The Ultimate Input

Connecting **digital marketing levers** to **EBITDA** maximizes your returns. Here's how.

Report by

VECTOR RESEARCH PARTNERS

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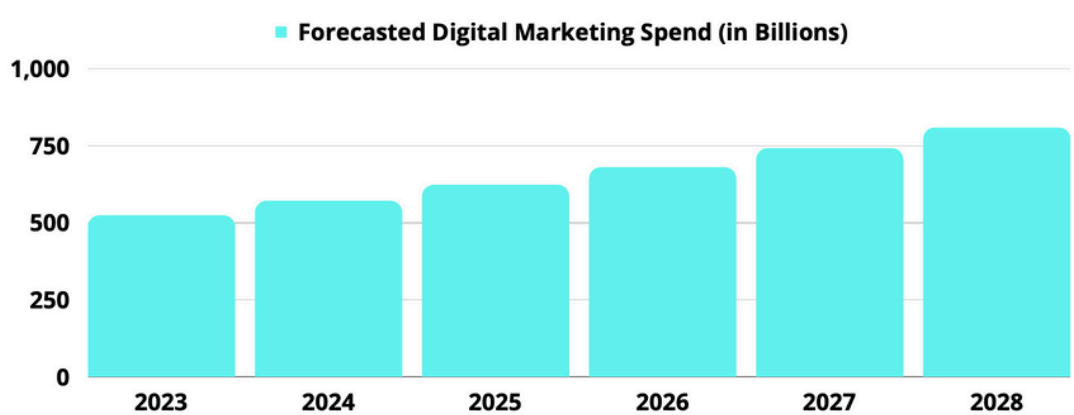
Investors don't understand the marketing levers that drive their returns.

Most customer interactions now take place in the digital world—a stark contrast to the 20th century, when marketing relied heavily on in-store experiences and analog touchpoints like direct mail, billboards, and print ads

A Deloitte CMO survey found that leaders attribute 38.4% of revenue growth to digital marketing. The survey also reveals that advertising accounts for 21% of total marketing budgets on average, with two-thirds of that spend directed toward digital channels.

These aren't fleeting trends—digital marketing is on a rapid growth trajectory. According to the Global Digital Marketing Market Report & Forecast, the industry is expected to expand at a 9.1% CAGR over the next five years, reaching an estimated market size of $807.9 billion by 2028.



INTRODUCTION

Part I: The Problem

There's a disconnect: **Marketing plans and the outcomes investors expect often exist in silos, with no clear bridge between them**. Most private equity (PE) firms recognize digital marketing's potential, but they need a direct, measurable link between marketing efforts and their impact on EBITDA.

For example, marketing teams have their own vocabulary and objectives. Their work revolves around:

- Creative strategy
- Channel expansion
- Audience expansion
- Landing page testing
- Loyalty programs
- SEO

Investors think in completely different terms, including:

- Net revenue
- Margin
- Enterprise value
- EBITDA

What's often overlooked is this: The EBITDA impact of any digital marketing initiative can be quantified, tested, and directly tied to the key outcomes investors prioritize.

Connecting marketing efforts to financial outcomes would enable investors to make smarter acquisitions, minimize risk, and maximize returns. Most critically, it would help them drive EBITDA growth across their portfolio companies.

MARKETING LEVERS

Part II: The Solution

Connect marketing inputs directly to their impact on financial models.

Investors are able to both estimate and quantify the results of their investments by directly linking marketing tactics to their influence on financial models. In the following sections, we will examine the shortcomings of existing models and demonstrate how connecting marketing inputs to their financial impact allows for more informed investment decisions.

The Limits of Current Models

Existing financial models do incorporate assumptions regarding lifetime value (LTV), customer acquisition cost (CAC), total growth marketing expenditure, and the potential trajectory of these metrics. These assumptions are subsequently used to generate EBITDA projections and potential valuations.
Even with their sophistication, these models have clear limitations. A company's projected performance varies significantly depending on whether we assume 3% monthly growth with a constant CAC, or 4% growth over the next 2-3 years. The correct growth rate is critical for investment decisions.

Furthermore, complex models often produce the obvious "insight" that increasing monthly spending by $1 million at a consistent CAC is the most effective way to scale a business. However, they fail to address the practicality of such growth or provide guidance on how to best allocate that $1 million monthly budget.

