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Editorial by Guest Editor Bruce Biegel

The current view and outlook for the future of marketing automation

Abstract

The purpose of the following paper is to provide an overview of the current state of marketing automation — the methodology by which process design and technology may be harmonised to enhance both efficiency and effectiveness of marketing execution — creating a framework through which to view the papers within this issue of the Journal. Given the increasingly complex marketing environment, challenged by channel complexity and consumer fragmentation, marketers are turning to a more sophisticated set of marketing technologies to manage the campaign planning and execution process. The purchase and implementation of these tools has appeared in a multitude of varieties, however. Some marketers have chosen to host the tools remotely, whereas others retain control on premise; some selected single 'point' solutions whereas others invested in full 'suite' solutions, requiring complex integration into legacy custom solutions or into their larger web of business information systems. Further complicating this purchase process is the constantly shifting vendor landscape comprised of several hundred companies that are in a state of near continuous consolidation.

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Introduction: Why marketing automation matters (a lot)

Whether powered by a Microsoft Excel spreadsheet, marketing resource management (MRM) platform, online advertising exchange or interactive 'widget', marketing automation has become critical to overall marketing management, effectively driving the recent advancements in digital marketing. Without marketing technology there would be no digital marketing channel.

Marketing — whether direct, digital or measured media — is increasingly fueled by the power of technology, enabling marketers to realise multiple benefits in both marketing effectiveness and efficiency.

Complex consumer behaviour challenges marketing optimisation effectiveness

Many marketers now find themselves working in more restrictive environments, faced with fewer resources and increased accountability. As such, many are focused on optimising their return on marketing investment (ROMI) to improve marketing effectiveness, thereby increasing revenue, profit and market share, while maintaining overall marketing spend. These effectiveness objectives are typically a combination of short- and long-term goals, including branding, lead generation and customer relationship management (CRM), which are managed throughout the marketing process from development of strategic intent through campaign execution.

Changing consumer behaviour makes marketing effectiveness optimisation increasingly challenging, as a result of the various and often unpredictable ways in which the consumer digests and reacts to media. This complexity is further compounded by a multiplicity of other factors:

- *Media mix optimisation* — the allocation of resources across marketing channels, with special attention paid to combinations and sequencing of media selection.
- *Product lifecycle compression* — the rate at which products are introduced, marketed and replaced.
- *Privacy rules and regulations* — laws and non-regulated ‘best practices’ that must be applied to direct and digital marketing initiatives in order to protect consumer data and rights.
- *Corporate governance* — increased requirements for tracking and reporting, driven by internal demands for accountability and external legislation such as Sarbanes–Oxley in the United States.
- *Resource constraints* — heightened economic pressures have hindered the availability of internal resources, forcing management to effectively ‘do more’ with the same or fewer resources (primarily staff).
- *Globalisation* — marketing that was predominantly local in practice in the past has become global — facilitated by the Internet and subsequently the ability to interact in real time — creating the need for standardised marketing messaging and content across geographies, suppliers and marketing channels.

Performance improvements achievable by operationalising marketing processes

Given these factors, marketers are looking to refine internal processes in order to gain better control, visibility and overall efficiency in marketing operations. By operationalising the marketing process, companies can manage costs through waste reduction and staff optimisation; improve speed to market through reduced cycle time; and enhance targeting to support the shift from mass to one-to-one marketing. These improvements free up resources that can be reinvested in revenue-generating activities, primarily customer acquisition and retention efforts. According to a recent study by the Aberdeen Group,¹ visible performance improvement is the key technology-adoption driver (see Figure 1).

To achieve these efficiencies and the resulting desired gains in effectiveness, marketers have begun to invest in a variety of

