

# Optimizing the Deal Lifecycle

A Roadmap for Building a Technology-Driven Private Equity Firm



## The Private Equity (PE) market has grown fiercely competitive.

Identifying the right targets, closing deals, and shepherding companies through a successful exit are only one part of the equation.

To stand out, PE firms now need to focus on finding the right tech-enabled data solutions that will automate their processes, increase efficiency, and streamline workflows throughout the deal lifecycle. A carefully sourced data and tech stack has the potential to optimize every aspect of the deal framework, creating efficiency, saving time, and maximizing deal ROI.

Here is a playbook for how firms can effectively build their tech stack for the future and get a better return for every technology dollar spent.

### Barriers to Building a Modern Tech Stack

CURRENT CHALLENGES FOR PE FIRMS

PE firms face a range of challenges when it comes to using technology and data to optimize their deal flow:

- 1 A Fragmented Ecosystem
- 2 Storing, Organizing, and Generating Insights from Data
- 3 Manual, Inefficient, and Undifferentiated Processes
- 4 The Rising Cost of Technology and Data Services



BARRIERS TO BUILDING A MODERN TECH STACK

1 A Fragmented Ecosystem

First, an ever-growing and fragmented technology ecosystem makes it challenging for PE firms to ensure they achieve optimal ROI for their technology spend. There are general market research platforms, such as Pitchbook, Refinitiv, FactSet, and S&P CapitalIQ, which provide private and public market financial and deal data for the M&A ecosystem. Networks, such as GLG and AlphaSights, offer their expertise to help deal professionals get up to speed on the markets quickly. Then, when it comes to deal sourcing, software companies like Grata offer an index of companies, and information services like SourceScrub offer databases of companies sourced from conference lists.

Much of the data PE firms extract from these solutions often ends up in their CRM, whether it is a deal-specific CRM like DealCloud or a general-purpose CRM like Salesforce. While these solutions allow PE firms to centralize their data, they do not offer all the capabilities firms need to streamline the end-to-end deal lifecycle.

Firms also tend to have a status quo bias toward solutions that have been widely adopted throughout the industry. However, if firms do not actively try to keep up with new innovations and maximize ROI, they may not be able to stay competitive and will get left behind by competitors who are prioritizing data and technology transformation.

“The technology ecosystem is very fragmented. A few years ago, folks were really sold on the concept that if you just buy Salesforce, it’ll be a panacea. There’s been a tension between ‘Can we have one tool to rule them all or do we try to patch together the best of breed solutions for each stage of this?’ I think that remains an open question.”

**JOSH WEBMAN**  
PRESIDENT OF CONCERTIV






A data procurement consultant that provides data analytics, group purchasing, and managed services to PE firms.



Common Tools PE Firms Use for Deal Sourcing and Identification



BARRIERS TO BUILDING A MODERN TECH STACK

Key Players					
What does it do?	Search engine for proprietary deal sourcing	Deal sourcing for PE and investment banking	Private market financial and deal data for the M&A ecosystem	Public market intelligence with a large registry of private companies	Contact info and company targeting
Product Overview	Search index and database of companies targeting hard-to-find companies in the SMB and mid-market space	Database of companies sourced from conference lists, updated by offshore researchers	Database focused on private capital markets data, mostly PE, VC, corporate funding, and M&A events.	Provides research, data, and analysis on private and public companies	B2B sales and marketing platform, focused on contact and company info
Target Audience	Finance (PE, investment banking), corporate, and consulting	Finance (PE, investment banking)	Finance, M&A service providers	Finance (mostly investment banks and PE firms)	Sales, marketing, sales enablement, sales ops, marketing ops
Coverage (US)	6M	1.6M	1.5M	2.5M	12M
Advantages	Usability, thematic searching, similar company search, and broad coverage of hard-to-find companies	Pre-built lists, including conference lists	Private capital markets data (M&A, transactions, multiples, investors)	Public comps, precedent transactions for private companies	Contact info
Search	Keyword on full company websites	Keyword on descriptions, industry codes	Keyword on descriptions, industry codes	Industry codes, limited keyword functionality	Keyword (based on descriptions), industry codes
Similar Company Search	✓	✗	Limited	✗	Limited
List Expansion	✓	✗	✗	✗	✗
Pre-built Lists	Sectors and markets	Conferences, common markets, and scrapes (e.g., Capterra)	Subsectors available	Standard industry codes	Industries
Conference/Events	✓	✓	✗	✗	✗
Signals	✓	✓	✗	✗	✓
API	✓	✓	✓	✓	✓
Integrations	Salesforce, Hubspot, DealCloud	Salesforce, Hubspot, DealCloud, Affinity, Dynamics	Salesforce, HubSpot, Affinity, DealCloud	Excel Plugin, PowerPoint Plugin	Salesforce, SugarCRM, Marketo, Zoho, Pipedrive, Outreach, Bullhorn
Plugins	Chrome	Chrome	Chrome, Excel	Excel, PPT	Chrome, Outlook