The Limited Approach

GROWTH ASSUMPTIONS >>> PROJECTED EBITDA >>> ENTERPRISE VALUE

MARKETING LEVERS

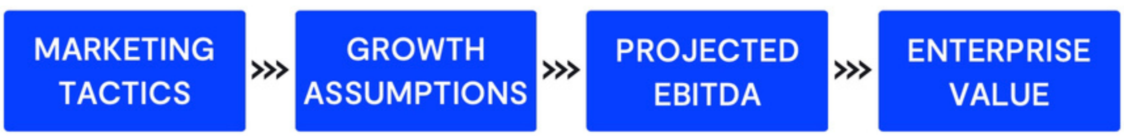
Part II: The Solution

Go Tactical to Overcome These Limitations

Basing models on actual tactics makes assumptions more concrete and dependable. This enables investors to connect evaluations of digital growth potential to future EBITDA models..

For example, a tactical analysis could show that a 5% monthly growth rate, achieved through two new Facebook creative tests monthly, is more realistic based on marketing principles. The next section details how to integrate this tactical layer into existing models.

The Tactical Approach



GOING TACTICAL

Part II: The Solution

Tactical Models for Direct-to-Consumer Companies

This section illustrates how to link digital marketing activities to financial results for a direct-to-consumer business, outlining both input and output metrics.

Digital Marketing Lever	Input Metric (Metric to Optimize)	Output Metric	Business Financial
Channel Mix (budget distribution across current channels, launching new channels) Audience (Media) Strategy	Spend Cost Per Mille (CPM, or cost per 1,000 impressions)	Impressions	Marketing Expense EBITDA
Creative Production Asset Iteration / Rate of Testing Copy Testing	Click-Through Rate (CTR)	Visitors	Revenue EBITDA
Landing Page Testing (content, quiz) Converstion Rate Optimization (CRO)	Conversion Rate (CVR)	Transactions	Revenue EBITDA
Merchandising Bundling Offer Strategy	Average Order Value (AOV)	Revenue	Gross Margin Revenue
Product Strategy in Digital Marketing (for example, which products to feature in ads)	Conversion Rate (CVR) Average Order Value (AOV)	Transactions Revenue	Revenue Cost of Goods Sold Gross Margin EBITDA

Direct-to-Consumer Examples

What do adjustments to these digital marketing levers look like in practice? Here are some examples:

A digital marketer aims to increase revenue by 10% this month compared to last, without increasing media spend. Leveraging successful creative tests from last month, they invest $5,000 in creating new versions. This results in a 10% higher click-through rate (CTR) across all ads, leading to a 10% increase in website visitors. With consistent conversion rates and average order values (AOV), this translates to 10% more orders and revenue. This yields a 10% rise in gross revenue and an X% increase in gross profit (gross revenue minus creative iteration spend).

A growth marketing manager recently launched TikTok ads, which, due to lower CPMs, drive significant traffic at a lower cost-per-click compared to Meta. However, this traffic is less familiar with the brand, resulting in lower conversion rates than Meta ads. To address this, the manager conducts an A/B/C test: the control landing page (A), a landing page tailored to new customers (B), and a landing page featuring new customer messaging plus a "10% off for TikTok customers" banner (C). Landing page A shows no improvement, B yields a 5% conversion rate increase, and C drives a 15% increase. The manager then directs all TikTok traffic to landing page C and adapts this successful page for all other channels (Meta, Google, email, etc.), resulting in a 15% increase in transactions and overall revenue.

GOING TACTICAL

Part II: The Solution

A**n e-commerce manager seeking to improve gross margin** identifies key high-margin products and bundles. They then direct advertising traffic to carefully curated landing pages that cross-sell these products. This strategy increases average order value (AOV) and drives sales of the targeted high-margin items, resulting in improvements to both gross revenue and gross margin.

While the preceding examples and table are well-suited for direct-to-consumer businesses, they aren't universally applicable, particularly to B2B firms. The following page presents a table and examples more relevant to B2B contexts.

Part II: The Solution

Tactical Models for B2B Companies

The connection between digital marketing activities and financial results for B2B companies differs slightly from that of direct-to-consumer businesses. The following section explores how these levers impact financials in the B2B landscape.

