

# MIDDLE MARKET Growth

// OCTOBER 2015

PE'S NEW VIRTUAL  
REALITY: ONLINE DEAL  
SOURCING PLATFORMS

A QUALIFIED OPINION:  
RICH KENNELLY,  
CHIEF EXECUTIVE  
OFFICER, CONNOTATE

IRI: CRAFTING A

# CRYSTAL BALL

WITH CONSUMER SPENDING DATA

**INDUSTRY INSIGHTS //**  
Robert Tomei oversees IRI's  
consumer and shopper  
data offerings

**IRI: CRAFTING A**  
**CRYSTAL BALL**  
**WITH CONSUMER SPENDING DATA**

BY S.A. SWANSON

Photos by Matthew Gilson and Alyssa Schukar



# IRI

Growth delivered.

## IRI //

### Business:

Consumer research

### Growth engine:

Predictive analytics,  
software licensing

### Private equity owner:

New York-based  
New Mountain Capital

### Sales:

Nearly \$1 billion



### Website:

[www.iriworldwide.com](http://www.iriworldwide.com)

In the loft-style Chicago headquarters of consumer research firm IRI, a brick wall hints at the company's past, present and future. It displays a dozen patents, spanning 1990 to 2014. Four involve an updated technology platform called IRI Liquid Data. If you're not fluent in data science speak—"perturbation of non-unique values," anyone?—the patent specifics can induce eye-glazing. Clients usually aren't interested in the "how" behind IRI Liquid Data, but they care deeply about the "what." As in, what can it do to make sense of big data?

Andrew Appel, IRI's CEO, knows this well. "We are in the middle of the single largest change in consumer buying in 100 years," he says, noting that companies that have existed for decades are trying to reinvent themselves, and they'd like help. "They want their market research providers to have a significantly greater impact on the business," Appel says. "Stop telling us what happened, and help us take actions to differentiate our business."



For nearly 30 years, IRI—formally Information Resources Inc.—gave clients plenty of “what happened” by studying buying behavior using consumer panels and point-of-sale, or POS, data from retailers. Now the data IRI collects is getting the 21st-century treatment. Thanks to a majority-interest investment from private equity firm **New Mountain Capital**, the company can provide more sophisticated analytics. It integrates massive data sets and spews out reports within seconds, helping businesses make decisions about sales, marketing and media buying. “We use the term ‘prescriptive analytics,’” Appel says. “The analytics have to prescribe an outcome that drives growth.”

That focus has led to IRI’s growth as well. Through organic sales increases and acquisitions, revenue has reached \$1 billion and earnings have more than doubled since 2010, the year prior to New Mountain Capital’s acquisition.

**“WE ARE IN THE MIDDLE OF THE SINGLE LARGEST CHANGE IN CONSUMER BUYING IN 100 YEARS.”**

**Andrew Appel**  
CEO, IRI



“THE COMPANY’S  
HERITAGE IS AROUND  
INNOVATION AND  
TRANSFORMING  
THE INDUSTRY.”

**Robert Tomei**  
President, Consumer and  
Shopper Marketing, IRI

## INNOVATIVE HERITAGE

Founded in 1979, IRI was one of the original big data companies, as Appel likes to say. In the early '80s, the company started collecting POS information and selling it to consumer packaged goods companies. It used test markets to experiment with new products before companies attempted a nationwide rollout and created a service to show different versions of a TV commercial—then tracked how those ads affected buying behavior. “The company’s heritage is around innovation and transforming the industry,” says Robert Tomei, IRI’s president of consumer and shopper marketing.

By 2000, IRI needed a transformation. Between 2000 and 2003, the company’s revenue declined about 3 to 5 percent annually. During that time, IRI also filed a lawsuit against rival market research firm A.C. Nielsen, now known as Nielsen, claiming anti-competitive practices and seeking \$350 million in damages; the suit went to court and a settlement was reached. After 20 years as a public company, IRI was purchased in 2003 by **Symphony Technology Group**, a Palo Alto, California-based private equity firm.

By 2010, another private equity firm expressed interest. New York-based New Mountain Capital was seeking companies for its third fund, \$5 billion in size. The firm focuses on business and technology-enabled services with growth potential. “When we identify the best companies, we proactively reach out to them,” says Mathew Lori, managing director. “That’s exactly how we found IRI.”

