

## **DemandTec Adds Strategic Marketing Optimization With M-Factor Buy**

Dale Hagemeyer, Steven Steutermann

The combining of DemandTec and M-Factor is a logical move on a number of fronts and should be welcomed by both companies' user organizations.

## NEWS ANALYSIS

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### Event

On 9 March 2011, DemandTec announced it will acquire M-Factor. The deal is expected to close 14 March after customary regulatory approval.

### Analysis

During the past year, DemandTec has been expanding its scope into marketing by developing capabilities such as shopper insights. At the same time, M-Factor has been tuning its optimization models for trade promotion. As the two became more and more complementary, an acquisition was a logical option.

User organizations should view this as a positive development for several reasons:

- Promotion optimization has evolved from operating at a retailer level to a regional level — both of which are DemandTec strong points — to understanding what the right mix is for trade versus consumer promotion, which is an M-Factor capability.
- While M-Factor did not have a broad customer base, it does provide a depth of offerings. Combining it with DemandTec will result in more global reach.
- Both solutions are delivered through a software-as-a-service (SaaS) model.
- The companies share a common heritage, and close physical proximity (both are headquartered near San Francisco) will promote an easy cultural transition.
- As a merged entity, both companies can increase collaboration between sales and marketing by using a single solution (M-Factor) for evaluating scenarios and trade-offs between trade and consumer spending.
- The merger solves the growing need to have a solution that addresses strategic optimization (market-mix modeling), tactical optimization, and account or channel-level planning.

We see few causes for concern. Integration between solutions is always an issue, but DemandTec has stated that that this will be a high priority. In the interim, we believe it can successfully sell the solution separately.

The two challenges we do see are:

- Integration into the sales and operations planning process. This will likely be the greatest challenge.
- Global expansion. DemandTec has approximately 20% of revenues from outside the U.S. M-Factor has less. The combined entity will need to expand global capabilities to seize global opportunities.

### Recommendations

- **DemandTec customers:** View this acquisition as an opportunity to gain more tools from a single vendor. This acquisition is not big enough to distract DemandTec from its current roadmap. Look at it as a more cohesive way to more continuously link demand creation across the trade and consumer channels with demand fulfillment, as opposed

to sending out decks with trade and consumer strategies that may be outdated before they can be implemented.

- **M-Factor customers:** This deal creates the assurance of better capitalization and the addition of trade management tools to existing consumer marketing capabilities.
- **Prospects:** There is no reason for concern. To the contrary, there are more robust tools across sales and marketing to create better alignment as well as faster and deeper insight.

## RECOMMENDED READING

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*Some documents may not be available as part of your current Gartner subscription.*

"MarketScope for Sales Force Automation in the Consumer Goods Industry" — This MarketScope analyzes the state of sales force automation in the consumer goods industry, and rates 20 vendors serving the market that meet our criteria. **By Dale Hagemeyer**

"Peer Insights: Optimizing Trade Promotion Effectiveness" — Trade promotion remains poorly understood and requires definition and goal alignment for improved success. **By Steve Steutermann**

## REGIONAL HEADQUARTERS

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### **Corporate Headquarters**

56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

### **European Headquarters**

Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

### **Asia/Pacific Headquarters**

Gartner Australasia Pty. Ltd.  
Level 9, 141 Walker Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

### **Japan Headquarters**

Gartner Japan Ltd.  
Aobadai Hills, 6F  
7-7, Aobadai, 4-chome  
Meguro-ku, Tokyo 153-0042  
JAPAN  
+81 3 3481 3670

### **Latin America Headquarters**

Gartner do Brazil  
Av. das Nações Unidas, 12551  
9º andar—World Trade Center  
04578-903—São Paulo SP  
BRAZIL  
+55 11 3443 1509