Digital Marketing Lever	Input Metric (Metric to Optimize)	Output Metric	Business Financial
Channel Mix (budget distribution across current channels, launching new channels) Audience (Media) Strategy	Spend Cost Per Mille (CPM, or cost per 1,000 impressions)	Impressions	Marketing Expense EBITDA
Creative Production Asset Iteration / Rate of Testing Copy Testing	Click-Through Rate (CTR)	Visitors	Revenue
Lead Generation Form Testing (UX design, offer testing, copy testing)	Sign-Ups	Leads	Revenue
Email & Phone Call Follow Up Optimization	Conversion Rate (CVR)	Transactions	Revenue EBITDA
Offer Tiering & Bundling	Monthly Recurring Revenue / Average Contract Value	Revenue	Gross Margin Revenue

Part II: The Solution

B2B Example

For B2B companies, the process of adjusting digital marketing levers to influence EBITDA and other financial metrics will have some distinctions. Here's an illustrative example:

A Business Development Representative (BDR) at a growing tech company aims to increase inbound lead generation without increasing paid advertising spend. They observe that the homepage lead generation form is positioned below the fold (requiring scrolling to see it, especially on mobile) and blends in with the brand's neutral color scheme. They then initiate a four-part optimization test for the form, with the following results:

- **The control:** No lift.
- **The form moved above the fold:** A 10% increase in engagement with the form and a 5% increase in lead generation.
- **The form is left below the fold, but the colors are changed:** The new colors better contrast with the site’s neutral tone, leading to a 10% increase in engagement and no increase in lead generation.
- **The form is both moved about the fold AND the colors are changed:** A 20% increase in engagement and a 10% overall increase in lead generation.

With 20% more leads coming in at no increase to cost, the BDR is closing 10% more deals every quarter.

GOING TACTICAL

Part II: The Solution

The Power of a Tactical Model

When digital marketing inputs are effectively linked to EBITDA outputs, a single tactical adjustment can directly impact enterprise value. The preceding graphics illustrate how changes to digital marketing levers influence output metrics. These output metrics, in turn, directly affect revenue, cost of goods sold, and ultimately, EBITDA.

Numerous digital marketing levers can incrementally improve results, ultimately impacting EBITDA. Collectively, these levers can represent a substantial growth opportunity, significantly boosting EBITDA and making your portfolio companies considerably more attractive acquisition targets.

The following pages detail Vector research's five-step process for identifying, testing, and validating growth marketing opportunities to maximize their combined impact on EBITDA.

5 STEPS

Part II: The Solution

Step 1: Outline Key Tactics That Can Change Growth Outcomes

Begin by listing the tactics that can influence growth outcomes. Comprehensive lists aren't necessary at this stage. To maintain a manageable process, use these three approaches:

1. Group By Touchpoint

Instead of listing every possible marketing lever, begin by focusing on email-related tactics. Then proceed to paid media, site experience, physical product experience, and any other customer touchpoint where marketing tactics can be implemented.

2. Consider Industry & Business Model

Marketing tactics aren't universally applicable. While Facebook and YouTube might be ideal for a direct-to-consumer subscription box company, a B2B SaaS product might prioritize organic search and pay-per-click Google Ads.

3. Take an 80/20 Approach

The Pareto Principle suggests that 80% of results stem from 20% of the efforts. To apply this principle, concentrate on the most impactful tactics. Additional tactics can always be incorporated later.

5 STEPS

Part II: The Solution

Touchpoint & Tactic Examples

If you're looking for a starting point, the following touchpoints and tactics have historically demonstrated a significant impact on growth outcomes:

Paid Media

- Media optimization
- Creative strategy
- Whitelist strategy
- Landing page personalization
- Media mix

Website

- Conversion rate optimization (CRO)
- Upsell optimization
- Offer optimization

Organic Media

- Search engine optimization (SEO)
- Email/SMS
- Influencer and public relations
- Referral program optimization

Post-Purchase

- Email/SMS
- Inbox experience
- Retention offers
- Winback strategy

Organic Media

Step 2: Define Your Key Input Metrics

Moving directly from a list of tactics to broad marketing assumptions like CAC and spend would reintroduce the inaccuracies we aim to eliminate. Connecting tactics to input metrics is a simpler and more dependable approach. Input metrics serve as the link between growth marketing activities and acquisition/retention metrics.

Here's a look at different input metrics and their definitions.