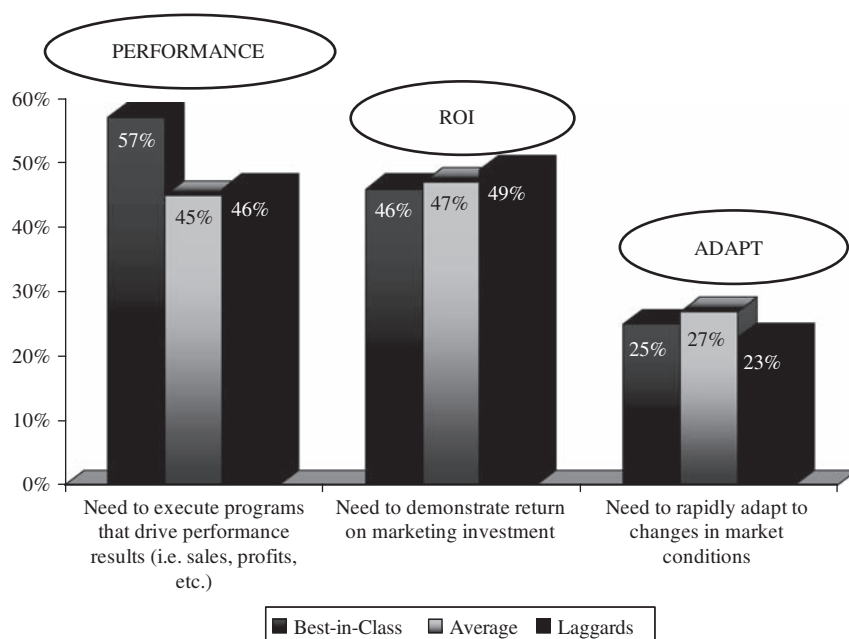


Figure 1: Marketer priorities by organisational class.
 Source: Aberdeen Group report.

technologies, spanning simple ‘point’ solutions to full enterprise suites. Over recent years, marketing technologies have continuously evolved, providing a full range of choice from the rudimentary to the sophisticated. The following is Winterberry Group’s definition of marketing automation:

Marketing Automation: the utilization of *marketing technology solutions* to automate *marketing processes* including (though not limited to) planning, budgeting, segmentation, database management, analytics, creative execution, asset management, campaign execution, lead management and reporting. These marketing technologies are a combination of software, networks and hardware that allow the inputs, processing and outputs of marketing and business information and content.

The workflow that maps the marketing automation process is most simply represented in Figure 2. The process begins with marketing intent, whereby strategic inputs are transferred to marketing operations to effectively drive and measure the entire process.

Campaign execution is a product of the combination and optimisation of data — which may consist of names, postal and e-mail addresses, demographic, psychographic and transactional information residing in one or more structured databases — and creative assets — the images, video and copy — in order to effectively target customer communication. The ultimate goal is to target the right prospect with the right content to improve sales conversion (up- and cross-sales). In addition, data capture throughout the process can be measured and analysed to enable continuous marketing process improvement through calculated modification to the initial strategic intent.

