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Digital Marketing Agencies

Strategic Vertical Analysis & GTM Strategy

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scroll to explore ↓

Initial Questions & Assumptions

Assumptions for this exercise

- Mercury is strategically planning for aggressive growth into a new vertical, meaning that we will have the full backing of internal teams.
- A high-value customer utilizes a large portion of our services (product is sticky), carries a high balance (higher \$ in bank capital requirements), and/or processes large volumes.
- Mercury makes money on interchange fees.
- Mercury has an org structure that is similar to traditional SaaS companies, with sales, marketing/enablement, partnerships, and onboarding/customer success.

Initial Considerations

- Before getting started, we should get a good feel organizationally for how much Mercury wants to invest in this vertical. Are we shifting sales headcount or adding new ones? Is there going to be a partnerships focus?
- Do we have any internal SME's within the digital marketing segment?
- Who built out the GTM motions for existing verticals?
- Do we have a size segment within this vertical that we want to focus on?

High Level Overview

Vertical qualification framework and initial thoughts on Digital Marketing Agencies

A good vertical has to have:

- Strong product market fit
- Enough TAM/SAM to scale into
- Industry consistency to develop a playbook
- Ideally growing

On first glance, DMA's:

- Cash free
- Potential for high spend
- Appetite for cashback
- Large number of transaction categories, cost centers, spenders, etc
- Fast paced, modern environment

Data & Research

Does the data back up our criteria?

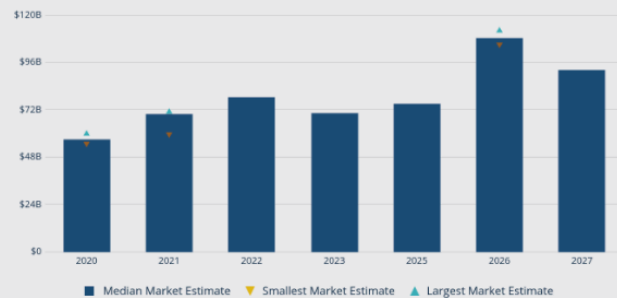
Digital Marketing Agencies Growth

(Defined as Global Media Buying Agencies and Representative Firms)

Market Size Estimates

Media Buying Agencies and Representative Firms

Geography: Global



Source: PitchBook Data

PitchBook

Digital Marketing Agencies have shown consistent growth in recent years, with a historical and projected CAGR between 6-22% and a market size between \$57B-\$75B.

SOURCES: PITCHBOOK, BUSINESSWIRE, FINANCIAL BUZZ MEDIA, PR NEWswire

SEO Service Agencies

~17% CAGR

The # of estimates within the Digital Marketing Agencies are low, so looking at an adjacent industry, SEO Service Agencies, shows us an even stronger growth trend.

This is further evidence that even if the market size estimates are off, we can be confident that the trends are correct.

Top Pain Points

What can we leverage to drive value for DMA's?



Time

Banking may not seem like an obvious place to optimize time, but when we start looking at the greater financial picture, digital marketing agencies are:

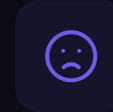
- **High Spenders:** Especially if they are buying placements on behalf of their buyer. Every client has expenses in multiple categories and usually lots of different personas working with clients. They need to be able to manage expenses, cost centers, invoices, and bills in a way that is both efficient and adaptable.
- **Modern by Design:** Marketing agencies have to keep up with the times, and importantly, have to project that.



Complexity

Digital marketing is an extremely dynamic field by nature, and they have many financial needs that are constantly changing.

There may be multiple account managers, campaign managers, and other personas working with each client, all with their own finance-specific needs and workflows. Agencies are designed to work with multiple clients, and each client multiplies the complexity of the system.



Trust

Since agencies are essentially spending other people's money, every expense that does not get charged back to the client with accuracy and efficiency is pure lost profit.