Acquisition Metrics

- **Spend:** The amount of marketing dollars that can be deployed to achieve an acquisition objective.
- **Cost Per Mille (CPM):** The cost per 1,000 impressions. In the event of free impressions (through earned media, for example), overall impressions will rise without spend, decreasing overall CPM.
- **Click-Through Rate (CTR):** The percent of impressions that click through to your site. This can be modified to response rate for channels without direct clicks (like TV advertising).
- **Conversion Rate (CVR):** The percent of users who clicked through that ultimately made a purchase.

Acquisition input metrics can be used to calculate new customer volume and CAC.

Retention Metrics

- **Customer Retention:** The percent of consumers who make repeat purchases each period.
- **Order Frequency:** The number of transactions per customer that occur in a period.
- **Average Order Value (AOV):** The average value of an order placed by a returning customer.

Retention input metrics can be used to calculate the Lifetime Value (LTV) of a consumer.

Step 3: Connect Tactics to Input Metrics

More effectively translating tactical opportunities into input metrics could have helped some private equity firms spot marketing-related warning signs before making ill-advised investments. When translating tactics to input metrics, consider these three questions:

1. Which metrics does each tactic affect?
2. How does it affect them?
3. How much can it affect them?

The following page provides a detailed explanation of how to answer each of these questions.

5 STEPS

Part II: The Solution

Which metrics does each tactic affect?

A single initiative can influence multiple metrics, so it's important to be realistic about its potential impact. While expanding television advertising might reasonably be expected to increase site traffic, it's unlikely to leave all other metrics unaffected. It's more probable that the conversion rate will decrease as the ads attract less qualified traffic.

How does it affect them?

After identifying a metric that can be influenced, determine the direction of the change. This step can be straightforward, but sometimes counterintuitive. For instance, you might assume that advertising a new product will improve click-through rate (CTR) and conversion rate (CVR). However, historical data might reveal that deviations from your flagship product could actually negatively impact those metrics.

How much can it affect them?

Now comes the challenging part: estimating the expected lift or decline. For example, is email campaign optimization a 2%, 10%, or 20% growth opportunity? This might seem difficult, but revisiting the input metrics can help. Understanding the expected impressions, CTR, and CVR makes estimating the range of potential outcomes much easier.

Part II: The Solution

Example: Tying Tactics to Input Metrics

Let's assume we're evaluating site optimization for a consumer-focused startup and modeling the impact of two specific tactics: incorporating video elements and adding social proof.

TACTIC	SPEND	CPM	CTR	CVR	CUST. RET.	ORDER FREQ.	AOV
VIDEO				10%			
SOCIAL PROOF				20%			

When focusing on site optimization, metrics like spend, CPM, and CTR are not relevant. Instead, we concentrate on CVR and subsequent metrics. To create projections, we leveraged data from similar brands. This data suggests that social proof has a greater impact on conversion rate than video. Our estimates are a 10% CVR increase from video and a 20% increase from social proof.
To estimate the overall opportunity to grow revenue, we put the data from this example into the following equation: **(1.1*1.2) - 1 = 32%.**

Keep in mind that this represents a percentage increase over an existing conversion rate. So, if the existing overall conversion rate is 5%, this estimates a 32% increase to 6.6%.

Step 4: Use Probability Estimates to Adjust Tactical Impact Assumptions

Stopping at Step 3 would expose investors to excessive risk. Marketing plans aren't always successful, so we need to account for probability.

How to Make Probability Adjustments

We need to discount each tactic based on our confidence level in its success. Here's how to determine that probability:

- **Very Likely (80–90%):** Have high confidence in tactics when there's a lot of support. Support includes successful testing of similar tactics, examples of other companies successfully testing the tactic, or consumer data (like a survey). Also, have confidence in any tactic that is straightforward to execute. **Moderately Likely (50–60%):** Have
- moderate confidence in tactics when the record is less clear and consistent. Perhaps the tactic makes sense, but there are few examples of it working well. Or maybe there's evidence of other companies testing the tactic with inconsistent results. Also, have moderate confidence when there's a higher degree of complexity in execution.

- **Not Likely (20–30%):** Have low confidence in tactics when there's no data or evidence that it will work well. We should also have low confidence in ideas that will be highly complex to execute. These low-confidence tactical ideas are part of realizing a company's growth potential. They sometimes even make the highest impact. We just need to be realistic about the uncertainty of success.

We're estimating at this point. But adding this layer of likelihood at the tactical level helps right-size potential growth opportunities.