When New Mountain bought IRI in 2011, it was “a good stable business,” says Lori, noting low single-digit increases in annual revenue. IRI had started developing a new technology platform for better analytics, and New Mountain calculated that a substantial investment could make that product a competitive advantage. It’s tough to pinpoint the platform’s total cost (development began in 2008), but Lori estimates hundreds of millions were spent prior to the official 2013 rollout. “That’s helped us take the company from more of a traditional market research business to a big data analytics business,” he says.

This wasn’t IRI’s first foray into analytics. Like the rest of the market research industry, IRI had provided insights for past performance, Appel says. But that’s like gazing into a rearview mirror, he says—and companies want to look ahead for trends and opportunities.

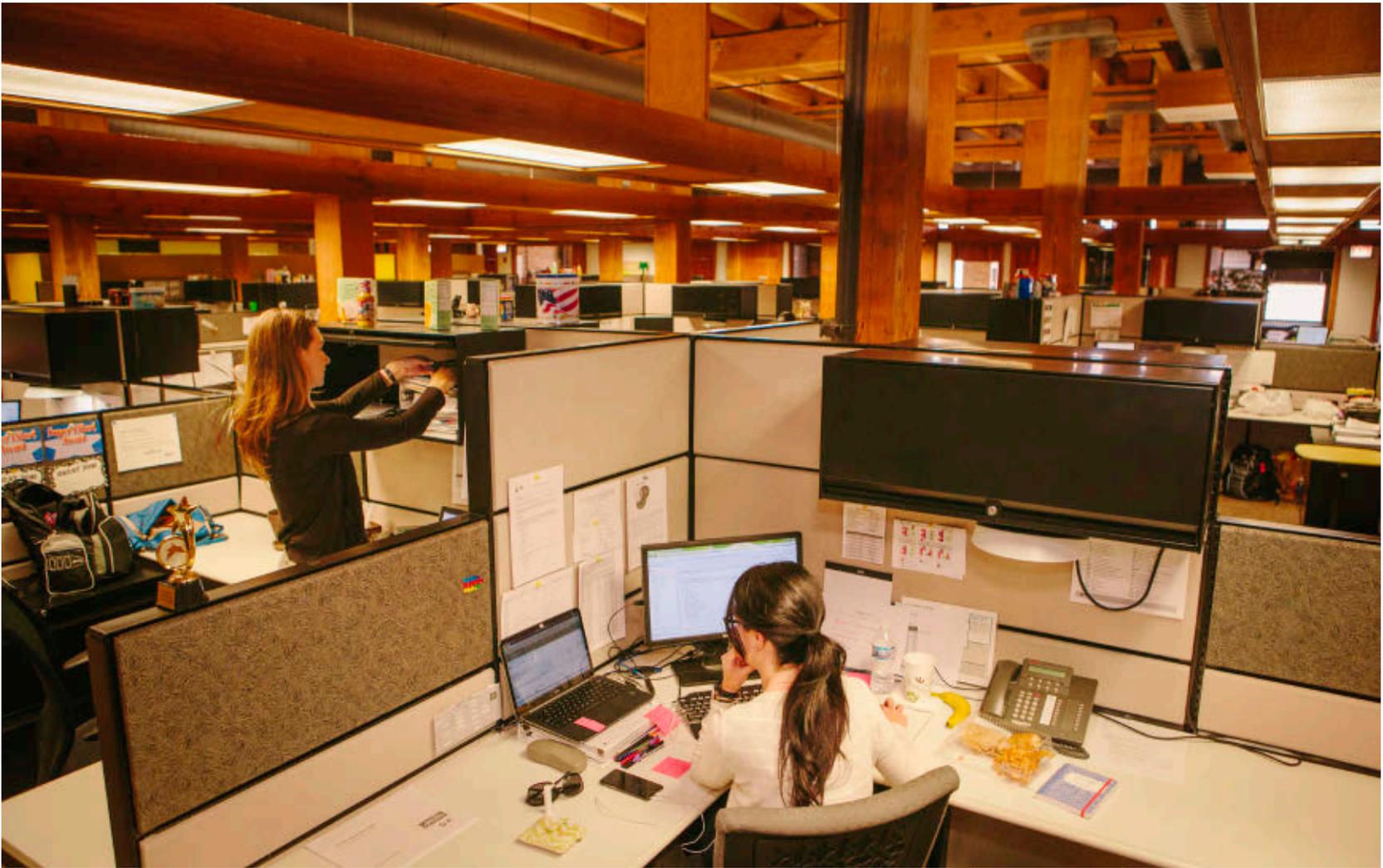
The new Liquid Data platform helps corporate customers understand how thousands of specific actions may affect sales, Appel says. It addresses companies’ need for speed too. Years ago, if customers wanted complex data analysis for a report, it could take days. By 2011, reports took a few minutes, but many still considered that sluggish. IRI’s technology team optimized the platform so customers can now obtain reports in mere seconds.

