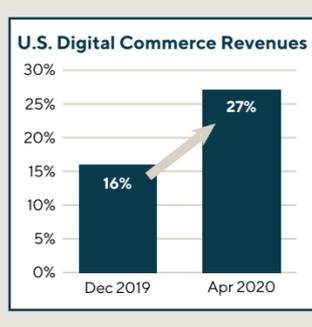


Add to Cart: Pandemic Accelerates Investment in Digital Commerce Technology

Over the past decade, digital commerce has become an increasingly popular retail channel for consumers, reaching \$3.4 trillion and representing 14% of total retail spending in 2019, according to *eMarketer*. In 2020, the onset of COVID-19 and subsequent lockdowns around the world have only accelerated this trend: the percentage of digital commerce in U.S. retailers' revenues grew from 16% to 27% from December 2019 to April 2020.



With most lockdowns beginning in March, just eight weeks of quarantine living saw the same amount digital commerce growth as the past 10 years combined. Lincoln International believes these fundamental changes in consumer behavior are sustainable and will cement the prevalence of digital commerce for the years ahead.

As digital commerce becomes more of a staple in our lives, manufacturers, retailers and consumer packaged goods (CPG) brands face an increasingly urgent need to implement technologies that enable the digital commerce channel and integrate with offline retail activity. There has been a recent proliferation of



solutions—from competitive price intelligence to digital shelf analytics to supply chain management software—that are aiding retailers and brands in driving better customer engagement, increased revenue, enhanced product margins, and ultimately, optimization of the digital commerce experience for consumers. The growing demand for these solutions has in turn created unique opportunities for private equity and growth equity investors to play in a sector with favorable underlying secular trends.

Digital Commerce Enablement Solutions that are Prime for Investment

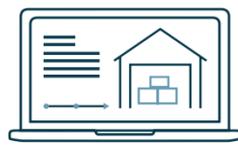
Customer experience (CX) and personalization solutions:

Brands and retailers are employing tools to help manage the CX through the entire digital sales process. From tracking customers' initial intent, to the purchase itself, and even following up with post-purchase surveys and product recommendations, CX and personalization software allows for the introduction of more effective, targeted marketing and leads to better digital cart conversion, improved customer retention and higher customer lifetime value.



Warehouse (WMS) and supply chain management (SCM) software:

These solutions are expanding quickly for retailers and brands, moving beyond simply tracking inventory and helping to eliminate errors in packing, shipping and replenishing product. Supply chain management software leverages forecasting technology to balance the disparity between supply and demand, allowing for more efficient inventory and order management. These platforms also provide traceability, invoice auditing and product tracking, which are of growing importance as volume through the digital commerce channel increases. Many retailers and brands just launching a digital commerce strategy lack the necessary infrastructure, which make WMS and SCM solutions mission-critical regardless of sales volume.



Business intelligence and analytics:

Competitive price intelligence and digital shelf analytics:

Retailers have long made an effort to track competitor activity and offerings, but technology-enabled solutions of today allow for real-time monitoring, data collection and benchmarking against competitors. Competitive pricing analytics help companies automate a process that compares product pricing against similar, competing products across the digital commerce ecosystem, identifies pricing strategies and provides predictive or prescriptive insights based on demand trends and competitor behavior. This is especially important as the thousands of global marketplaces become an increasingly critical sales channel for third-party sellers.



Assortment analytics:

Brands are harnessing assortment analytics to make informed decisions about sourcing the appropriate amount of each product variation. For example, assortment analytics can ensure that your business offers a comparable assortment relative to other competitors on the same online marketplace and can identify product availability issues at the hyperlocal or store level, as well as globally. These solutions also inform product design decisions and help brands remain relevant in the highly competitive retail environment.

Brand compliance and protection:

Many retailers are selling across a multitude of online marketplaces, making it difficult to ensure consistent portrayal of the brand, content, product imaging and pricing across sales channels. Many businesses are investing in a technology solution to avoid any misrepresentation that may slip through the cracks when monitoring manually.

While each of these solutions addresses a specific need, companies are increasingly demanding a more comprehensive digital commerce solution—an offering that will digitize all aspects of their product portfolio. For investors looking to enter the space, the opportunity lies in building a platform of different technologies to put together an all-inclusive, one-stop offering that can deliver a unified commerce experience.

Lincoln Perspective:

Businesses are clamoring for a digital commerce technology platform that can manage all activity in the channel, yet few truly comprehensive platforms exist. A sophisticated solution helps organizations become more effective at selling to their customers and managing the digital commerce experience, which leads to higher revenue, stronger market share, and the ability to optimize profitability.

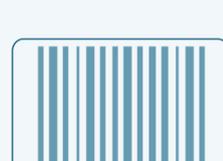
The acceleration of positive tailwinds for digital commerce during the pandemic have made this an ideal moment for investors to enter the market and bring best-in-breed solutions together to form a consolidated, differentiated platform. For private equity firms looking to deploy capital and invest in a digital commerce technology solution, Lincoln International recommends investors consider the following:

Capture the ability to scale and differentiate through a comprehensive platform.

As SaaS/software valuations are again reaching all-time highs and technology platforms looking to sell with be met with strong market appetite. Interoperability and seamless integration with other software offerings to build a digital thread makes these acquisition targets more attractive. With more dry powder on the sidelines, private equity acquirers are on the hunt for high quality targets; we also see a select group of blue-chip strategic acquirers in the space with a long track-record of consolidating various functionality and technological capabilities across the digital commerce ecosystem.

Maintain flexibility to cater to retailers and brands across verticals, as well as gig economy channels.

Historically, some digital commerce technology platforms have been built to cater specifically to traditional retailers, digitally native brands, or specific retail verticals (e.g., fashion and beauty). However, platforms that focus on a singular specialty can suffer in an economic downturn or as the competitive landscape intensifies. As gig economy services become increasingly popular, diversified platforms that can tailor to all retailers and brands, and even expand into new verticals, can help ensure recession resilience.



Explore the B2B space.

While both B2B and B2C organizations will invest in digital commerce in the coming months and years, there is a significant investment opportunity in B2B because of their later adoption of digital technologies across those channels. Many B2B organizations—like manufacturers or distributors—are behind on digital transformation and just now developing a cohesive digital commerce strategy, looking to remove intermediaries and sell directly to their end customers. We believe the B2B digital commerce market will emerge as a highly attractive area for investment over the next one to two years.



Lincoln International's expertise in the digital commerce sector delivers best-in-class outcomes for clients. Contact us at contact@lincolninternational.com to learn more about our TMT and consumer experience and find out how we can help you with **Real Connection and True Perspective**.