Example: Creating Probability Estimates

Let's illustrate how probability adjustments work in practice by revisiting our previous example. We've added probability to the table (and removed some unused input metrics for clarity).

TACTIC	CVR	CUST. RET.	ORDER FREQ.	AOV	%	ADJ. TOTAL IMPACT
VIDEO	10%				20%	2%
SOCIAL PROOF	20%				80%	16%

Social proof receives a highly likely estimate (80%) because similar brands successfully use this tactic.

V**ideo receives** a low probability estimate (20%) because the analysis team found instances of comparable brands experimenting with video and subsequently returning to static graphics.

Getting to a Touchpoint Opportunity

With these estimates in place, we can calculate the overall potential impact, or "Touchpoint Opportunity," by multiplying the adjusted impact of each tactic. In this case, the equation (1.02 * 1.16) - 1 = 18% estimates the potential revenue growth through site optimization. This 18% growth rate is a reasonable estimate, though lower than the initial unadjusted rate of 32% (before considering probabilities). This final number represents the total opportunity size for this touchpoint.

A Note on Word of Mouth Referrals

While this white paper focuses on digital marketing, it's crucial to also consider word-of-mouth (WOM) referrals.

Word-of-mouth (WOM) has long been a fundamental element of successful marketing, but its importance is amplified in the digital age. As the digital marketing landscape becomes increasingly saturated, with major players like Facebook, Google, and Amazon dominating ad spending, businesses are experiencing diminishing returns from traditional online advertising. Furthermore, Apple's removal of user advertising IDs and Google's intended similar actions limit performance marketers' visibility, making cost-effective optimization more challenging.

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Part II: The Solution

Given these challenges, word-of-mouth (WOM) emerges as a critical driver of user growth. However, businesses face a significant hurdle in measuring and actively influencing WOM. Much WOM activity occurs offline, and even online, a substantial portion takes place through "dark social" channels (such as WhatsApp, texts, and emails) that are not easily tracked. Traditional methods like Net Promoter Score (NPS) or attribution surveys have inherent limitations in accurately measuring the true impact of WOM.

Acknowledging the difficulty in quantifying WOM, some are utilizing the "Word-of-Mouth Coefficient." 1 Inspired by ARPDAU (average revenue per daily active user), this coefficient uses new organics per daily active user (NOPDAU). The Word-of-Mouth Coefficient measures the rate at which existing active users generate new organic users through word-of-mouth. 1

For businesses, this implies that effectively engaging their active users can stimulate more organic recommendations and referrals. Data analysis from various companies demonstrates a strong correlation between active users and the acquisition of new organic users, highlighting the significant potential of word-of-mouth.

As traditional online advertising channels become increasingly saturated, businesses need to effectively leverage word-of-mouth (WOM). By understanding and implementing strategies related to the Word-of-Mouth Coefficient, businesses can tap into the natural human inclination to share and recommend, making their marketing efforts more organic, cost-effective, and impactful.

Step 5: Use Incrementality Estimates to Adjust the Touchpoint Opportunity

We've addressed one risky assumption, but we must now address another: the assumption that all improvements perfectly compound with each other. Unfortunately, this is unrealistic.

Incrementality measures the extent to which improvements in one touchpoint contribute to overall results, not just results within that specific channel. We apply incrementality at the touchpoint level to account for this. For simplicity, we'll focus on incrementality across digital channels, although other channels like direct mail, television and radio advertising, and print should also be considered. It's important to distinguish incrementality from attribution.

Incrementality vs. Attribution

Two principle methodologies have emerged: attribution and incrementality.

Attribution aims to credit specific marketing touchpoints that contribute to conversions. This is typically done using first-touch, last-touch, and multi-touch attribution (MTA) models. While last-touch attribution, which credits the final ad interaction before conversion, is straightforward and real-time, it has limitations. Notably, it disregards prior engagements, potentially over-crediting paid media for outcomes that might have occurred organically. Furthermore, the increasing deprecation of user identification in mobile systems and browsers is making traditional individual-level attribution less feasible, requiring aggregate reporting.

Part II: The Solution

Incrementality, conversely, takes a more in-depth approach, evaluating the true impact of advertising campaigns. Rather than assigning credit on an individual user level, incrementality uses test and control groups, comparing their conversion rates to determine the actual contribution of a specific media channel. This method is particularly important for channels where measuring ad impressions is difficult, such as Facebook or even television. It provides a comprehensive view, encompassing both impressions and clicks, giving marketers a clearer picture of their media's effectiveness.

