

Marketing Automation Survey: Cross the Chasm

Data Quality and Evasive ROI Keep Marketing Executives Up at Night

ResearchCorp
Q3, 2008

INTRODUCTION AND SUMMARY OF KEY FINDINGS

The following report is based on a Web survey conducted in August, 2008. We have assembled input from sales and marketing decision makers within all ranks of medium and large enterprises. Our objectives were to gain understanding of the following:

- What are the top challenges that keep marketing and sales professionals up at night?
- What infrastructure do companies have in place to address SFA and marketing automation?
- What is the 'state of the market' with respect to SFA and marketing automation implementations

What we discovered that the top challenge keeping Marketing Executives up at night is keeping their data prospect databases 'clean' and useful. This topped our list for B2B and B2C companies by a long shot. Quantity of contact data is a challenge for most companies: 42% have 10,000 or fewer names and a mere 16.6% have more than 50,000 prospects. The average B2C company's database was 52% larger than the average B2B prospect database.

The second greatest challenge is being able to calculate a meaningful ROI on marketing spend, which leads to the third and now obvious challenge: getting enough leads to feed the sales machine.

We also found that, sadly, there is still a large chasm between marketing and sales from a process and infrastructure perspective – only 7.9% companies believe they have a well connected link between their SFA and Marketing Automation ("MA") platforms. With separate islands and limited communications, tracking a meaningful ROI for marketing spend will remain a challenge.

As for Salesforce Automation, the SFA market is served by a few dominant players but more importantly, Salesforce.com was far ahead of the pack with respect to both market share and the Company's ability to keep their customers happy. In general, salesforce.com beat the next closest SFA competitor by a wide margin in both market share and satisfaction.

Marketing Automation however is still in its infancy, with most marketers relying on basic tools such as email marketing and web analytics: a full 77% of companies are using email marketing. However, surprisingly few companies are using tools to perform more accurate, behavioral based targeting and/or segmentation, nurture prospects, score leads and automatically route those leads to appropriate sales teams.

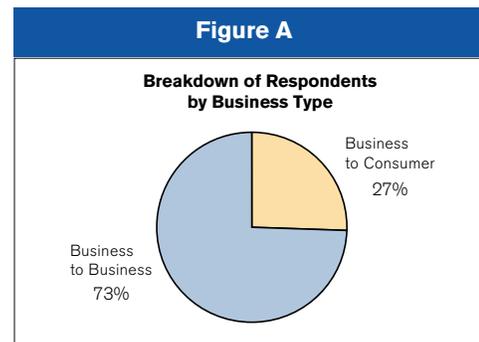
SURVEY METHODOLOGY

The survey was conducted by ResearchCorp.org (www.ResearchCorp.org). Respondents to the survey comprise independent Marketing and Sales professionals, responsible for messaging systems, who participated in the survey posted on www.ResearchCorp.Org. Respondents were offered a copy of the final report and were entered into a drawing for a free iPhone, but were not compensated for participating in this survey.

A total of 443 respondents from corporate IT departments completed the online survey via www.surveymonkey.com, an online survey tool. All survey respondents were employed by organizations with at least 250 employees, so the Small / Medium Business ("SMB") Segment is not represented in this report. This survey was co-sponsored by Pinpointe (www.pinpointe.com), and the co-sponsor was not revealed to participants. Not all questions were required, so not everyone answered every question. Also, some questions allow the user to enter multiple selections so totals do not always add to 100%.

SURVEY DEMOGRAPHICS

Our group consisted of 73% Business to Business ("B2B") companies and 27% Business to Consumer ("B2C") companies:



B2C is often (though not always) characterized by higher volume, lower per-sale prices and a shorter sales cycle. In comparison, the B2B sales cycle is often characterized by larger per-sale transactions, and longer sales cycles, often dealing with more complicated products. In other words, B2B companies are more likely to benefit from sales and marketing automation products that manage and automate customer / prospect communications over a longer sales cycle.

Our respondents were predominately mid-tier companies with most having 25-75 sales teams per company; 6 companies had more than 1,000 sales teams.

