Marketing Automation Market Trends 2008

Marketing's Time to Take a Leadership Role in Investment Decisions

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INTRODUCTION

Marketers face an automation spending dilemma. Historically, the systems, tools, and processes they use to plan, manage, and report on go-to-market activities fail to provide the type of measurement and insight needed to manage further up their organization's hierarchy. Yet, often when the investments are made, targeted to help meet marketing needs, the investment falls short. This research highlights the fact that that the mark is often missed because the ultimate investment decision falls outside marketing's control.

For marketing automation investments, IT, sales, or finance often holds the purse strings. They may listen but, given the relative pecking order in many companies, the lack of direct budget control lessens the alignment between the investment and the real needs of marketing organizations.

Marketers face demands for accountability and, to meet those demands, marketers must make their own demands for the right tools. Driving the right solution—in type, scope, and functionality—must become *the* main ingredient in the investment decision-making mix. Without a clear, convincing case, the influence of other functions will too often twist the investment decision. A decision making process that holds the relative importance of connections with the ERP system, financial systems, or HR systems, above the need for measuring and analyzing marketing processes and tasks, not only adds hidden cost but impedes marketing's ability to drive sales revenue and present its value to the rest of the organization.

Consider your investment situation. How much control do you have? In your existing automation investment portfolio—across software, services, and software as a service (SaaS)—how are the key areas of marketing automation, such as lead, list, resource, content, and interaction management, addressed? Do marketing's real needs lay unattended? This report provides a basis for comparison and understanding from the voice of marketers who have insight into historical spending and a vision of sound investments for the future.

METHODOLOGY

In 2008, BuyLine Research conducted a web survey of marketing operations and management professionals, individuals familiar with their organization's marketing automation investments and marketing budgets. Over 100 marketing professionals participated.

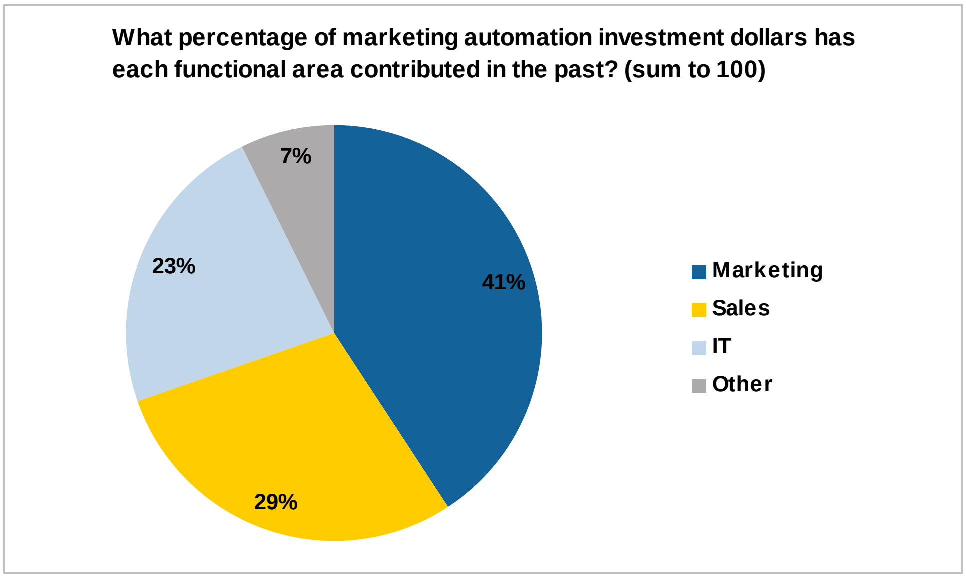
The survey participants represent more than 20 different industries and work in organizations ranging from fewer than 10 employees to over 25,000 employees. They hold positions that range from manager to CMO and have been involved in marketing automation investments within the past eighteen months.

The survey posed questions on funding sources, (pre-2007 total investment, then on the 2007 investment), and on anticipated changes in investment. This provided a historical perspective for comparison with the most recent annual purchase activity and future spending expectations. The results are segmented into marketing automation focus areas to enable both marketers and automation provider's insight into what types of tasks and processes received the most attention from respondents.

WHO FUNDS MARKETING AUTOMATION?

Does marketing actually pay for marketing automation investments? Yes, but more often than many believe, no. BuyLine Research asked marketers to breakdown the sources of past marketing automation investment dollars by the percentages contributed by marketing, sales, IT, or other functional areas. On average, 41% of the investment dollars come from marketing, 29% from sales, 23% from IT, and 7% from other interested parties (such as finance), as shown in Figure 1. When asked about the distribution in the next two years, they reported, on average, a slight shift towards increased contributions from marketing (43%) with slight drops in spending by IT (22%) and other areas (6%).