BARRIERS TO BUILDING A MODERN TECH STACK

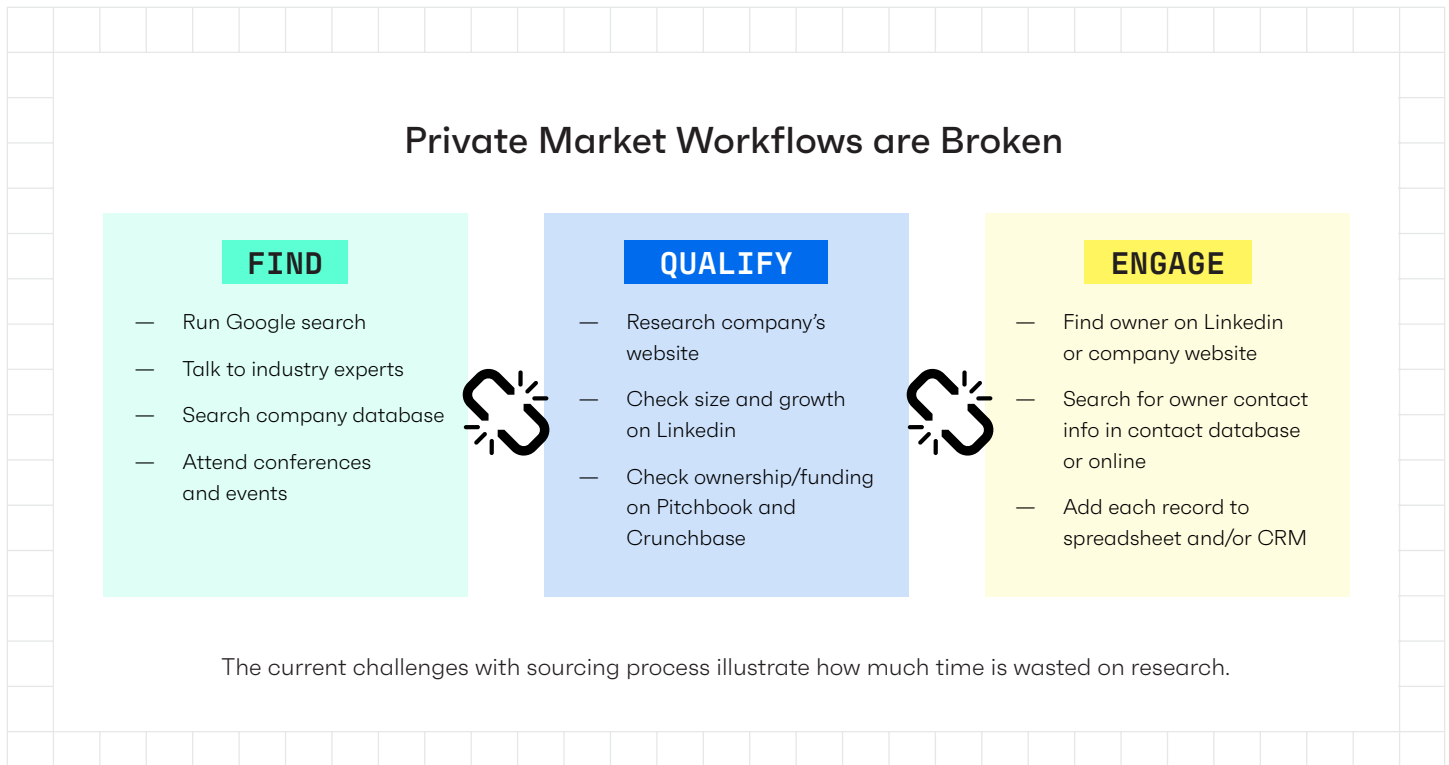
## 2 Storing, Organizing, and Generating Insights from Data

This fragmented technology ecosystem also leads to issues with data sprawl and data management. PE firms now collect an ever-growing volume of data, but their stores of record do not offer the advanced capabilities they need to better harness this data in their operations.

