

Marketing Dollar Optimization for Large BtoC Marketers

**Business Services
Virtual Marketplace**

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Mark Battaglia
CEO

BIO: Mark is a proven business leader with over twenty-five years of experience at discovering and capitalizing on market opportunities resulting in rapid revenue growth, increased profitability and market leadership for emerging and mid-sized software and information services businesses. Mark has played a key role in an IPO, LBO, additional funding rounds, acquisitions (both as a buyer and a seller) and successful transitions to new management teams. He was on the top management team of four companies that went public or were acquired by public companies during his tenure. In addition, Mark has broad experience in developing and executing corporate and go-to-market strategies for rapid market growth. Mark holds a B.A. with a concentration in Economics from the College of William and Mary and an M.B.A. from The University of Chicago Booth School of Business in Marketing and Finance.

About ThinkVine:

ThinkVine's marketing mix optimization software delivers the right answers, right now by transforming marketing analysis, targeting, planning and forecasting to provide B2C marketers with both the historical insights, including accurate attribution across all of their marketing, and the forward-looking information they need to get

the maximum return on their investments. With ThinkVine, marketers make better strategic decisions about spending levels, tactics and timing across consumer groups, products, channels and geographies. Using innovative consumer behavior modeling, ThinkVine's breakthrough ThinkAhead Technology creates a custom, virtual marketplace that simulates how targeted consumers will respond to combinations of marketing activities over time. The ThinkVine software provides marketers with rich historical insights and better short- and long-term forecasts of ROI and sales, as well as support for an agile, objective ongoing planning process. Its customers include market leaders in consumer goods, food & beverage, financial services, retail, consumer services and other industries. <http://thinkvine.com/>

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Battaglia, what is the concept for ThinkVine?

Mr. Battaglia: ThinkVine helps large BtoC marketers figure out how to optimize their marketing dollars so that they receive the highest return from their marketing budgets.

CEOCFO: How do you accomplish that goal?

Mr. Battaglia: We take data from a variety of sources from the external world and third parties such as Nielsen and Arbitron as well as internal data from the customer. We create a virtual marketplace where the people in that marketplace respond to media and purchase products the way real people do. With our software, marketers can try out their ideas for marketing plans against a realistic represen-

tation of their population and see very accurate forecasts about sales results. With those forecasts, they receive objective, decision-making information about how best to spend their marketing dollars.

CEOCFO: How are you recreating consumer behavior?

Mr. Battaglia: We use a technique called agent-based modeling that first became accepted in the hard sciences because it proved able to model complex systems with many interactions. Agent-based modeling enables you to create a dynamic system where things interact with each other in a realistic way. Our application recreates how people respond to marketing tactics like television ads, print ads, digital media, social media, billboards, etcetera, and what they do as a result of being influenced by that marketing. First, we create a population that has demographic characteristics such as age, gender, household income, and geography, which mirrors the population that our customer is targeting. For example, a national retailer would likely be interested in the population of the United States. Next, we draw on third-party data sources so that the right proportion of the people in each demographic group go on Facebook each day for the right amount of time, watch the right amount of TV each day, and so on. We do this so their exposure to marketing messages is consistent with how we are really exposed to those messages in the real world. Then, we use the customer's data in a very computationally-intensive, mathematical way to make sure that the results of that exposure to marketing translate accurately to how people purchase products within the category. We accomplish this by creating a marketplace that is calibrated to his-

torical results, but we also prove to the customer that the calibration is accurate by validating the accuracy with data we have never seen before. Underneath, there is a lot of math and calculations, but the benefit for the marketer, CEO and CFO is that they will now have the ability to understand how much marketing budget they need to be able to reach their goals. They will also understand how to allocate those budgets across their different marketing options, and they will receive accurate forecasts of sales results. There is a lot of math and data behind the scenes, but it translates directly into business value that the C-level cares about.

CEOCFO: Is there an “aha” moment when you are speaking with a potential customer when they come to believe it can be done?

Mr. Battaglia: The calibration and validation step that I talked about is essential. People at the level we are talking about – the CEOs, CFOs and CMOs – are making big bets and if they change their strategy in terms of targeting or their use of media, they want to

be comfortable that the changes they are making are going to pay off for them. The combination of showing the historical fit and, more importantly, showing the ability to accurately forecast sales results, gives executives the hard facts they need to move forward with agent-based modeling. We are often within a couple of percentage points in terms of accurately forecasting their annual sales, which is very exciting to them because better forecasting is more and more important to companies. It is often done in a finance group or in an operational group with Excel Spreadsheet, and they typically do not hit the same levels of accuracy as we do by including what is happening in the marketplace and the effects of changes in their own marketing. So, there is a payoff in terms of not only improving the ROI on marketing, but also improving the forecasting as well.

CEOCFO: Who is your target customer?

Mr. Battaglia: Our customers are in all industries and they are doing B2C marketing. We target the CMOs, brand managers and marketing analytics teams within companies that typically spend more than ten million dollars annually on their marketing, which encompasses medium- to large-size brands.

CEOCFO: How do you reach them?

Mr. Battaglia: We take a multi-pronged approach. In many ways, we are doing all of the obvious things you would expect a BtoB company to be doing. We have a combination of awareness activities through conferences and events, as well as direct activities in terms of our marketing team working closely with our sales team by doing email, digital and content marketing in very targeted ways.