Effective campaign execution is driven by data aggregation and optimisation

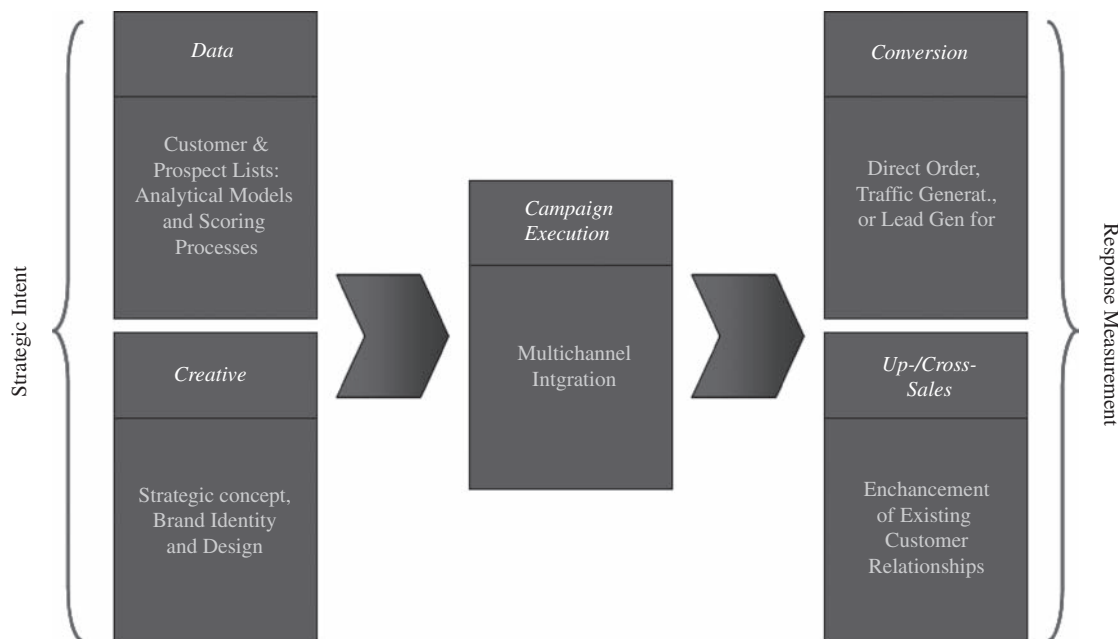


Figure 2: Marketing automation workflow

The CRM platform pioneered marketing automation

Automation of the marketing process garnered market visibility in the 1990s with the release of the first CRM platform. These software platforms were designed for enterprise customers that sought to integrate marketing and sales business information in order to gain insight, efficiency and control over the sales process. Led by Siebel Systems, these large solutions were expensive to license and install, with most projects designed and implemented by internal information technology (IT) departments. The promise of these early enterprise platforms — and the variety of mid-market CRM platforms released during that period — frequently fell prey to overambitious objectives (required to sell the solutions), delayed project implementation schedules (the more complex the effort, the more difficult to realise) and ultimately the disconnect between marketing and IT requirements. The result was a somewhat allergic reaction from marketers to all things technology-related, in favour of creative freedom.

Faced with internal decision-making and implementation challenges, many organisations — realising the efficiency benefits that technology could provide — opted for a series of ‘home-grown’ or custom solutions that were derived from existing third-party marketing, sales and business information tools. Development was typically tasked to IT and technology consultants, creating additional challenges, as the marketing and IT ‘language’ did not always align.

Sophisticated marketing technology solutions maximising ROMI

Despite the challenges of the early years, innovation and advancement has characterised the last decade. Significant gains have been made in the functionality and sophistication of marketing operations and campaign execution support tools. Driven by substantial public and private investment, the quality, modularity and usability

of marketing technology solutions has improved dramatically. Critical has been the introduction of scalable and sequenced product implementations that allow marketers to demonstrate positive ROMI to gain executive ‘buy-in’ and continued funding. Given the short tenure of the chief marketing officer (currently estimated between 18 and 27 months), the ability to demonstrate a series of ‘quick wins’ aligns better with their given investment horizon. The prevailing theory being that solutions can be combined at a later date and provide the same efficiency gains as the alternative full enterprise suite installment.

Defining the marketing technology landscape

Elements of marketing technology have been around for centuries. The more recent evolution of marketing automation has, however, changed the practice of marketing significantly. The spreadsheet can be considered the first widely adopted technology ‘tool’ used by marketers and their service providers alike. To this day, it is still the most consistently used form of marketing technology — irrespective of the size of the organisation. The current marketing technology landscape offers much greater selection, however, and much more flexibility in terms of functionality, platform and cost, motivating many organisations to add to their repertoire.

Winterberry Group’s understanding of marketing automation is grounded in the *Marketing Technology Value Chain™*, as represented in Figure 3. The Value Chain illustrates the interrelationships of the various strategic- and execution-oriented marketing tactics that can be driven by technology solution offerings. Few vendors today offer true

Excel spreadsheets remain a staple marketing tool, although a broad array of marketing technology solutions are now available