Figure 1: Past Functional Area Contribution to Marketing Automation Investment



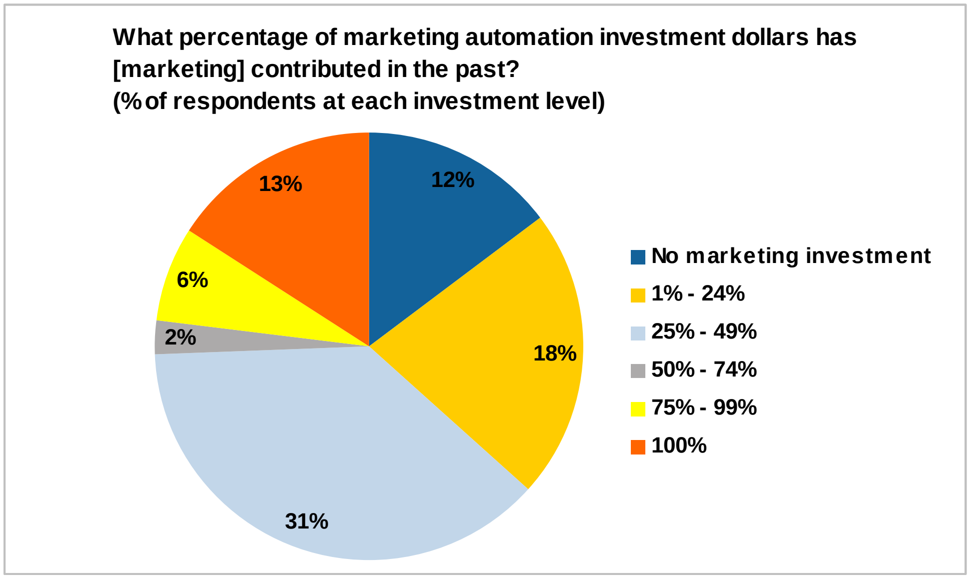
Marketers complain that too often their marketing automation solutions are not designed for marketing. They end up force fitting systems, tools, and applications to address automation needs. Small wonder. When you don't control the investment dollars, it is difficult to significantly influence the final investment. Sure, you may be asked for input, but the ultimate decision is in someone else’s hands, the hands that control the purse strings.

The averages reported above tell only part of the story. Figure 2 shows the percentage of respondents reporting various levels of contribution from marketing. Almost as many respondents (12%) reported no funding coming from marketing which had all the funding coming from marketing (13%). But what is most telling is that most respondents (61%) reported that less than half of their funding comes from marketing sources.

Once again, this highlights the way the control follows the money. In the future, if marketing provides a greater portion of the funding, it will be able to better drive the features and benefits of the purchase. And there is clear justification for this argument. A companion study by BuyLine Research shows the increased value to marketing of automation solutions that are designed specifically for marketing. (See *Marketing's World of Hurt*, 2008) And proof of that is observed through a response pattern that shows different emphasis in investment area when marketing provides more of the funding.

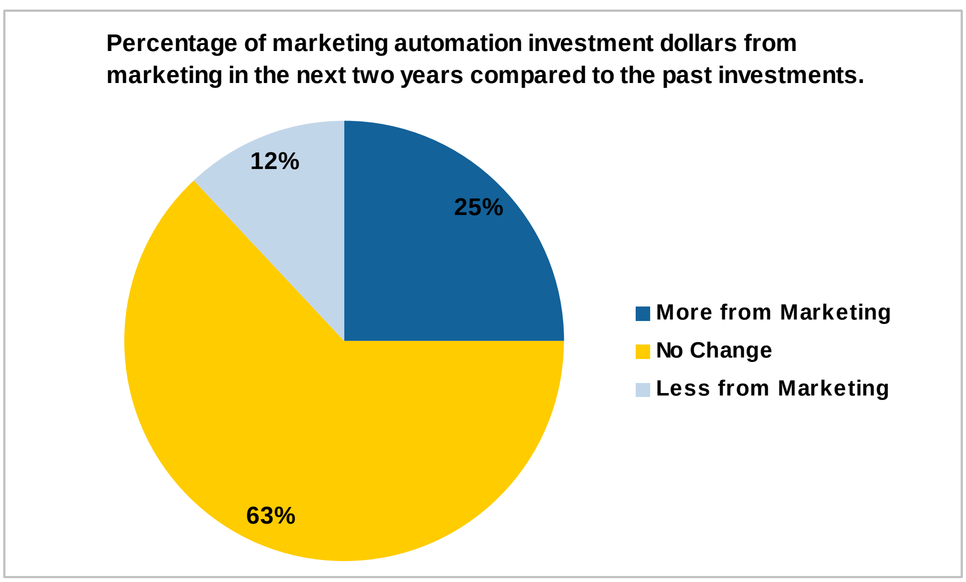
As you proceed through this report, all of the results will be presented in the aggregate, but some will also be reported in terms of minority stakeholders (where marketing provided less than 50% of the funding) and majority stakeholders (where marketing provided 50% or more of the funding).

Figure 2: Past Contributions from Marketing



When considering marketing automation spending over the next two years, a quarter of respondents expect to see the funding contribution from marketing sources increase, while an eighth expect to see marketing contributions decrease (see Figure 3). Although the overall trend will shift a few organizations from one segment to another, it is not significant and therefore our discussion of minority versus majority stakeholders will be based on a historical perspective.