In short, attribution assigns credit, while incrementality measures the true value of advertising spend. Given the changing digital landscape, marketers should move beyond relying solely on last-touch models and adopt a combined approach of MTA and incrementality. This comprehensive strategy ensures that all touchpoints are recognized, and, more importantly, that the real drivers of value are identified and optimized.

How to Estimate Incrementality

Improvements to on-site purchase funnels or post-purchase experiences typically exhibit high incrementality. Media touchpoints (both paid and organic), however, are significantly affected by low incrementality. Therefore, we concentrate our incrementality calculations on media touchpoints.

To be as certain as possible, we use different datasets to triangulate and make informed decisions:

Part II: The Solution

First-Touch Data: This is self-reported data from consumers about how they first learned about a product or brand. It's easily collected after a purchase. While it might be inconsistent in the short term, it provides valuable insights over time. Comparing the volume attributed to a channel by a tracking pixel to the volume indicated by first-touch data reveals the incrementality of that channel. The difference between the two is a key indicator.

Last-Click Data: This data, typically sourced from platforms like Google Analytics, reflects the last channel a visitor used to access the site before making a purchase. While reliable, it's heavily biased towards channels that capture existing demand rather than those that generate new demand. Performing a regression analysis on daily last-click data across different channels against the actual volume of new customers can provide useful coefficients for each channel, which can then be used as inputs for overall incrementality estimations.

Pixel Data: This data comes directly from the platform itself. While pixel data tends to be more generous to the platforms than a source like Google Analytics, it has a significant weakness: double-counting. For example, Meta might count conversions that Google also counts. Again, performing a regression analysis and using the resulting coefficients can help create an incrementality estimate.

These three analyses will produce varying incrementality estimates for each channel. Calculating these estimates is a complex process requiring in-depth analysis. However, when done correctly, these incrementality estimates represent the final step in linking tactical analyses to high-level financial models.

5 STEPS

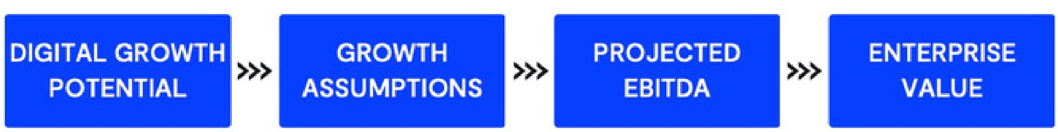
Part II: The Solution

Tying it Together: Connecting Tactical Analyses to High-Level Financial Models

Compounding the adjusted opportunity of each touchpoint yields a total opportunity size that represents a company's full Digital Growth Potential. This figure provides a bottom-up view of what's realistically achievable in terms of growth. The modeling process also prioritizes the initiatives needed to maximize that growth.

One challenge remains: Digital Growth Potential is a static metric, while we need a dynamic month-over-month growth metric. How do we bridge this gap?

Opportunity size serves as a reliable indicator. Companies are more likely to achieve ambitious growth targets when the potential for growth is significant, such as 5x, compared to smaller potential gains like 1.5x or 2x. Conversion factors can be used to translate total opportunity growth into realistic growth assumptions. A reasonable estimate can be maintained by assuming that 3–5% of the Digital Growth Potential can be realized monthly for approximately two years before reassessment is necessary.



With the growth rate established, we can confidently incorporate it into the broader financial model and project enterprise value. **As previously shown, a single adjustment at the tactical level then directly impacts enterprise value**. This tactical analysis approach helps determine the feasibility of growth rates and identify the most effective strategies for increasing a business's enterprise value.

Part III: Cheat Sheet Resource

Resource: Investor Cheat Sheet

When working with marketing teams at your portfolio companies, it's crucial to ask the right questions. Here's a list of questions you can use to delve into digital marketing performance and its impact on EBITDA.

Questions on Acquisition

While the initial question PE firms will ask marketing teams is: "What touchpoints drive the most incremental benefit for new customer acquisition?", it's important to dig deeper with these follow-up questions:

- What are the tactical priorities of those touchpoints?
- What input metrics (Spend, CTR, CVR, etc.) make an impact on those priorities (and to what extent)? Why do we think this impact is possible?
- How confident are we in these tactics working? Why?
- What tests can we conduct, or what data can we collect, to build confidence?