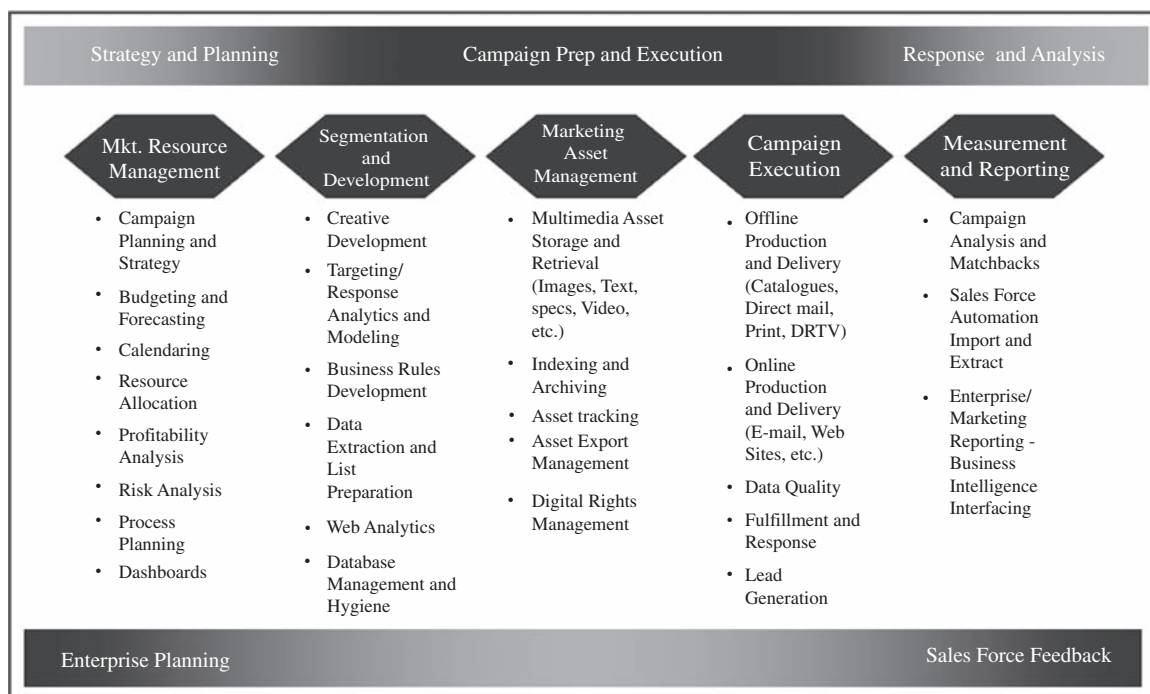


Figure 3: Winterberry Group Marketing Technology Value Chain™

‘enterprise’ solutions that address needs across the entire Value Chain, resulting in an array of modular offerings from which marketers can select and integrate themselves.

The Value Chain maps the marketing operations execution process across five typical toolsets:

- *MRM*: intended to govern the usage (allocation, routing, scheduling and replenishment) of available marketing resources — including investment and time required and intangible assets.
- *Segmentation and development*: deployment of business rules necessary to align tactics with the strategic intent of the marketing campaign. Encompasses creative content development as well as market segmentation and targeting priorities.
- *Digital asset management (DAM)*: a system to provide for the efficient storage, usage and protection of intellectual property considered essential to the marketing campaign, including brand imagery, collateral, packaging and multimedia assets. This may also be referred to as Marketing Asset Management (MAM).
- *Campaign execution*: the process by which marketing messages are delivered to their intended recipients (either independently or in conjunction with other media) and appropriate responses are collected and processed. Execution solutions now cover digital, print, broadcast, mobile and outdoor advertising as primary channels.
- *Measurement and reporting*: the analysis of actions driven by the marketing campaign, as well as distribution and application of such information throughout the enterprise. Managed properly, this information may be funnelled by marketing or the marketing platform to sales (be it a person or a website), product management and finance for action follow-up, or used internally as a catalyst for learning and future campaign development.

Marketers are integrating a combination of SaaS and on-premise platforms with their own custom-developed products

Collectively applied, these technologies offer a platform for marketers to effectively manage their marketing workflows from the planning stage through creation, production, delivery and response. These various tools may be either presented as point solutions that solve a specific marketing operations challenge or grouped into suites that cover multiple processes. In addition, marketing technology has evolved into two primary licensed delivery offerings — as a remotely hosted software-as-a-service (SaaS) platform or as an on-premise (behind the firewall) platform’. Increasingly, we see organisations integrating their custom-developed products with a mix of these two platforms and, of course, Microsoft Excel.

Marketing operations management solutions are only one component of an organisation’s Business Information (BI) platform. However, marketing operations play an important role in populating adjacent systems — including salesforce automation (SFA) and CRM systems — with information to help plan business operations, as well as receiving data sets used for reporting, analysis and continuous improvement. In addition, these technologies are bordered by enterprise

resource planning (ERP) platforms, product databases, financial management systems and related organisational technologies that, together with marketing automation, enable effective business management.

Over the past several years, elements of marketing automation have been incorporated into these larger platform solutions, as the market for many core BI platforms has matured. Large corporations — in an effort to optimise communication and internal efficiency — have invested in integrated enterprise-wide solutions, requiring sophisticated IT capabilities to manage an on-premise solution (whereas the mid-market has been more inclined to invest in SaaS solutions, due to its relatively constrained IT bandwidth). With that being said, the industry is in early development, particularly with respect to the establishment of an enterprise suite offering, as no single vendor is close to covering the full solution-set across the marketing technology value chain.