Figure 3: Anticipated Shift in Contributions from Marketing

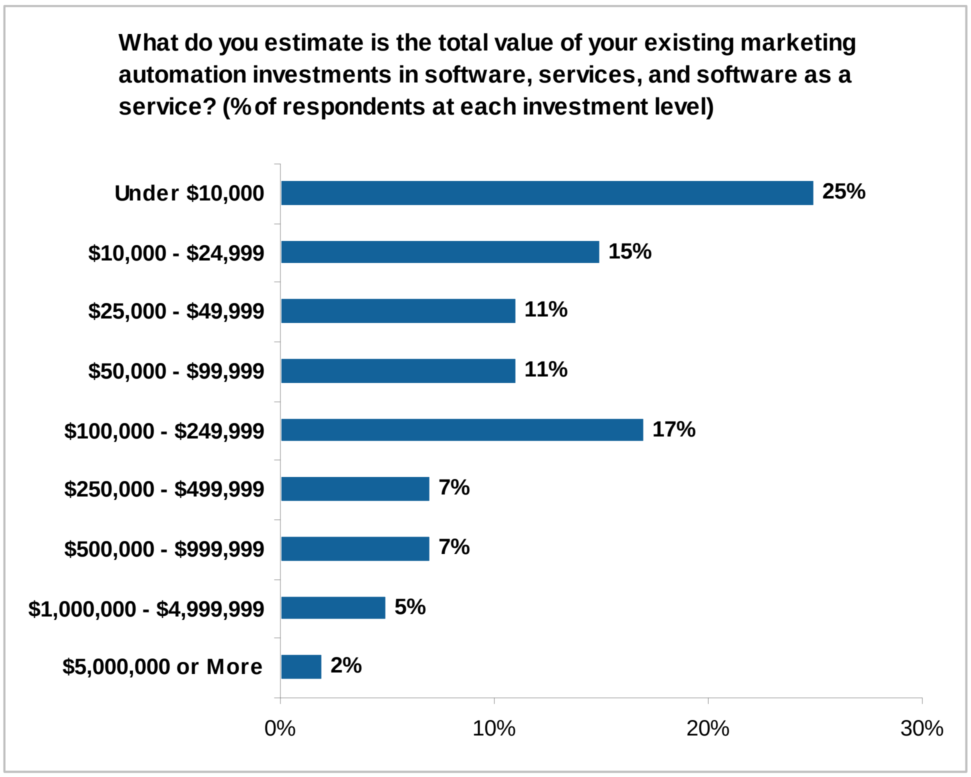


SIZE OF INVESTMENT

The total value of existing marketing automation investments in software, services, and SaaS ranges from under $10,000 to over $5,000,000 (see Figure 4). The median value falls just under the $50,000 line, with 51% of all surveyed marketers reporting total investments at less than $50,000 and 49% reporting total investments of $50,000 or more.

Minority stakeholders have slightly larger total investments than majority stakeholders. Fifty-one percent of minority stakeholders report investments of $50,000 or more, compared with 46% of majority stakeholders. This highlights that whether marketing is a major stakeholder in the investment or not the money is spent. However, when marketing is a minor stakeholder, the investment often tries to address too many other functional or process needs and marketing's full needs are rarely met.

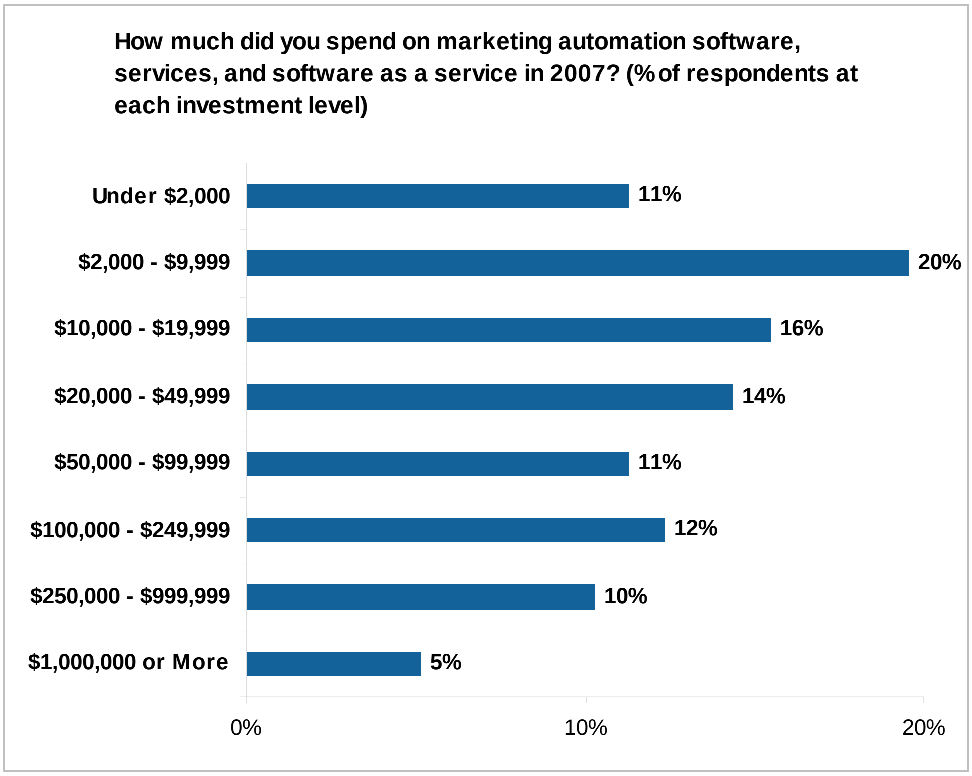
Figure 4: Total Value of Existing Marketing Automation Investment



In 2007, spending on marketing automation ranged from a low of $300 to a high of $2,500,000 (see Figure 5). The median expenditure was $20,000. More than a quarter of the marketers surveyed spent $100,000 or more and 5% spent $1,000,000 or more. The average value overall was $164,000.