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Also, we work with partners who have either agency or consultancy-type businesses and are already engaged with the marketing-side of businesses. Our partners will often hear that a company has a problem, and they will be looking for a unique way to solve that problem. The method we use is newer, better and proven. In addition to the high-level of forecasting accuracy, our software-as-a-service approach enables marketers to get answers to their key questions quickly and easily. This approach gives our partners the ability to say to their clients or prospects, “You may be doing something today that is sort of like a landline, but let me tell you about the mobile phone that ThinkVine has.”

CEOCFO: Is there much competition for what you offer?

Mr. Battaglia: Marketing mixed modeling has been done for decades, especially in the consumer packaged goods industry. However, it has been

done using a different method, econometric modeling. These techniques focus on fitting a curve between marketing spend and sales results. They do not have the same ability we do to provide information at a granular level about consumer groups, the behavior of those consumer groups, and about which marketing tactics work with each consumer group. Even though we have a better approach, we still compete with many consulting companies who are handling marketing mix the old-fashioned way.

CEOCFO: Do you find that the companies you work with pay attention to the results?

Mr. Battaglia: Absolutely. With the companies that bring us in, it is not unusual for us to be working very closely with the CFO and CMO from the beginning, in order to have them become confident in what we are doing. Secondly, we do this to take the insights that we are able to generate and especially the forecasts that we are able to generate and put those into action. We are very fortunate in that with our customers, we do have the attention of people very high up in the organization because they recognize the value we bring.

CEOCFO: Would you give us a concrete example of something a company put through your system and saw that they definitely needed to change direction?

Mr. Battaglia: We worked with a very large financial services company that had gone about its marketing in a very traditional way. They bought a lot of television advertising and print advertising, and they targeted it in the places you would expect for high-wealth individuals. For example, they bought TV time during golf tournaments and other places where an agency would typically say is where their targeted buyers would probably be. But – and this is a driver for a lot of our customers – they realized that in their marketplace consumer behavior was changing rapidly. With this customer specifically, the search for a financial advisor and the branding elements of

TV mattered, but the specific point of making that selection included a lot of online research. The hypothesis they had was that they should shift some budget out of traditional media and into more digital media. We went through a competitive bake-off with companies who used traditional econometric methods. The company selected us to analyze their historical results, deliver actionable insights, and forecast how a significant shift in their budget from traditional media to digital media would affect results. Just to get a sense of the magnitude, the company's budget was 70% traditional beforehand, and they eventually shifted to 80%+ digital. As a result of our work, the CMO went to the rest of the management team and said he had a forecast that showed a shift to digital marketing it would attract the high net worth individuals that they wanted in a more efficient way than what they had been doing in the past. The management team was skeptical, so they only allocated six months' worth of budget to the marketing team and told them they would have to achieve those results and prove that it worked in order to gain approval for the rest of the budget. It worked better than expected. By the middle of the year, we were able to demonstrate that the shift in budget would pay off and they could acquire the types of individuals they wanted at a lower cost through this new strategy, so they were granted the additional budget and rolled out the plan through the rest of the year. This is a great example of a company whose first business question revolved around changing their marketing mix in order to reach more of specific type of consumers, and could they do so more efficiently. In that case, the answer to both questions was, "Yes."

CEO CFO: How is business these days?

Mr. Battaglia: Business is terrific for us. It is great to be in a hot space. There is a lot of pressure from boards, CEOs and CFOs on marketers to be accountable for the spend, and we really provide a way for them to do that. We have grown very rapidly. As a company, our business will come very close to doubling this year. We are just excited about not only the growth we are experiencing but also that we are working with well-known customers in a variety of industries. We have been a business that was focused on the US, and now we are in the midst of expanding the business in other countries as well. Just to go through that growth in all dimensions and to feel that the marketplace drivers are behind us is an exciting time for the company.

CEO CFO: You have had a considerable background in business on many different sides of the table. What have you learned in previous ventures that has been most helpful for you at ThinkVine?

Mr. Battaglia: One of the things that we touched on earlier is that we are offering people a different and better way to solve a problem, but there is complexity in what we do. The underlying math and so on is very difficult. People that are looking for the business solution want to feel comfortable and confident that making that change is going to work out for them. They often involve many people in the organization to review what we are doing and get comfortable with it. Just as I have experienced in other growth companies, you really have to go through an education process with the market and with the key stakeholders to make them comfortable. We have been able to do that particularly on the marketing side and now increasingly

with CFOs. It is interesting how in the marketplace when people think about technology they often talk about the involvement of the CIO. The involvement of the CIO for us is actually fairly minimal, but because of the importance from a business perspective of what we are doing, working with the CFO is very typical for us. The previous experience I mentioned of working with a diverse audience and helping them see the value from their point of view is something that is carried forward and has been a part of working successfully at ThinkVine.

CEO CFO: Why should people in the business and investment community pay attention to ThinkVine?

Mr. Battaglia: They should pay attention to us for two reasons. The first is that, companies are spending a lot of money on big data projects and other ways to optimize their marketing. There is a tremendous market demand for the kinds of things that ThinkVine does and we are a company who is experiencing rapid growth and finding success with leading companies. I think that we are responding to a market trend that matters not only for ThinkVine's sake but for how the use of analytics affects both business performance and people's potential investments in companies. Investors are smart to look at companies that are taking modern approaches to maximizing marketing results, especially if what they are doing is not just summarizing history, but it is predictive and focused on consumer behavior. Secondly, looking at ThinkVine specifically, we are a privately-owned growth company in a hot sector in terms of investment. We are already a leader in our category, so as we grow and potentially look for additional capital down the line that is a reason to keep an eye on ThinkVine.



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