thesis.	Assessing Investment Thesis

IDENTIFICATION OF INVESTMENT OPPORTUNITIES IN THE DIGITAL SPACE

ABOUT THE CLIENT

Client is a **leading private equity firm focusing on middle market companies** in the consumer sector in North America

SITUATION



- Client had an investment thesis related to digital space and wanted to **identify opportunities for investment** in that space in five industry categories in the consumer sector
- Merilytics partnered with the client to perform secondary research in order to **scan the companies in each of the categories and identify digital investment opportunities** based on the client's investment thesis

VALUE ADDITION



- Partnered with the client to **assess their investment thesis** related to the digital space
- **Identified companies in the digital space** in each of the five categories through secondary research
- **Filtered for digital investment opportunities** by identifying companies that are successful, that reached a scale and that satisfied the investment thesis
- **Identified themes and factors which lead** to success or failure by looking at key driving factors behind successful/ failed companies in the digital space in each category

IMPACT



- Our research **helped the client identify potential investment opportunities** in the digital space which satisfy their investment thesis
- Our insights around key drivers behind success/failure in the digital space in each of the sectors **helped the client in the evaluation of potential acquisition opportunities**

IDENTIFICATION OF RELEVANT COMPANIES IN THE DIGITAL SPACE

ILLUSTRATIVE

Snapshots of the process steps to identify the relevant companies in the digital space in each of the categories

Details of the companies identified in Category A					
S. No.	Company	Website link	Year founded	Description	Meaningful digital presence check (Yes/No)
1	Company A	http://companya.com/	2011	- Online store for....	Yes
2	Company B	http://companyb.com/	2009	- Offers xxxx and yyyy services.....	No
3	Company C	http://companyc.com/	2008	- Online web portal for.....	Yes
4	Company D	http://companyd.com/	2010	- An e-commerce website that specializes in online retail of.....	Yes

Identification of companies in the category through secondary research (databases, web search, press search etc.). Also evaluated if the companies have meaningful digital presence.

Details of shortlisted companies with meaningful digital presence in Category A											
S. No	Company	Website link	Location	Year founded	Description	Revenues (\$m)	Investors (Funding)	Valuation	No. of employees	Value proposition	Key news links
1	Company A	http://companya.com/	Pompano Beach, FL	2011	- Online store for....	\$xxm (2014)	1. \$xxm funding from yyyy in 2012	NA	xx	- Company's social media marketing strategy is a key element to its success. The founders leveraged their background in media and advertising to develop an effective social media campaign.	xx
2	Company C	http://companyc.com/	Dania Beach, FL	2008	- Online web portal for.....	Estimated to be more than \$xxm (2014)	1. \$xxm funding from yyyy in 2013	NA	xx	- In order to gain edge over its competitors (Company Z, and also over local small businesses), it is focusing on strategic partnerships and acquisitions that allow it to penetrate the market further.	xx
3	Company D	http://companyd.com/	New York, NY	2010	- An e-commerce website that specializes in online retail of.....	\$xxm expected in 2014, \$xx in 2013 and \$xx in 2012	1. Total Series B funding (2011): \$xxm 2. Total Series A funding (2010): \$xxm	NA	xx	- Company offers relatively lower prices when compared to its competitors through various discount campaigns and promotion offers. It is popular for its discount campaigns and deals. In addition, lower shipping costs and faster delivery time are key drivers to customer retention.	xx
4	Company F	http://companyf.com/	New York, NY	1999	- Online store for....	\$xxm based on company projections (2014)	1. Total Series B funding (2014): \$xxm 2. Total Series A funding (2012 and 2013): \$xxm	NA	xx	- Company offers products at wholesale prices directly to the customer. They buy in bulk at discounted wholesale prices and sell the merchandise at a wholesale price to the customer.	xx

Detailed research on companies with meaningful digital presence to identify those which satisfy the investment thesis

PROFILES OF ACQUISITION OPPORTUNITY

ILLUSTRATIVE

Created profiles of acquisition opportunities and identified key drivers behind success in the digital space in each of the categories

Category A – Company D

Company overview

- **Year founded:** 2010
- **Description:** online store for “xxx” product delivery. It also provides an online option for auto replenishment of the order on a regular basis.
- **Location:** New York, NY
- **# of employees:** ~50

Financial / investor information

- **Revenue:** \$xxm (estimated revenue) in 2014, \$xxm in 2013, \$xxm in 2012
- **Funding information:**
 - Received \$xxm Series B funding in July 2011 from “yyyy”
 - Received \$xxm Series A funding in November 2010 from “zzzz”

Key information

- Company has more than 100 brands and ships more than 2m pounds of product across U.S. The website had an average of 50m unique visitors a month in 2013.
- The company was started by two marketing entrepreneurs, “A” and “B”, who created a successful advertising network company ‘C’, prior to starting the company.
- Ranked No. “x” in the ‘Social Media 500’ list, list of companies based on key engagement metrics on social media.

Company value proposition

- Company’s **social media marketing strategy** is a key element to its success. The founders launched their business in media and advertising to develop a successful brand.
 - Company used the same viral marketing strategy as company ‘C’ to be successful. It shared snaps of company’s products to engage customers.
 - Its fan base grew from around 10k to 100k in 2013.
 - Company doesn’t rely on its own marketing budget, but rather on its social media presence, such as ‘Custom Audience’, which has helped it reach a wider audience.
 - Company invested about \$xxm in social media marketing, which has attributed one third of its revenue.
 - Facebook content has helped drive up revenues, not from organic posts.

Sources: Company website, Web search

Summary of success factors – Category A

- Offering **discounts and better shipping services** (faster delivery and lower shipping prices) to compete with big box retailers.
- **Engaging with consumers** through various avenues to create buzz about pet care. Some of the avenues are :
 - **Social media:** Targeted marketing campaigns based on customer trait information obtained through social media. While organic posts help increase visibility, targeted ads drive up revenues.
 - **Online ecosystem:** It is important to engage with customers through other digital platforms apart from the primary service. One can increase customer engagement through blogs and mobile apps which cater to different aspects of “Category A” services.
 - **Charity or awareness campaigns:** Partnership with charity programs or sponsorship of awareness campaigns contributes to creation of ‘goodwill’ factor.
 - **Visibility on third party e-commerce platforms:** Partnering with third party e-commerce platforms leads to higher visibility and brand awareness
- **Focusing on niche segments** within “Category A” which are in a nascent stage and have significant potential for growth, where there is scope for innovation and customization in service offerings.

Created **profiles of identified acquisition opportunities**. Included key information related to the company including **value proposition, marketing strategy, investors, financial information** etc.

Identified **key success factors and themes** that lead to the success of companies in the digital space in the category