When marketing was a minority stakeholders in the investment, expenditures were slightly higher during 2007, with a median spend of $27,500. Over the same time period, in instances where marketing was a majority stakeholder, the median spend was lower, $15,000. However, marketers as majority stakeholders made more of the largest investments, bringing the average spend for majority stakeholders to $172,000 compared to $159,000 for minority stakeholders.

Figure 5: Spending on Marketing Automation in 2007

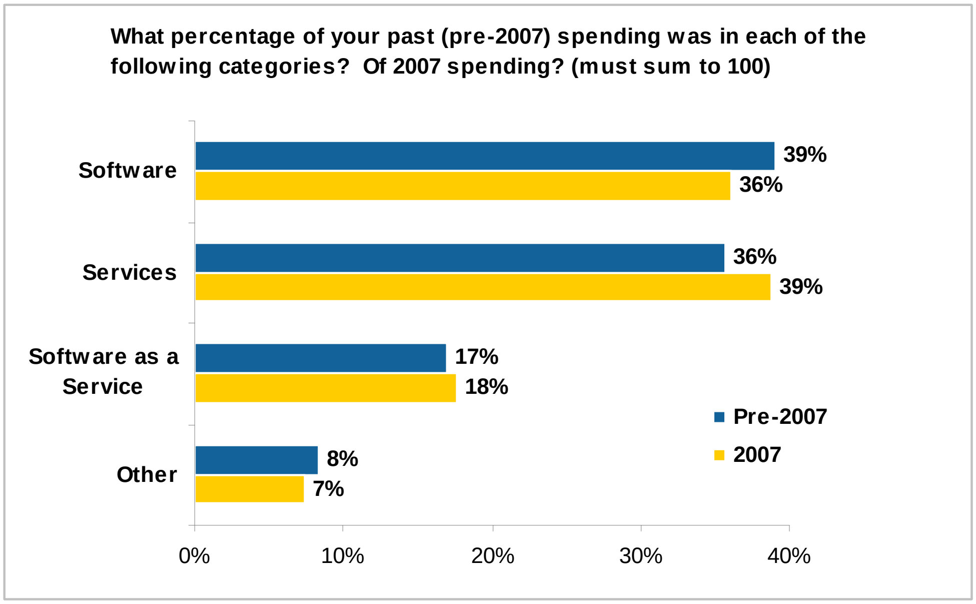


CATEGORIES OF INVESTMENT

Participating marketers reported that their pre-2007 marketing automation spending was distributed as shown in Figure 6: 30% software, 36% services, 17% SaaS, and 8% other. The distribution in 2007 spending shows a slight shift away from software and other, and towards services and SaaS. This is no surprise, but what will be interesting to consider is whether the shift to SaaS is sales automation led. If it is, marketing will once again be force fed systems and processes not fully optimized for its unique needs.

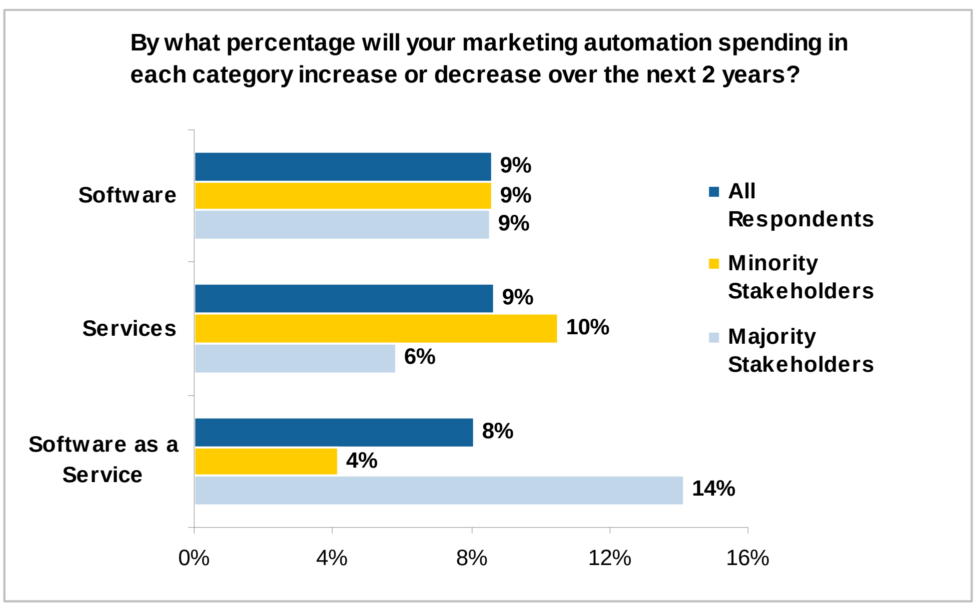
Prior to 2007, majority stakeholder marketers spent more on software (45%) and less on SaaS (14%) than did minority stakeholder marketers (44% on software and 19% on SaaS). Both groups devoted roughly the same amount of pre-2007 investment funds to services (36% for minority, 35% for majority). Each group showed a slight shift away from software spending in 2007.