It is difficult for deal professionals to extract insights from PDFs, documents, and other information gathered throughout the deal lifecycle, particularly during the due diligence process. It is also challenging for firms to comingle data from third-party sources, pull the right data into their store of record, and enrich their CRM with this information to make the data actionable.

## 3 Manual, Inefficient, and Undifferentiated Processes

PE firms also must contend with manual, inefficient processes as it relates to sourcing deals and engaging and nurturing companies. The current process often plays out like this:





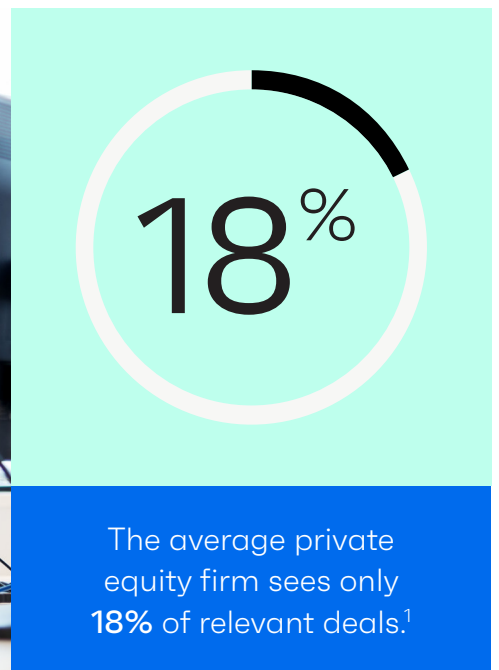
**BARRIERS TO BUILDING A MODERN TECH STACK**

PE firms could benefit from more optimized data-gathering processes as well. In the past, it was largely sufficient for market data providers to publish key fundamental data to investment professionals, such as company financials or fund performance data. However, this means most firms are accessing the same data sets and looking to the same sources for deals, and consequently many firms are only able to discover a fraction of the potential targets. Moreover, the information they receive about these targets is not comprehensive enough, often including high-level information only.

Now, with an explosion in the number of data sources in the market, offering expansive datasets in relatively raw form has become table stakes. Today’s suppliers must harness technology not only to uncover new data

points, but also to more efficiently package that data back to investment professionals in a way that integrates seamlessly into their workflow. For example, proprietary search engine solutions like Grata contain information for more than double the number of companies a PE firm would find in most industry-leading databases. The platform also integrates with Salesforce, DealCloud, and Hubspot to make the research and sourcing process much more efficient.

With the distinction between data provider and technology now blurring, the most effective solutions for PE firms will be those that unearth the most data, make it searchable, and provide tools for professionals to make better sense of the information at their fingertips.



