



Privately Speaking

Insights on private company growth
from private company insiders

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Winning in a digital world

Stuck between a rapidly digitizing economy and rising competitive pressure from “digital native” upstarts, many private market leaders are now highly focused on creating, implementing, and maintaining their digital and social strategies. Do they have the resources to compete? We believe that they do.

Let’s be clear: “privately held” does not mean “digitally-naive.” Quite to the contrary, many of the most innovative digital companies in the US today are privately held entities. But there are also a significant number of privately held companies who see the current wave of technological disruption as more of a threat than an opportunity.

The need for increased digitization is clear

Like it or not, the world is rapidly digitizing. Customers are interacting with companies digitally; organizational processes are being managed digitally; money is flowing digitally.

You could choose to view digitization as a threat. And, indeed, the move towards digitization is disrupting business models, customer demands, and competitive landscapes. If you are unable (or unwilling) to digitize yourself, you have every reason to view the shift to digitization as a threat.

We would suggest, however, that you view digitization as a massive opportunity. You could embrace new digital technologies as opportunities to remove friction from the organization and the customer experience. You could digitize your existing processes and—where possible—move them into the cloud for even further savings and scalability. Or you could partner with tech solutions providers to pilot new ideas and trial competitive market propositions through digital channels. The possibilities are virtually limitless.

“If you stick your head in the sand for too long, you are going to find yourself standing all alone in the desert, left behind by your digital peers,” noted Brian Hughes, KPMG’s National Private Markets Group leader. “You certainly do not want to invest into every fad or new idea, but you do need to be thinking about how you can leverage digital to improve your performance, manage your risks, and drive your growth if you hope to survive in this digital economy.”



Drivers to technology spending vary based on company size:

- ✓ **Small business: Attract new customers**
- ✓ **Medium business: Keep up with competitive pressures**
- ✓ **Upper midmarket: Improve employee productivity.**

Where should you invest?

We look at five of the “hottest” digital technologies and offer some advice for private-market decision-makers.

Cloud

How it is being used: Many privately held companies are looking at cloud-based applications to power key areas such as data storage, communications, collaboration, accounting, and inventory management. Some privately held companies are also turning to so-called “hyperscale providers” to help them scale up their business and their processes. At the same time, regional managed service providers (MSPs) are providing turnkey services including security, storage, virtualization, and analytics, to accommodate infrastructure requirements.

Opportunity: Cloud-based applications and cloud services are a great way for smaller organizations to quickly and cost-effectively achieve scale.

The future: Use of the cloud by privately held businesses will evolve to achieve even lower costs and increased flexibility and scalability. The incorporation of artificial intelligence (AI) into cloud service offerings will drive even greater value generation.

Urgency: High

Internet of Things (IoT)

How it is being used: Many private-market companies are adopting Internet of Things (IoT) for customer service, third-party support for enterprise resource planning, enterprise file sync and share and customer self-service suits. At the same time, companies are using sensors to monitor power usage, track assets, troubleshoot maintenance issues, and monitor physical security.

Opportunity: IoT can help private-market decision-makers secure end-to-end information that, when proactively analyzed, can help uncover a range of insights such as sales trends, highest margin customers, and underperforming product lines.

The future: Private-market adoption of IoT is still nascent in some areas. However, many companies are moving towards IoT, bringing together assets, data, and processes with people and business systems.

Urgency: Medium

Data and Analytics (D&A)

How it is being used: It is thought that about 20 percent of mid-market technology spending currently goes towards data and analytics (D&A). Private-market companies have been prioritizing big data, governance, and data catalogs, with a continued focus on dashboards, reporting, and advanced visualization. Analytics is also being used to take decisions on everything from new product design to international expansion plans.

Opportunity: D&A can help uncover significant new insights about your business and your customers that, when properly leveraged, can create massive competitive advantage.

The future: Leading private-market companies are moving towards business-led, self-service analytics while CFOs are accelerating adoption of big data analytics, with the right talent and technology.

Urgency: High

Key considerations

As most private market decision-makers will already know, digitizing is not an easy process. And there are many considerations to ponder along the road. For example:

- 1 Do you know what business problem you are trying to solve or what opportunity you want to leverage through digital technologies?
- 2 What budget do you have available and what can you realistically achieve within that budget envelope?
- 3 What talent will you need to integrate new technologies and then manage them?
- 4 How much disruption are you able to absorb as an organization?
- 5 Do you have a culture that will embrace the technologies and look for new opportunities to innovate on top of them?
- 6 Do you have a plan for integrating the new technologies into the existing Information technology (IT) estate?
- 7 Do you have the right metrics and measurement tools available to assess the value of your technology investments?
- 8 How will you continue to ensure a high level of data governance and control through digitization?
- 9 Do you have a data strategy and do you trust your current internal and external data sources?
- 10 How does your digital technology investment compare to your leading competitors?

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Artificial Intelligence (AI)



How it is being used: Private-market companies are embracing AI to increase customer satisfaction, understand customer behavior, and automate tasks to enable humans to take on more strategic roles.



Opportunity: While adoption within the private-markets group may not be as significant as within larger, public organizations, AI is rapidly seeping into the private-market workplace in the form of intelligent chatbots and intelligent automation.



The future: Private-market organizations will increasingly take advantage of AI tools being developed by larger technology companies that then filter into their cloud platforms, translating into more advanced data-processing capabilities in cloud apps.



Urgency: Medium

Blockchain



How it is being used: Many larger and mid-market companies are adopting blockchain to secure digital records, execute smart contracts, and exchange digital assets. While blockchain is not widely accessible to many private-market companies, its adoption will pickup pace in the near future.



Opportunity: The technology is evolving and many of the eventual opportunities for private-market organization have still to be discovered. However, in the mid-market sector, blockchain is already creating novel opportunities across functions, including payment acceptance, fraud identification, asset management, among others.



The future: Blockchain APIs are being added to major financial management systems and the trend is expected to pick up throughout 2018.



Urgency: Low

IT Priorities

- ✓ Improve employee productivity and skills
- ✓ Enhance quality of products and processes
- ✓ Enhance customer experience and improve decision making
- ✓ Automate repetitive tasks
- ✓ Connect all the systems and creating new products
- ✓ Improve security and visibility to all processes as well as supply chain

IT predictions

- SMBs would continue to add cloud resources; Integration of cloud and on-premises resources will be an increasingly important priority, with more than half citing it as a tech-spending priority by 2019.
- Innovation scelerators (such as IoT, Cognitive/AI Systems, Next Generation Security, Augmented and Virtual Reality, and Robotics) will transform processes in key SMB sectors, with one-third of SMBs using at least one accelerator by 2020.
- By the end of 2019, IoT will be used by one-third of SMBs to collect and evaluate real-time internal and external data.
- Digital Transformation will be a key part of company strategy for half of SMBs by 2019.

Need help?

KPMG professionals have a deep understanding of the value and risks of digital technologies. We work with many of the world’s leading private-market organizations to design, implement, and measure their digital strategies. And our people understand the complexities of driving a digital transformation initiative in today’s disrupted environment.

To learn more about how KPMG can help your organization, we encourage you to contact your local KPMG member firm.



Want to learn more?

Click to see the video:

Digital Transformation: Putting the customer first



Do not miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by—sign up to receive KPMG's **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

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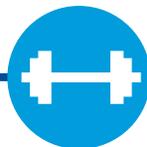
Starting your
business



Growing your
business



Strengthening
your business



Transitioning
your business



Privately Speaking focuses on the issues that matter most to privately held entities, including private equity- and venture capital-backed companies.

KPMG LLP's (KPMG) Private Markets Group understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

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