Figure 6: Average Distribution of Spending by Category, pre-2007 and 2007



Marketers expect to spend, on average, 8% - 9% more in each of the categories over the next two years (see Figure 7). However, the emphasis is very different for minority stakeholder marketers when compared with majority stakeholders. Both groups expect similar growth in software spending, but minority stakeholders expect more rapid growth in services. Majority stakeholders expect more rapid growth in SaaS.

Figure 7: Average Projected Change in Spending by Category



One must ask whether minority stakeholders are moving towards services in an attempt to fix broken processes and avoid the internal politics, posturing, and negotiation inherent in IT infrastructure modifications. Perhaps some would rather work outside of existing systems and processes to have greater control over the features and application of the investment and simply work through the support and integration issues along the way. Perhaps these marketers have found they cannot rely on processes that prevent them from answering tough questions about marketing effectiveness, performance, and ROI.

FOCUS AREA OF INVESTMENT

BuyLine Research knows that automation providers and marketers need to see exactly where the current and future spending falls, not just by category, but by automation area. To gather this information, we defined the following seven focus areas for marketing automation:

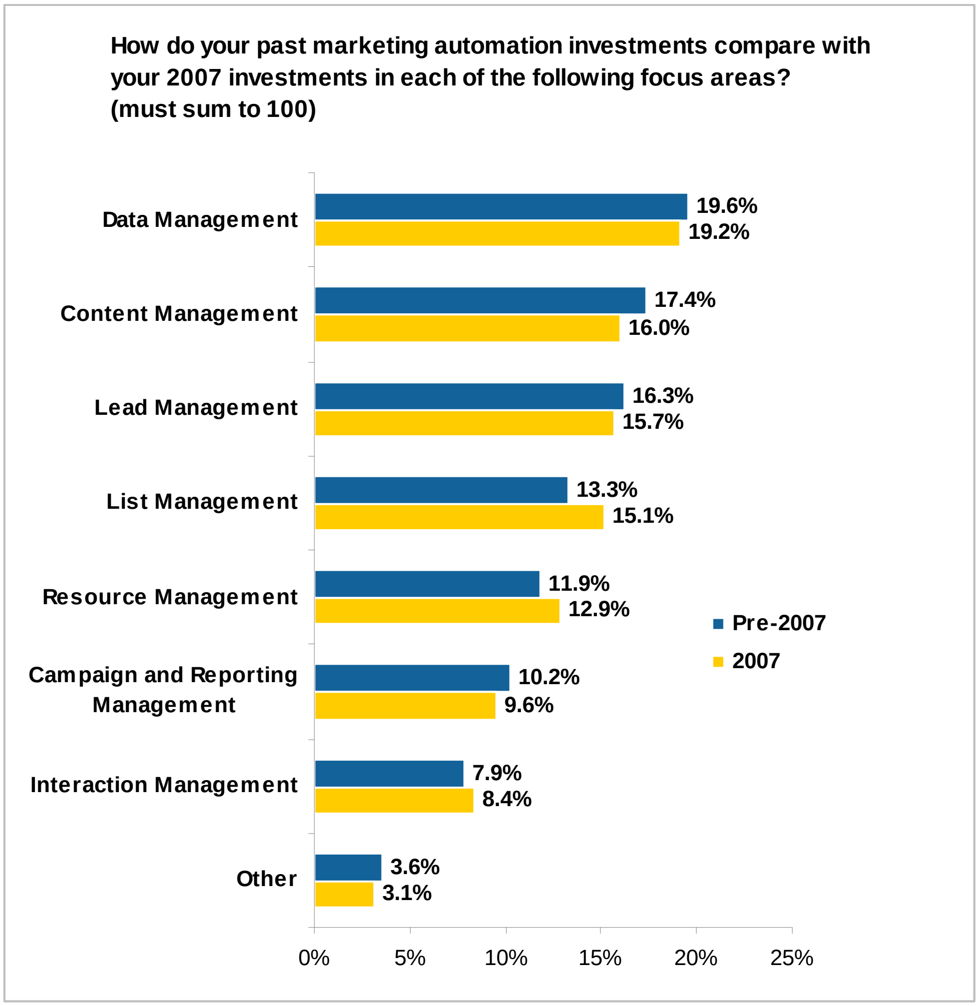
- Data management
- Content management
- Lead management
- List management
- Resource management
- Campaign and reporting management
- Interaction management

See the "Glossary of Focus Area Terms" for complete definitions.

Data management received 20% of pre-2007 investment (see Figure 8). Content management (17%) and lead management (16%) received the next greatest portions.

In 2007, the average distributions shift slightly, with list management gaining to reach a level more similar to that of content and lead management. Marketers are finding it is harder and harder to build a good quality pipeline. They see sales cycles lengthen, lead quality decline and lists overused. They therefore know they must make investments in both the lists they manage and the way they interact with those lists.