IRI has also diversified the fuel for its analytics engine. Three years ago, data was mainly related to sales. Now it reflects an array of shopping influencers, including social media data from Oracle (with more than 700 million messages daily), weather, gas prices, macroeconomic feeds, MasterCard’s worldwide transactions and Datalogix’s loyalty card information.



“WHEN WE IDENTIFY THE BEST COMPANIES, WE PROACTIVELY REACH OUT TO THEM. THAT’S EXACTLY HOW WE FOUND IRI.”

**Mathew Lori**  
Managing Director,  
New Mountain Capital



It's all part of the booming market for business analytics software, which totaled \$40 billion in 2014 and will likely reach \$59 billion by 2019, according to technology research firm **IDC**. "Everything is being tracked and resold—but as raw data, it has limited value," says Dan Vesset, IDC's program vice president for business analytics and information management. "When you add analytics, it becomes much more valuable. And with providers like IRI, there's a different relationship you can have with your customers."

### **CROSS-FUNCTIONAL SERVICE**

Tomei notes that IRI now engages with many job functions at its clients' organizations. "If you look back at our industry 20 years ago, we serviced one function, and that was the market research function," he says. "Today, we service virtually every function: sales, category management, shopper marketing, media, brand management."

Such specificity is made possible with significant improvements to IRI's data presentation. A decade ago, customers received information in Excel spreadsheets, and a client service representative would customize it with charts. IRI Liquid Data creates automated charts, and last year IRI optimized the platform for use on smartphones and tablets.



As of August 2015, IRI had 180 clients on the new platform, including **Ferrara Candy Company**, the maker of Jujufruits, Chuckles and other candies. Ferrara wanted real-time analytics to analyze current performance and emerging trends in the non-chocolate candy category, and implemented the IRI Liquid Data platform in June 2014. About 100 employees use the platform, including the senior management team, sales, marketing, category management, demand planning and finance. “The retail world has moved from monthly static reports to real time,” says Todd Siwak, Ferrara’s CEO. “We wanted to create a higher level of insight.”

The real-time analytics help Ferrara monitor performance and make modifications more quickly. That’s particularly useful with new product rollouts, of which there are more than 100 annually.