Market technology adoption is growing rapidly, but marketers are challenged by an array of choices

The complex eco-system of customers and vendors

Global marketers and suppliers are projected to spend in excess of US\$8bn during 2008 on marketing technology software, hardware and services. This expenditure level is expected to grow at a compound annual rate of 15 per cent per year through 2012, according to the Gartner Group.² This growth and expenditure indicates unprecedented levels of marketing technology adoption, demonstrating the benefit and priority that organisations are now placing on marketing efficiency. In fact, every end user surveyed by Winterberry Group in 2007 indicated that they intended to increase spending on related products and services, particularly to enable optimised campaign execution in emerging channels.

These same end users, however, expressed frustration with their ability to effectively navigate the provider landscape and make knowledgeable purchase decisions, due to the variety of available solutions and the ever-growing number of marketing channels requiring automation. At last count, there were over 300 marketing technology vendors, ranging from multi-billion dollar companies, such as Oracle, SAP, Microsoft and Hewlett-Packard, to early stage innovators developing digital and mobile solutions. Marketers are more accountable than ever for business performance (e.g. revenue and cost reduction objectives) and customer management, making the benefits of automation highly relevant. However, given the complexity of the typical marketing execution process (see Figure 4), it is no wonder that marketers are perplexed by not only the tool selection process, but the implementation challenges that follow.

This series of multiple point solutions — stitched together via human intervention, Excel spreadsheets, jump drives and custom applications — results in a significant amount of waste. Despite its cumbersome and costly nature, this process does in fact ‘work’, making it difficult for marketers to abandon the system and commit to the time-intensive implementation required for automation. The automation process must often be managed in-house or through the use of specialised consultants, as most technology vendors are not structured to provide integration services. The growing complexity of the

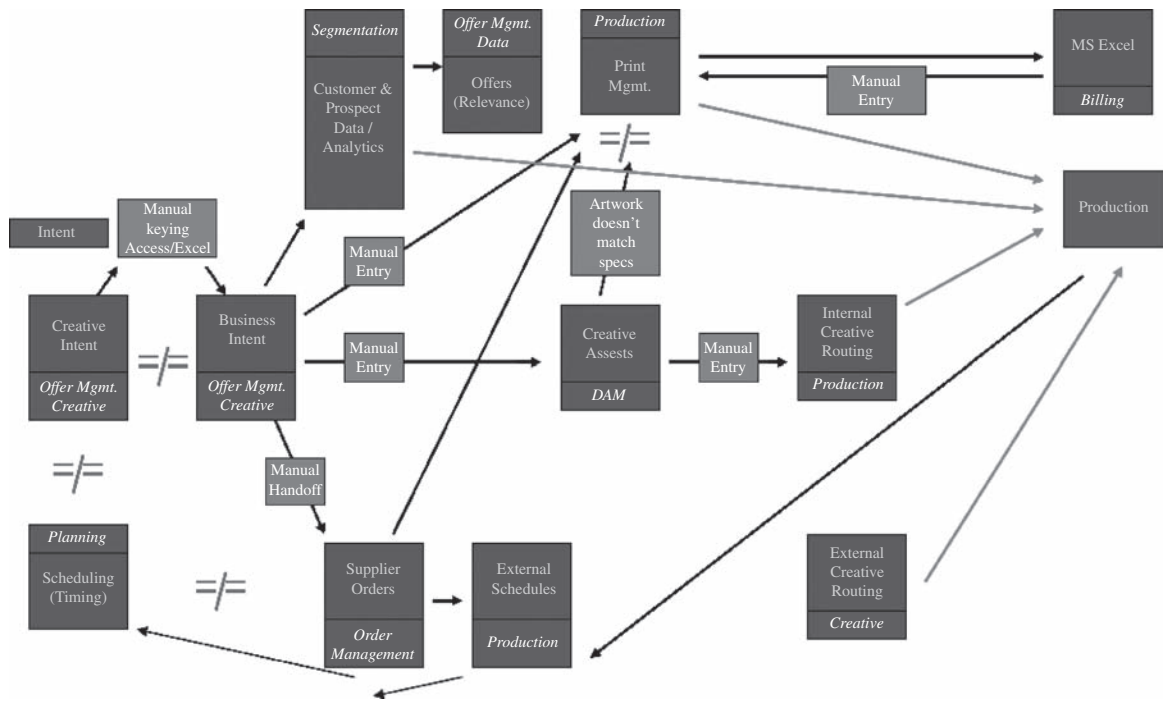


Figure 4: 'Current state' marketing execution process map

marketing ecosystem is, however, motivating many marketing teams to undertake this endeavour. To ensure implementation success, organisations must undertake the following ten steps.