Figure 8: Average Distribution of Spending by Focus Area, pre-2007 and 2007



Majority stakeholder marketers devoted a greater percentage of pre-2007 spending to content management and campaign and reporting management and less to lead management and interaction management, than did minority stakeholders (see Figure 9).

The shifts in spending in 2007 lead to a partial closing of the gap in content management and lead management and a widening of the gap in the area of list management where majority stakeholders are investing a slightly greater percentage of their spending (17%) compared to minority stakeholders (14%), as shown in Figure 10.

Figure 9: Pre-2007 Distribution of Spending by Focus Area

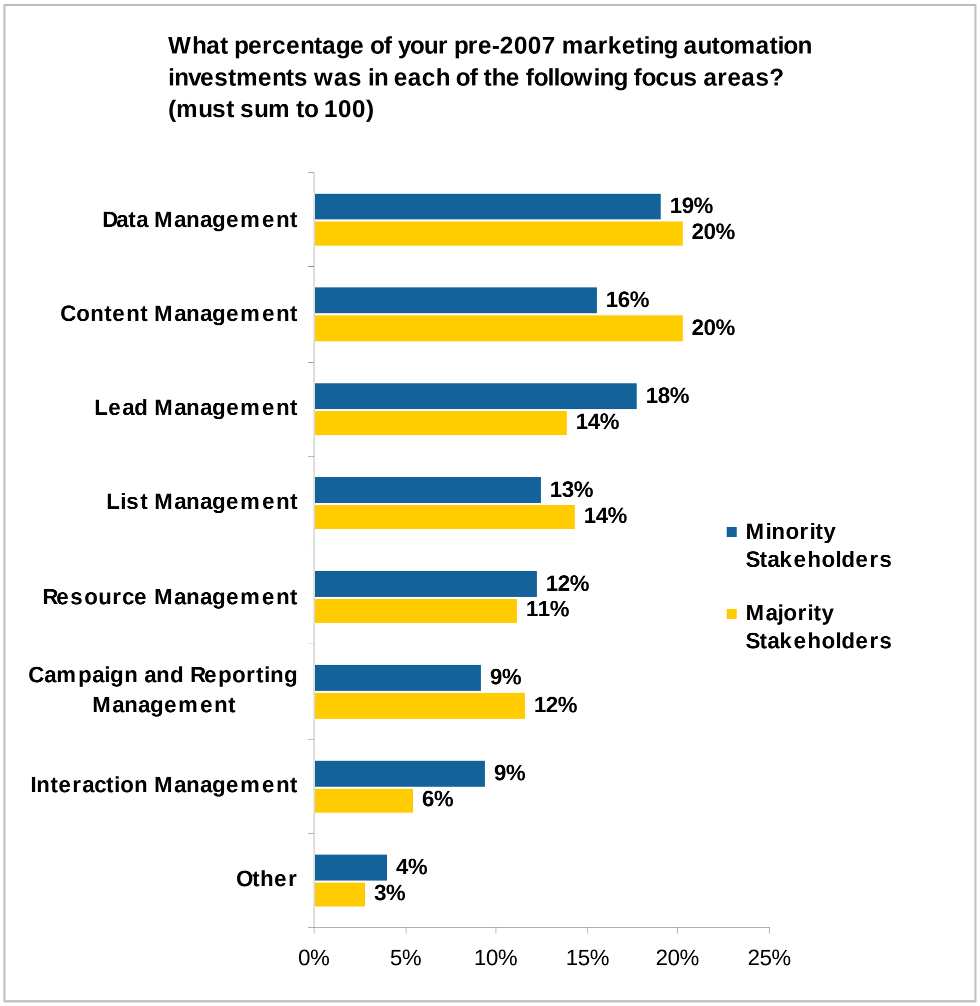
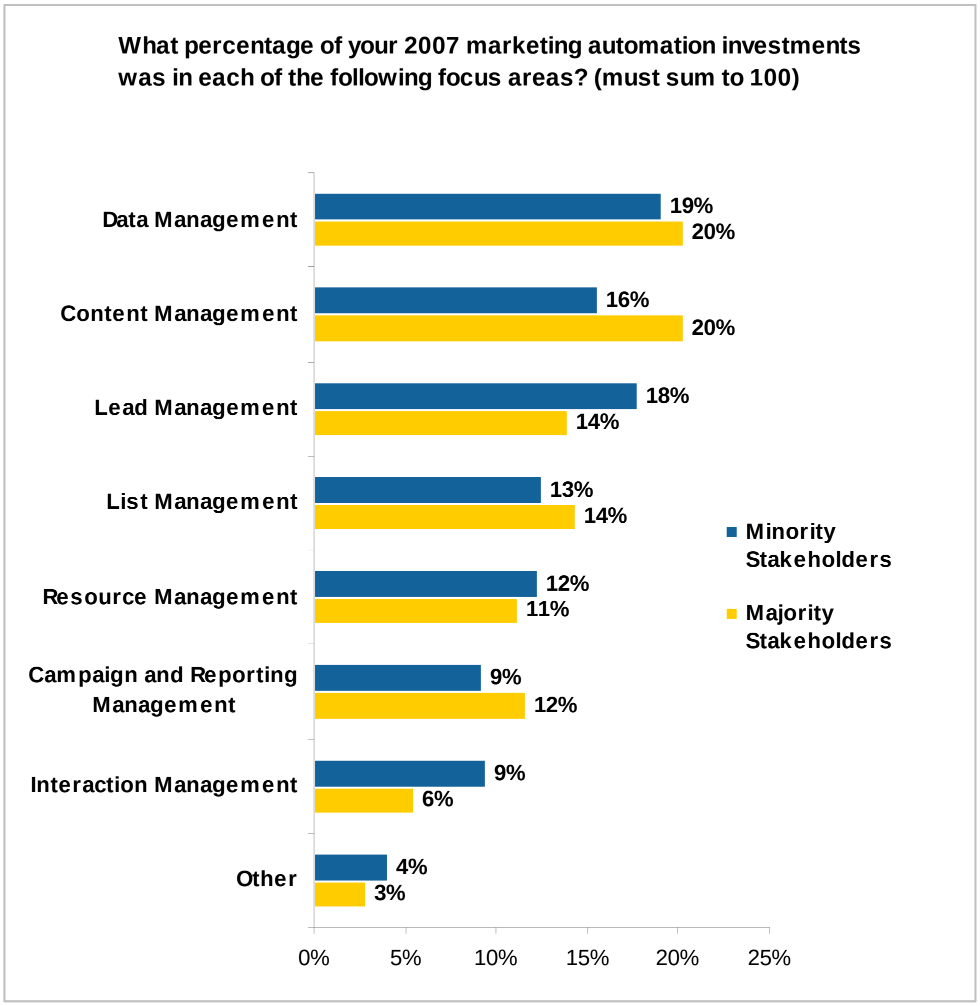