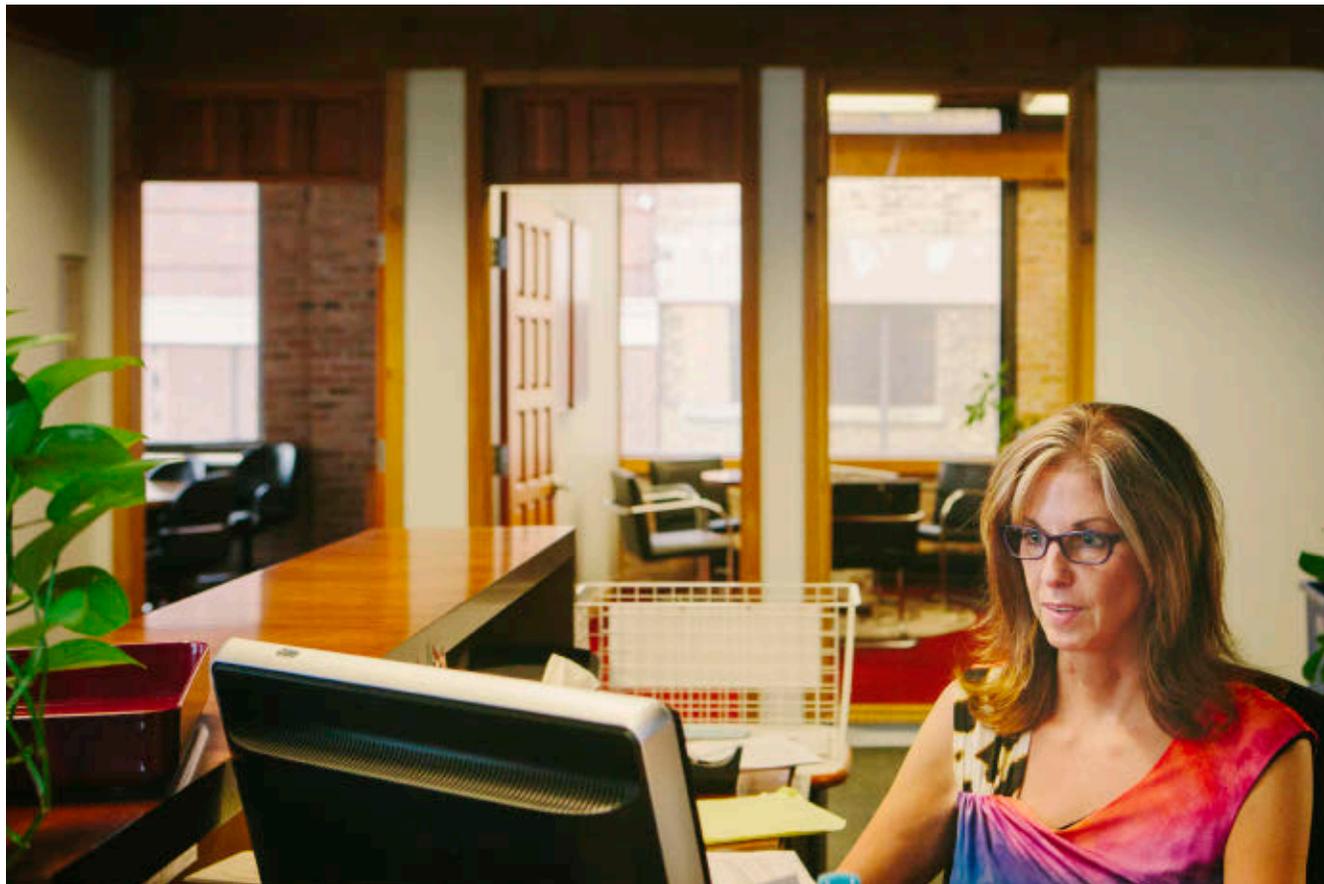
When Ferrara redesigned packaging for its Brach’s brand last year, IRI Liquid Data helped track which graphics worked best. Ferrara discovered the entire Brach’s collection showed improvement in sales velocity, with the leading SKUs increasing by 15 percent. “It further emboldened us as a company to pursue that path very aggressively,” Siwak says. Within several months, the company redesigned packaging for 170 SKUs. That would

#### **SEASONED LEADERSHIP //**

Nathan Lucht, IRI’s senior vice president, corporate strategy (left) with CEO Andrew Appel at the firm’s office.

## PRIVATE CLOUD //

IRI began licensing its Liquid Data platform to other companies this year.



have taken longer without the test-and-learn ability of real-time analytics, Siwak says, adding: “It’s not something we would just immediately embark on. It’s a big investment, as you can imagine, but the ROI is easy to calculate with improvements like that.”

IRI is also entering markets beyond manufacturing and retail, with a new service called Private Cloud introduced this year, which licenses the IRI Liquid Data platform to other companies. Those companies can then implement the platform behind their own firewall and keep internal data within their own data centers, while integrating it with IRI’s data and tools.

As of August, IRI had four clients licensing the platform and was in discussions with at least two dozen others. The first licensing client—a large credit card company—had considered spending millions to design its own data analytics platform. “As companies are trying to get into big data, we’re saying, ‘Why build your own?’ License our software,” Appel says. “It comes preinstalled with all the data we already have and has thousands of pre-built templates for reports.”



The licensing approach benefits IRI too. “With our core legacy model, we buy all the data from retailers, we run it through our sophisticated software platform and resell the data analytics back to the manufacturers,” Lori says. “We’re doing that better today than we ever have before because we have more advanced analytics that make it more valuable. But on top of that, we are now licensing out our core platform. The attraction for us is that we don’t need to own the data.” And that makes it a much higher margin business. For a typical license model, gross margins are 80 percent to 90 percent compared with 50 percent for the core business, says Lori, who notes IRI’s Private Cloud licensing capability also gives the firm an extra edge over competitors; as far as he’s aware, none have yet begun offering a similar service.

In a way, the company’s big data evolution has returned IRI to its roots. “Many clients tell us that IRI is back innovating and transforming like it originally did when the founders first started the company,” Tomei says.

Data will remain a key driver of the company’s growth. “We’re about getting massive data sets, integrating them and having useful information,” Appel says. “That is setting us up for our next major growth trajectory.” //

*S.A. Swanson is a business writer based in the Chicago area who frequently writes about technology.*