Pre-implementation ten-step checklist

1. Assemble senior-level steering committee to (i) control budget, (ii) allocate staff resources to project and (iii) determine project scope and schedule.
2. Determine project team, drawing from internal departments and supplementing with external subject matter experts as required.
3. Assess the 'current state' of marketing operations by process-mapping the activities of all internal 'silos' that interact with the marketing process as well as the external marketing supply chain, uncovering bottlenecks and gaps that impact timeliness, accuracy and completeness of work.
4. Determine base metrics in terms of cycle time, productivity and resource costs, as well as expected improvements to be gained through process reengineering and automation.
5. Identify technology options that will facilitate the identified process improvements through vendor interviews, before RFP issuance (IT should figure prominently in this process if it is to be part of the implementation).
6. Map the proposed 'future state' and assess feasibility against current resource and investment capabilities, as well as total cost of ownership.

7. Select the preferred vendor(s) and the tool or set of tools to facilitate movement toward the desired ‘future state,’ including the mix of point, suite or customised solutions.
8. Outline a detailed implementation process and schedule, identifying short-term, results-oriented objectives. Assign clear roles and specific activity-oriented responsibilities to individuals on the implementation team and throughout the organisation (as required).
9. Select an implementation team, headed by marketing operations, but with representatives from all ‘impacted’ departments within the organisation, as they will be instrumental in driving change through active coordination and communication. Depending on the size of the organisation and scope of implementation, a third-party team (that understands both marketing and technology) may be beneficial to maintain focus and increase the probability of success.
10. Communicate the plan and gain commitment throughout all levels of the organisation.

Through careful planning, proper selection of marketing automation tools and critical management of the implementation process, the former disconnected marketing process should transform into a streamlined, cost-effective and efficient practice (Figure 5).

Upon examination of the evolution of the current vendor landscape, it can be seen that most have grown from a series of technology cores that originated within the major groupings of the Marketing Technology Value Chain™ or from the BI group. For example, companies such as Unica and Alterian began as segmentation platforms, providing a method to integrate data from the CRM database and third-party