It is paramount that the every transaction is reconciled, invoices are easily tracked, and the whole system is transparent and easily auditable.

Having everything in one place assures that nothing falls through the cracks.

Bill Pay

THE PAIN

High volume of payments, lots of different clients, vendors, and accounts creates error-prone, manual work for accounting.

THE FIX

Integrated Bill Pay that is seamless, auto-reconciling, and automated.

Invoicing

THE PAIN

Invoicing needs to be efficient and easy to track. Unreconciled invoices are the quickest way to bleed revenue, especially for agencies that buy on behalf of their clients.

THE FIX

Instant, clean invoicing, with auto-reconciliation and easy tracking tied directly to expenses, closing the gap to zero.

Accounting

THE PAIN

Managing multiple clients, revenue streams, and expenses gets messy fast. Big or small, agencies need to be able to manage their books with 100% reconciliation.

THE FIX

Keeping everything in one place and/or automated integrations with popular accounting software ensures nothing slips through the cracks. Additionally, how the Mercury account is set up can allow for auto-reconciliation of most transactions.

Virtual Cards

THE PAIN

Commingling client funds leads to reconciliation nightmares and billing errors.

THE FIX

Unlimited virtual cards with

Team Permissions

THE PAIN

For security and workflow efficiency, not everybody needs access to all of the information, and shared logins are a definite no-no.

Cashback

THE PAIN

Thin margins on media buying and high pass-through costs.

What internal teams do we need support from?

Underwriting / Risk

Agencies generally need a large credit line because they have a ton of ad spend, far outpacing their revenue, because they are buying on behalf of clients, not necessarily collecting that revenue.

This is especially true for smaller agencies who may not have accounts set up with the larger ad platforms (Google, Meta, TikTok, ESPN, etc).

This can also be a huge pain point that is specific to smaller/newer agencies that we can address with the help with the underwriting team.

Partnerships

1. Integrations with the large ad platforms (Google, Meta, TikTok, ESPN, etc).
2. Modern-day principal buying: Many agencies buy large amounts upfront, and then resells it to clients. If we had some sort of partnership with the platforms as a trade desk, we could provide a some sort of incentive (like the 1.5% cashback) for our clients to buy using this trade desk, rather than on a credit card. This is more of a long-term, DMA specific play.

Marketing / Sales Enablement

The hardest thing to sell against is inaction. While in the sales motion we can identify, build upon, and expand pain points, it's helpful to have the seed planted and have direct materials to address certain scenarios, such as Mercury vs AMEX points.

Since Mercury's branding and marketing is more directed towards startups currently, there will need to be a slight shift and/or branching of the marketing strategy to really hit this vertical.

Customer Success / Onboarding

Larger agencies are complex and if we are selling against inaction, we need to make sure that the activation energy is as

Executive Layer - CEO & CFO

Organization size largely affects how large the C-Suite is, but both the CEO and CFO are critical for buy-in on the value it brings to the overall business.

Client-Facing Pod(s)

Account Lead

Owns client relationship, scope, and commercial expectations. Reviews client invoices and approves pod-level T&E within policy prior to finance processing.

Strategist

Defines growth strategy and allocates budgets across channels, determining where media spend is directed (e.g., Google vs Meta) subject to client and finance approvals.

Media / Execution Lead

Executes campaigns and manages daily performance and spend pacing using finance-approved billing instruments, ensuring budgets are deployed as planned.

Creative

Produces ad assets and testing variations; primary consumer of creative SaaS tools, stock assets, and freelance budgets managed centrally.

Analytics / Ops

Ensures data accuracy and reporting integrity; functional owner of analytics tooling and data infrastructure, with contracts and billing managed by finance.

Accounting

Largest stakeholders (aside from C-Suite) on how organized all of the financial systems are. Important that they are part of the sales process and that we leverage the pain of a unorganized, uncooperative finance and banking software.

Sales Process

Ready to execute?

Let's talk strategy.

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