Questions on Retention

Similarly, PE firms will likely ask marketing teams a version of this question: "What touchpoints drive the most incremental benefit for new customer retention?" To gain a more complete understanding, ask these follow-up questions:

- What are the tactical priorities of those touchpoints?

WHAT TO ASK

Part III: Cheat Sheet Resource

- What input metrics (Customer Retention, Order Frequency, AOV) make an impact on those priorities (and to what extent)? Why do we think this impact is possible? How confident are we in these tactics
- working? Why? What tests can we conduct, or what data can we collect, to build confidence?
-

Downside Risk

If the portfolio company employs discounting strategies, the initial question will likely focus on the specifics of that strategy. To understand the influence of discounting on EBITDA more thoroughly, ask these follow-up questions:

- How is the discount strategy impacting acquisition and retention metrics?
- To what extent has the strategy's effectiveness changed over time? Do you envision the discount strategy changing over time?
- How is discounting affecting your team's ability to test in a non-discount environment?

That final question is especially critical. Many companies implement monthly discounts. A sale might last a week, followed by three weeks of reduced purchases due to prior sale activity. Then, the cycle repeats with a new discount the following month. This pattern can hinder the team's ability to conduct non-discount testing. Therefore, the key question becomes: How can the team gather valuable insights outside of promotional periods?

THE NEXT STEP

Part IV: How Can PE Firms Proceed?

Choosing the Right Path Forward

Based on the information presented in this white paper, you might be asking: "What are the next steps?" The answer will vary depending on the specific PE firm. To assist you in making the best decision for your firm, we've outlined common areas where investors often make incorrect assumptions, as well as different approaches to acquiring the necessary resources to move forward.

Common Areas Where Investors Make Faulty Assumptions

There are countless ways to make faulty assumptions. Three of the most common are:

1. **The next dollar spent will generate the same ROI or ROAS.** The next dollar spent will likely perform worse than the average dollar, which is a weighted average of total marketing spend.
2. **Costs will come down over time.** Recent history shows that the cost of advertising on platforms like Google and Facebook will go up year-over-year.
3. **Investing in digital marketing doesn't require investing in new team members.** To effectively execute digital marketing growth strategies, investors must plan to hire team members who focus on creative, analytics, channel management, conversion rate optimization, and other disciplines.

We've used the term "average" previously. It's crucial to remember that averages can be deceptive, potentially masking underlying opportunities. The misleading nature of averages emphasizes the importance of expert analysis when evaluating any potential business growth opportunities.

THE NEXT STEP

Part IV: How Can PE Firms Proceed?

How to Gather the Right Resources

Uncovering opportunities within a business, whether related to channel expansion, increased conversion rates, testing, new creative, or other tactics, is certainly beneficial. However, the challenge for PE firms lies in determining how to acquire the necessary resources to capitalize on these opportunities. There are three main options:

1. Build Internal Resources

As mentioned previously, hiring full-time employees allows you to build a dedicated team focused on specific aspects of growth projects. While this option involves greater cost and commitment, it can be advantageous in certain situations.

2. Work With a Third Party

Alternatively, you can partner with a third-party specialist in identifying and supporting growth across a PE firm's portfolio companies. These third-party providers typically work on growth projects across various industries on a daily basis, giving them extensive experience to leverage when pursuing your specific growth objectives.

3. Configure a Hybrid Team

The final option combines elements of the previous two. You can build a small in-house team to manage and supplement the work of a third-party specialist.

Part V: Get Ahead in the Digital Landscape

Working With Vector

There's a wealth of potential for PE firms to unlock via digital marketing. By pulling the right levers across your portfolio companies, more prospects and customers move through your funnel, revenue increases, and EBITDA grows. Ultimately, your investment in a business realizes its peak ROI.

Vector specializes in identifying and seizing opportunities in the digital marketing space. **We work with investors at every stage, including pre-LOI, due diligence, and post-traction, to accelerate growth plans, measurement, and value creation.**

get the AI in Marketing report: Unlocking Scalable Strategies to Maximize EBITDA Growth

Secure Your Competitive Edge—Before Your Competitors Do This research is **not publicly available** and is reserved exclusively for a select group of firms and operators looking to leverage AI for real, measurable impact. **Access is limited**, ensuring that those who act now gain a strategic advantage in the market.

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or email our founder (robert@vectorresearchpartners.com)