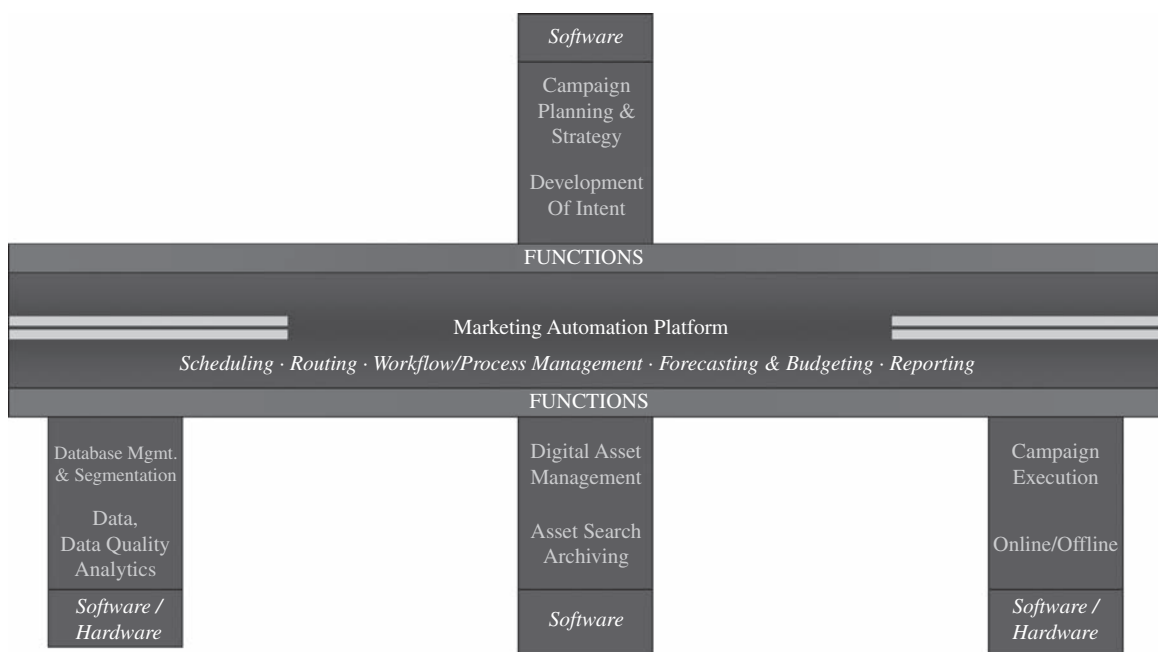


Figure 5: ‘Future state’ streamlined marketing execution process map

sources with analytical applications from vendors such as SAS in order to speed the selection and analysis of data for marketing campaigns. Over the past four years, these platforms have grown — via internal development and external acquisitions — across the value chain, adding e-mail delivery, web analytics, and web content management and MRM modules.

During this same period, Oracle — with the purchase of Siebel — added SFA capability to its BI platform, and has in turn developed a set of marketing applications within the Siebel platform to expand from SFA into marketing. Conversely, SAP purchased Business Objects, adding BI and data hygiene tools to its significant base of ERP applications and expanding the platform further into marketing with SAP MRM.

**The jury is out on
'best of breed' point
solutions versus
'broader coverage'
suits**

These core expansion efforts have led to the creation of 'suites' that often surround a 'best of breed' point solution, but these adjacent applications do not always fall under the same 'best of breed' positioning. Any examination of the point solution leaders most frequently covered by research firms (e.g. Forrester, Gartner, IDC) demonstrates the diverse mix of companies in each application segment, with no one company leading across all segments. As a result, the debate over investment in 'best of breed' point solutions versus broader coverage 'suites' will ensue, a debate made more difficult by the existence of in-company marketing silos for direct, digital and media, and the fact that no single suite exists today that covers the entire value chain.

Increasing the challenge and opportunity: An outlook for vendor consolidation

**Fragmented
vendor market,
with consolidation
imminent**

Given the current fragmentation within the vendor marketplace, and the significant growth potential derived from increased marketer adoption, rapid and continuous market consolidation is imminent. According to investment bank Petsky Prunier LLC (2008), there were 157 marketing technology transactions in 2007, with an aggregate purchase price of \$17.9bn, a significant increase over the \$5.5bn spent on approximately half the number of transactions in 2006.

The majority of these transactions were focused around digital media — either content management or e-commerce management, with MRM, CRM and BI tools rounding out the leading segments. The buyers were split evenly between financial investors (private equity firms and venture funds) and strategic or corporate investors. Among the leading transactions were SAP's acquisition of Business Objects, Google's cash acquisition of Postini in the e-mail/e-services segment and Omniture's acquisition of Visual Sciences, creating scale in web analytics.

Despite the challenging economic conditions, deal pace has continued through 2008, with 133 transactions completed. Among these deals, 80 were funded using \$3.6bn of venture capital, according to Petsky Prunier.³ Feeling the brunt of tight credit markets, private equity remained on the sidelines, however, investing in only four of

these transactions and accounting for only 3 per cent of these transactions, thereby lowering the total capital committed to the sector. Strategic buyers remained active, completing deals at the same rate as in 2007.

Once again, digital properties experienced the greatest amount of interest, with the majority of transactions covering digital content, ad serving, e-commerce and Web 2.0. The second most active sector was segmentation and response management, as measurement, testing and optimisation tools were added to round out execution technologies. MRM deals continued to climb, with six transactions completed during the year-to-date period as compared to nine in all of 2007.

As we look forward, several consolidation themes are expected across the marketing technology landscape through 2009. The first is in MRM, as companies that have achieved solid positions in segmentation and DAM move aggressively into related planning and strategy segments to enable early insight into campaign effectiveness. In addition, web analytics will become a subset of the more robust offline analytics suites, as the significant web analytics solutions providers (Omniure, Coremetrics, WebTrends) attempt to differentiate themselves in the face of free offerings from Google Analytics.

Digital technology providers are expected to acquire their way up the value chain as well. While the initial acquisitions centred around segmentation providers (Alterian and Unica both acquired e-mail platforms), the next wave of consolidation will come from e-commerce and e-mail providers seeking to maintain their independence. Representative early transactions here include acquisition of eDialog by GSI Commerce, and Silverpop's acquisition of Vtrenz. E-mail management and delivery, facilitated by MRM functionality and access to DAM platforms, provides a straight path for marketers and suppliers to rapidly execute a large number of campaigns at current staffing levels.