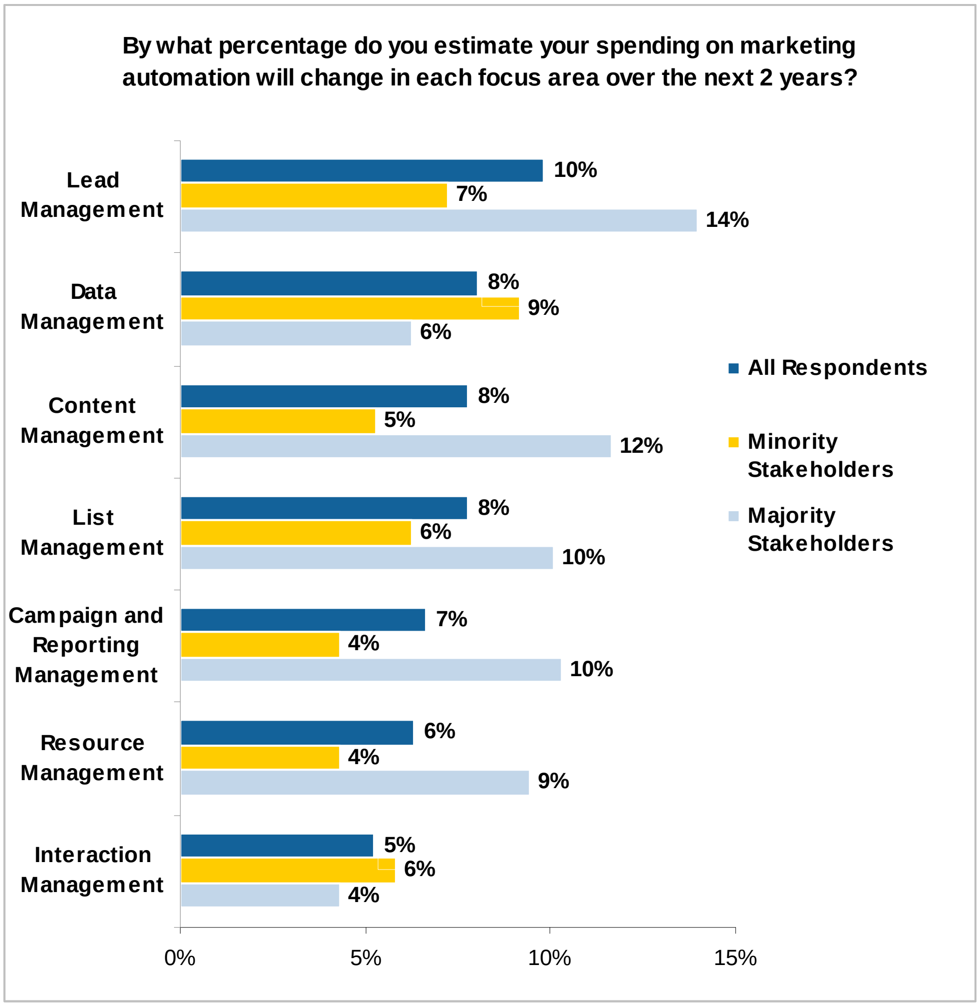
Figure 10: 2007 Distribution of Spending by Focus Area



Overall, spending on lead management is expected to increase the most over the next two years (10%), as shown in Figure 11. That aggregate value hides the fact that, for majority stakeholders, the expected growth in lead management spending is 14%! Majority stakeholder marketers also report an expected growth of 12% in content management and 10% in campaign and reporting management and 10% in list management. The two weakest areas of growth for these marketers are data management (6%) and interaction management (4%).