BARRIERS TO BUILDING A MODERN TECH STACK

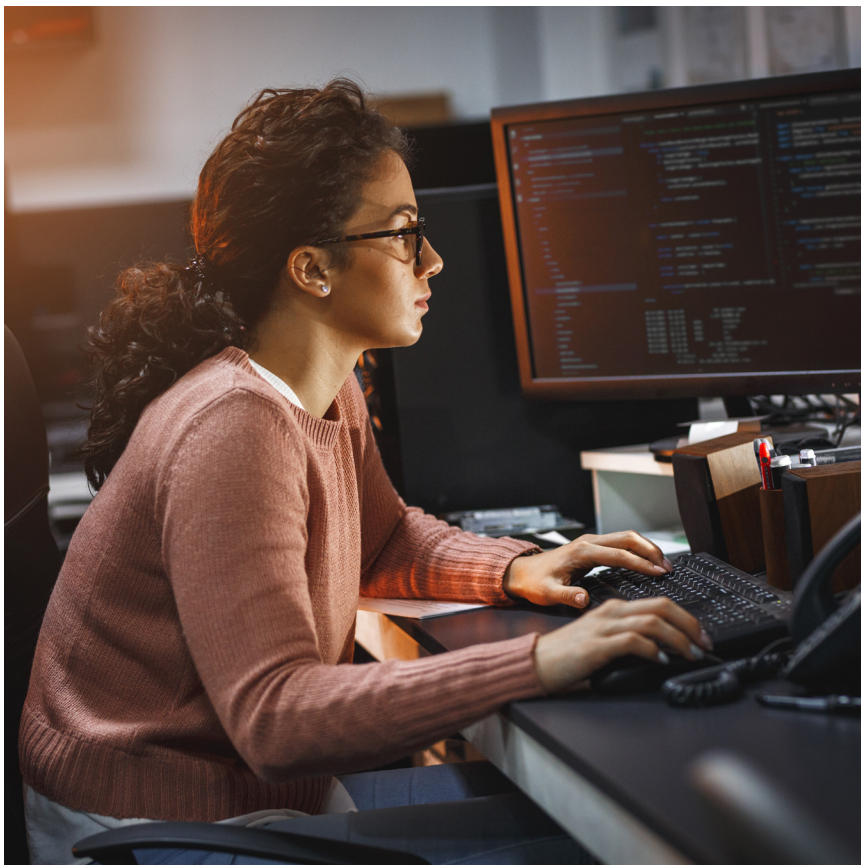
4

## The Rising Cost of Technology and Data Services

PE firms face increased costs for data services, which has elevated data spend per employee. While it is important to negotiate with suppliers and keep costs down, firms must shift toward viewing spend as a driver of returns.

PE firms currently spend an average of \$34,000/year per professional on technology-enabled research and data, according to findings from Concertiv, which has relationships across more than 700 vendors covering more than 900 products.

Dealmakers who implement a data and technology-driven deal sourcing process engage in **55%** more annual transactions compared to their peers and have an average fund return that is **8.3 percentage points** higher. Moreover, when PE firms right-size and customize their tech stack to better harness market data, they are more equipped to optimize processes throughout the identification, outreach, nurture, and due diligence stages. Consequently, firms expand their investable universe and generate more ROI for their technology spend.



AVERAGE TECH-ENABLED DATA COSTS FOR PE FIRMS:

**\$34,000/year per professional**

with costs increases compounding at 10% per annum<sup>2</sup>



## A Blueprint for Building a Technology-Enabled, Data-Driven PE Firm

THE KEY CAPABILITIES FIRMS SHOULD CONSIDER



Today, most PE firms still use a variety of non-interoperable, standalone solutions that only provide very standard capabilities. While there is a place for data and technology within the PE tech stack, it is incumbent upon firms to carefully assess their most business-critical needs, identify any gaps in their capabilities, and source solutions that best address those requirements.

Firms will have different technology requirements at each stage of the deal lifecycle, which makes identifying the most effective solutions even more challenging. As firms explore how to optimize their tech stack, it is advisable to consider exploring a technology and data procurement consultant, which can serve as a clearinghouse for the best technologies a PE firm can adopt.

Procurement consultants help firms find solutions tailored to their business needs and harness group purchasing to help financial services firms save money on technology investments. In addition, these experts can provide operational support at later stages of the deal lifecycle, such as contract lifecycle management, supplier relationship information, reporting, and analytics.

Above all, these firms can make the technology buying process less opaque, improve cost efficiency, and ensure firms invest in the right tools, starting at the identification stage all the way through the due diligence stage of the deal lifecycle.



## A BLUEPRINT FOR BUILDING A TECHNOLOGY-ENABLED, DATA-DRIVEN PE FIRM



## The Identification Stage

This stage of the deal lifecycle will benefit the most from automation. Instead of using a patchwork of tools and cross-referencing different databases, firms may benefit from leveraging an artificial intelligence-driven, automated B2B search tool for deal sourcing.

This solution should be a differentiated search engine that sits on top of a company database, helping firms move beyond the same 100 or so companies found in traditional best-of-breed solutions. The solution also should include verified emails for company contacts, especially those in the C-suite.