In an early stage is the final consolidation theme: the entry of large strategic acquirers with deep understanding of technology, into the marketing technology segment. These buyers are rooted in three distinct business areas: business information/enterprise software, digital platforms and portals, and offline media companies grounded in the print media sector. Companies to watch include the following:

- *Microsoft*: Microsoft's acquisition of aQuantive brought the addition of ad-serving platforms and technology in Atlas and DrivePM, launching the Company into the digital marketing/campaign execution segment. Given Microsoft's CRM business, we can expect the company to bridge the two applications by moving into MRM, segmentation and DAM.
- *Google*: Google will likely continue to consolidate digital marketing tools, given its analytics platform, combined with the DART ad-serving technology resulting from the Doubleclick acquisition. On the radar could be more corporate e-mail, e-commerce, Web 2.0 tools and content management.

E-mail and e-commerce providers poised to lead the next wave of consolidation

- *Oracle*: With its acquisitions of Siebel in SFA/MRM and Hyperion in BI complete, Oracle will likely continue this growth by focusing on digital and offline campaign execution that help to round out its corporate offerings.
- *Hewlett-Packard*: HP, already a global BI player, followed Xerox's acquisition of XMPie, a web-to-print solution, into the print management and print execution software segment with the acquisition of Exstream Software, a leading platform for statement and variable print solutions. Although new acquisitions may slow for a time, additional moves into the marketing technology segment are expected, given the EDS integration task.
- *SAP*: Acquiring Business Objects to expand their BI footprint was a significant departure from SAP's traditionally organic approach to platform expansion. As the market matures, SAP will need to expand into other segmentation areas.

Another traditional print player that has expanded into marketing software is Pitney Bowes, evidenced through its acquisitions of MapInfo, Digital Cement and Group 1 Software. Watch for Kodak (through the former Creo business) and Design2Launch to continue to expand in this sector as they look to cross over into digital media. Other companies that may play a big role in market consolidation are IBM and EMC.

Vendor consolidation will create fully loaded and integrated marketing technology suites

The aftermath of this aggressive consolidation will be the development of fully-enabled marketing technology suites, integrated into CRM/ERP systems for operations and SFA systems for sales. Likely acquisition targets within the current vendor landscape include Alterian, Unica, Aprimo, Omniture, Coremetrics, Artesia and SAS Institute. Segments that will consolidate the fastest include analytics (online and offline), ad serving, e-commerce, mobile and Web 2.0 solutions.

Marketing automation creates efficiency gains and enables superior returns

The impact on marketers and suppliers

The benefits of marketing automation to both marketers and suppliers are straightforward and compelling — efficiency gains that translate into more effective marketing and marketing services, generating superior returns on marketing investment. With that being said, there are seven critical concepts to think through as your company implements its own set of marketing technologies:

- Ensure that the process is led from the top, becoming part of the Chief Marketing Officer's agenda and enabling the creation of teams and steering committees with a holistic view of marketing strategy, budgeting and critical success factors.
- Build a strong marketing operations function (within the marketing organisation) that combines a process-driven mentality with an understanding and appreciation for the strategic, creative, analytic and execution imperatives of marketing.

- Break down, or at least bridge, digital and offline execution silos to promote organisational alignment within marketing, and unify cross-channel campaigns through shared creative and analytic processes.
- Introduce marketing technologists into the organisation and cross-train individuals that communicate in the same ‘language’ as internal IT, external implementation resources and marketing technology vendors. This skill gap has served as a significant impediment to date in the successful implementation of marketing technology.
- Seek education from vendors, as well as marketing education providers (such as the Direct Marketing Association in the USA and the Institute of Direct Marketing in the UK) that are expected to launch programmes over the next several years.
- Approach vendor and application selection with an eye toward a staged or phased implementation process, deploying critical systems that create immediate value and demonstrate success. This will breed confidence and continued buy-in from the executive level, enabling the pursuit of larger projects.
- Seek out technologies that have open architectures, enabling the connection of point solutions to fulfil today’s needs, while providing the ability to fill in ‘suite’ gaps to meet the complex needs of the years to come.

As competitive pressures continue to build, staffing levels remain constant or declining and accountability for marketing allocation and expenditure remains unrelenting, those organisations — whether marketers, agencies or other service providers — that successfully implement cohesive marketing technology infrastructures will gain competitive advantage, generate profitable customer insights, and effectively and efficiently manage the campaign execution process — irrespective of the channels used.

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