Minority stakeholder marketers expect their greatest growth in spending to be in data management (9%). Lead management (7%) and list management (6%) show the next greatest areas of expected spending growth.

Figure 11: Average Projected Change in Spending by Focus Area



The low levels of investment in interaction management by the majority stakeholder marketers (and indeed, of all surveyed marketers) may well prove a mistake on the part of marketing organizations. This area provides the best way to personalize the delivery of online content to individual prospective buyers. Meeting each customer's individual needs brings prospects back. Throw money at lead management and success will follow might be a common mantra, but to build the value of leads you must engage successfully. In today's digital world, simply throwing more content at prospects does not guarantee engagement. Increasing the frequency of contact does not guarantee engagement (and may land you on a blacklist as a spammer). Therefore, marketers may be taking too simplistic a view of what needs to be done to successfully engage prospects electronically.

The higher levels of investment in campaign and reporting management by majority stakeholders most likely reflect a need to measure the results of various programs to aid in focusing on strategies that work. But once again, if the investments are not marketing-need centric, marketers may be forced to look at services or SaaS that largely bypass internal infrastructure constraints.

Clearly, when marketers look at the automation landscape, they see needs in all areas. Increased spending in content management, list management, and lead management can be expected to combine with planning and reporting as marketing organizations seek automation solutions that "do" as well as report.

ACTION STEPS

This sampling of peer insight offers a starting point for comparison, analysis, discussion, and decisions by individual marketing organizations. The result can and should foster the motivation and energy necessary to convince upper management that marketing investments require marketing leadership. Use the findings to consider several different action areas.

Wallet Share—Map each focus area against the technology used to address planning, process, and reporting requirements. See how budget control relates to coverage.

Mind Share—Lay out the processes and measurements that marketing requires in each focus area. Find the gaps. Discuss and understand what is driving the gaps. How often is it the domination of another system or priorities of other parts of the organization? Build a model that shows cause and effect in how a lack of mindshare in investment decision directly correlates to marketing's inability to measure performance and successfully communicate actions, results, and impact across the organization, and to plan successful future strategies.

Investment Priorities—Investigate which automation areas offer the best ability to see, understand, and act effectively during go-to-market efforts and beyond. Use the relative positioning to prioritize investments. Never lose sight of the power that comes from linking those areas in terms of responsiveness, agility, and program efficiency.

Investment Accountability—If a marketing organization finds itself in that all too familiar minority stakeholder role, all is not lost. Rather, be extremely thorough in terms of the required process enhancements, analysis capabilities, planning models, implementation and execution options, and reporting/analysis flexibility. Gain agreement that those elements must be adequately addressed by quantifying expected gains in program effectiveness, lead generation, and quality of pipeline, visibility, marketing awareness, and revenue.

CONCLUSION

Truly, this is a very exciting time period in the history of marketing. Tried and true methods like print and face-to-face have joined with the online world to open new customer paths through social networks, new media, and the extended net. The new world makes increased marketing automation investments justified and also requires marketing to take the lead. To do this it must speak to the rest of the organization, with clarity that rivals the way finance talks about its system impact on managing account receivables.

Efforts to drive or influence how marketing automation investments take place may not immediately turn a minority shareholder role into one of majority, but it will force the organization to be accountable to marketing if the rest of the organization demands that marketing be accountable to it.

GLOSSARY OF FOCUS AREA TERMS

Campaigns/Reporting Management—A process within marketing to develop, deploy, manage, and measure programs that target individuals or groups. The scope of efforts includes segmenting data, developing offers and executing campaigns. These efforts constitute campaigns and result in funnel, pipeline, retention, or reputation benefits. The ongoing performance and results of campaign elements are monitored and analyzed against objectives.

Content Management—The secure storage, retrieval, and use of online marketing content that includes video, audio, text, animations, photos, and other web-based content. These assets often are used in campaign or community efforts. They may be static, interactive, or dynamic, and can include both physical media and electronic content.

Data Management—The storage, organization, retrieval, and analysis of information gathered and managed by automation technology and services. This data can be stored in automation-specific repositories or central repositories that cover additional organizational requirements.

Interaction Management—A combination of processes, contact capabilities, deliveries, real-time responses, tailored dialogues, reports and analyses to facilitate, conduct, complete, and score a specific activity or series of activities. Those activities enable direct interaction between a vendor/partner and prospect, buyer, or customer. Management must include the ability to attach a score to specific content types, activity participation, events, and demographic or psychographic attributes. Scoring must enable routing, aging analysis, and point expiration.

Lead Management—The effort to generate new business activity stemming from outbound marketing and responses from individuals, buying teams, and organizations. Responders are engaged, qualified, and validated. At that point, a specific opportunity is identified, targeted, and pursued. Management can involve prioritization, segmentation, validation, follow-up, nurturing, and pursuit.

List Management—The use of tools and analytics specific to the prioritization, segmentation, organization of lists or audience types in different stages of pursuit, engagement, and retention. This includes segmentation and customization of approach. The content and context of the customized approaches are based on the demographic and psychographic attributes of one or more target audiences.

Resource Management—The organization, planning, distribution, and use of people or other constrained resources for marketing or sales activities. Resource management activities can be direct, indirect, part of a process, or one-time in-need and use.

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