“Company identification is challenging. PE firms need true visibility into the middle market, smarter search, and relevant intelligence to uncover the right opportunities—faster.”

**NEVIN RAJ**

CO-FOUNDER AND CHIEF OPERATING  
OFFICER OF GRATA

Grata's search engine for proprietary middle-market deal sourcing and targeted B2B campaigns has more than 1 million verified emails for company executives and information for more than 6 million companies.

Beyond search, firms will also require list-building capabilities at this stage, so any automated B2B search tool incorporated into a tech stack should include the ability to find potential targets and build targeted lists based on specific investment criteria, such as company size, industry, specific keywords, or firm-specific market parameters.

For example, firms should be able to conduct granular searches for women-owned, middle-market firms or SaaS companies with less than \$10 million in revenue that offer a monthly subscription. Additionally, firms should be able to map markets automatically, as opposed to manually compiling data from disparate sources and undergoing the time-intensive process of creating proprietary sub-market distinctions.

All of this research should seamlessly flow into a firm's CRM, so there is a single source of truth for all sourcing data. This can drive more impactful interactions with target companies during the outreach and nurture stages.



## A BLUEPRINT FOR BUILDING A TECHNOLOGY-ENABLED, DATA-DRIVEN PE FIRM



## The Outreach Stage

Traditionally, firms have relied on bankers or intermediaries to bring them deals and then would reach out to these targets directly. However, the traditional approach to direct outreach is beginning to change.

“Outreach has started to become multi-channel. It started off with email, but it has begun to evolve where people are getting touches on social media. LinkedIn is becoming really popular, and people are even trying Facebook and other platforms, because a lot of mid-market businesses are pretty active on Facebook,” Raj says.

With this shift, firms will require solutions with multi-channel capabilities that allow for automated outreach via email and social media channels; access to analytics will also be critical to improve how firms engage potential targets. To fill this gap, Raj says many firms are turning to email marketing software solutions, such as Mailchimp, to send monthly newsletters to different industry sub-segments.

PE Firms perform significant outreach at in-person events. While there is no way to automate in-person interactions, firms can streamline the operational processes that support them. Individual mapping, people mapping, and relationship mapping tools, such as DotAlign, RelSci, and BoardEx, allow firms to better track direct analyst, associate, or partner outreach efforts at in-person events, conferences, and introductions via personal networks.

DotAlign, for example, provides what it calls “**relationship intelligence**”<sup>3</sup> inside Microsoft Outlook by analyzing email, calendar, contacts, and LinkedIn data. Firms can share this information internally with other stakeholders or even export it to use in other third-party applications. BoardEx uses a **proprietary mapping algorithm**<sup>4</sup> to identify first and second-degree connections based on who a user knows, who their connections know, alumni and corporate network affiliations, board and M&A deal relationships, and career overlaps.

Applying technology in this way to the outreach process can help firms leverage employees’ relationships and networks to broker introductions and source proprietary deals, ultimately accelerating deal flow.

### Leading Relationship and People Mapping Tools



BoardEx®

## A BLUEPRINT FOR BUILDING A TECHNOLOGY-ENABLED, DATA-DRIVEN PE FIRM



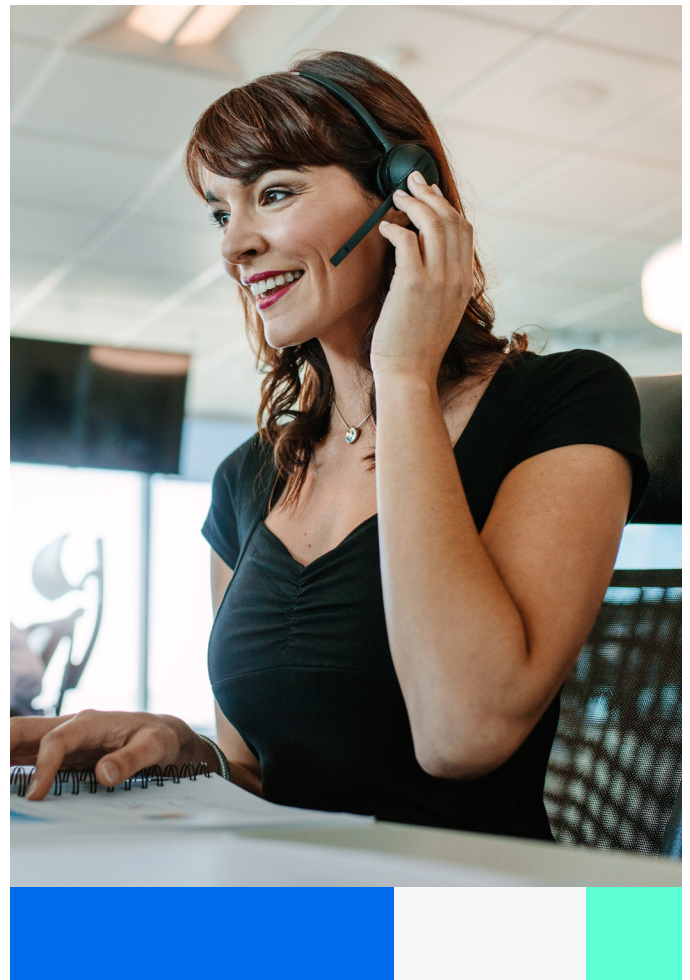
## The Nurture Stage

The nurture stage requires highly personalized, high-touch interactions that technology cannot fully optimize. Still, PE firms could do a much better job of engaging prospects outside of the traditional nurturing that takes place during scheduled trips, one-to-one meetings, conferences and trade shows.

To improve this stage of the deal lifecycle, companies can employ a strategy as simple as leveraging a CRM to engage targets on a quarterly basis. Raj suggests firms can also leverage tools that enable event-based or signal-based nurturing in response to changes at a potential target company, such as a Series A or B funding round.

“Compared to VC or growth equity firms, in private equity they’re not always looking at whether something has changed at the company. You grew, hit an inflection point or announced that you’re going to expand internationally — or something that would prompt you to consider a capital raise — private equity firms have not been on top of that,” Raj says.

Grata offers signal-based nurturing capabilities in its platform. Its proprietary machine learning algorithms read and interpret company websites, classify each section and contextualize this content. This can be beneficial for extracting information from company press releases or news sections on company websites that detail events like positive year-over-year user



growth or expansion into new global markets. In Grata, users also can create alerts, called signals, to notify them when something has changed with the companies on their target account list.

Grata’s unique approach to web search powers signal-based nurturing. This technology enables companies to quickly surface information they either would have missed or taken hours to find on Google or a legacy database. By leveraging these types of AI-driven search tools, firms can fine-tune and scale outreach and nurturing efforts.

## A BLUEPRINT FOR BUILDING A TECHNOLOGY-ENABLED, DATA-DRIVEN PE FIRM



## The Due Diligence Stage

Due diligence is a critical stage in the deal lifecycle because it can often make or break an investment thesis about a particular prospect. At this stage, firms often benefit from enlisting the services of experts to validate or challenge their notions about a potential target. However, finding good service providers is often time-intensive, which can slow down the time frame for closing a deal. To streamline this process and improve ROI, firms can consider working with a data procurement consultant, which can help firms find services that provide more insight into the viability of target companies.

A data procurement consultant can facilitate research and connections with experts, such as accountants or ESG consultants, to give firms a more complete picture of the

strengths, weaknesses, and potential growth opportunities a target company may offer. This managed service provider also can help firms identify technology solutions that further streamline the due diligence and data discovery process. This includes tools such as a collaborative data management platform which can serve as a central repository for all due diligence data. These platforms also enable teams to assign tasks, coordinate their workflow and keep everyone up to date on where the process stands.

By leaning on outside expertise in this way, firms have the tools and expertise to unearth more valuable data during the due diligence process and ensure they have all the right information to support (or nullify) their investment thesis.





# Best Practices to Build a PE Tech Stack of the Future

Several tools and resources can help firms advance their digital maturity, including automated B2B search engines, individual and relationship mapping tools, signal-based nurturing tools and data procurement consultants.

As an organization develops its tech stack, it is critical to keep the following things in mind:

## 1 Know the Landscape

Most firms know the leading providers in certain segments, whether it is Salesforce in the CRM space or Pitchbook for market intelligence. However, it is also important for firms to understand emerging technologies that peer firms have not yet uncovered.

For example, if a firm’s databases do not offer AI-driven signal-based nurturing capabilities or provide the requisite functionality to source look-alike companies, it is important to identify the solutions that do.

This is where consulting with data and technology procurement experts who offer managed services can be beneficial.



## BEST PRACTICES TO BUILD A PE TECH STACK OF THE FUTURE

## 2 Learn from Peers and Competitors

“As much as there’s massive competition for deals, I’ve found that on the operating side, particularly when it comes to technology and data purchases, companies are actually fairly collaborative and open to talking about their experiences,” says Webman of Concertiv, whose company consults with PE firms and provides research and data to support technology procurement decisions.

A firm’s associates, partners, and analysts likely have forged relationships with counterparts at other firms or have industry associations and private social media communities they can turn to for this information. Engaging with a managed service provider, such as Concertiv, also can open the door to speaking with more peers and unlock anonymized insights on what peers are doing. At the very least, firms can use both approaches to begin identifying solutions and comparing providers before firms conduct more formal outreach to potential technology partners.



## 3 Think Ahead

Technology purchases are long-term buying decisions and there is a high risk of vendor lock-in. It is important not to be short-sighted and only think about immediate needs.

Instead, firms should focus on what solutions will serve them a year or more down the road. Partnering with a managed service provider or technology and data procurement consultant can help ensure firms make technology investments that actually drive returns.

## 4 Cultivate Buy-in and Adoption

It is essential for firms to nurture leadership buy-in and formulate an adoption plan to ensure any new technologies under consideration are not underutilized. To avoid this, firms should do their due diligence upfront and ensure team members demo potential technologies to assess how well it serves their needs.

For example, an analyst may have different research needs at the identification stage than a partner who may need more robust tools to support his or her outreach and nurturing efforts. Though it may be difficult to find a single catch-all solution, the needs of all personas across the organization and the various implementation timelines should factor into any technology buying decisions.

**BEST PRACTICES TO BUILD A PE TECH STACK OF THE FUTURE****5** Look for a Partner, not just a Provider

Last, it is important to think of potential tech providers as key strategic partners. This mindset helps firms make strategic decisions that will benefit them in the long term.

“A lot of PE firms run quite lean — they outsource accounting, legal and commercial due diligence — and what they really keep in-house is the core financial modeling, including deal sourcing and business development,” Raj of Grata says. “When you operate lean, you really have to think of everyone around you as a partner, including the technology companies you’re going to work with. You want partners who are going to be constructive and have really good collaboration and support.”

PE firms traditionally have not been very tech-focused, but they now must operate in an environment where digital innovation is table stakes for every company — regardless of industry.

Along with identifying and closing deals, firms must shift some of their focus toward operational improvements. Ultimately, a diligent procurement strategy will allow firms to reap as much value as possible from their technology investments, uncover robust and differentiated market data, and maximize ROI.

“Every company is now a technology company, whether they realize it or not. For many companies, that means being an effective buyer of best-in-class technology and not necessarily a builder of custom solutions,” Webman says. “Being really focused on these decisions of how you build your tech stack will be increasingly critical, and you need to be just as sophisticated about it as you are about the other aspects of your business.”

**About Grata**

Grata provides unparalleled information and access to the private economy, unlocking opportunities and providing the competitive edge that turns good dealmakers into great ones. Its private company intelligence engine streamlines the process of finding the best companies to target, making it easier and faster to gain visibility into the entire market, get relevant insights and intelligence into target companies, build bespoke lists, and find similar companies to uncover more of the best opportunities in less time.

Visit [grata.com](http://grata.com) for more information.

**About Concertiv**

NYC-based Concertiv is establishing a new standard of excellence in B2B purchasing by providing the best deals, expert recommendations, and market transparency. With over \$300 million total spend under management, Concertiv serves distinguished professional services companies globally, facilitating procurement across a network of 1,000+ suppliers. Thanks to its unparalleled team of industry experts, unique pan-market position, expansive blue-chip network, and innovative software platform, Concertiv gives business leaders everything they need to feel confident that they are making the best operating decisions.

For more information, please visit [www.concertiv.com](http://www.concertiv.com).