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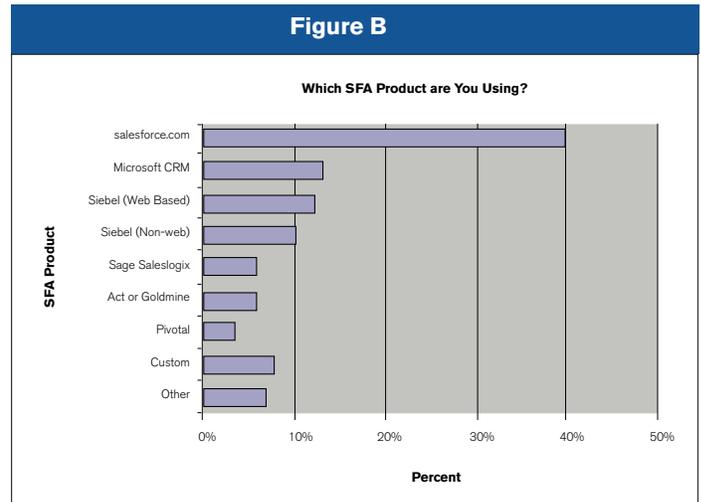
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TOP SALES FORCE AUTOMATION (“SFA”) PRODUCTS

65% of B2C companies are not using a sales force automation product like salesforce.com, and a full 41% of all companies (including B2B and B2C companies) who participated in our survey are not using a SFA solution – this is higher than we expected.

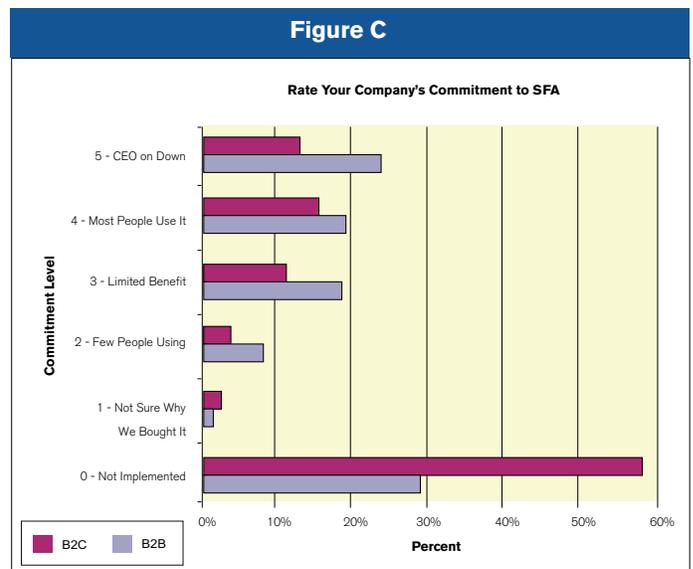
Of the companies that are using an SFA solution, salesforce.com was our clear winner with a full 40% of the market, far outdistancing vendors Oracle/Siebel and Microsoft. We split Oracle/Siebel into ‘Web based’ and ‘non-web based’, so Oracle/Siebel combined were in 21% of our surveyed companies. The ‘others’ category was only 7% and includes PeopleSoft, SAP, Infor and others. We should point out that these results are based on the number of companies who have deployed a given SFA system, and does factor the total number of seats. See **Figure B**.



COMMITMENT TO SFA IMPLEMENTATION

We asked our participants to rate their corporate commitment to using their SFA implementation. From our experiences, we have found that companies that have a culture where the SFA (and/or marketing automation) solution and workflow is supported from the CEO downward, are more likely to achieve positive ROI and benefits from their SFA/MA solution. In other words, having the CEO ‘on board’ with sales and marketing automation is the top way to ensure the implementation will be successful. Of those companies who have an SFA system in place, 32% are committed from the CEO down. On the other side of the coin however, a full 38% of those who have implemented an SFA system presently are displeased with their implementation, or are still not getting optimal benefit.

The results for B2B and B2C companies (including those who have not yet implemented a system) are summarized in **Figure C**.



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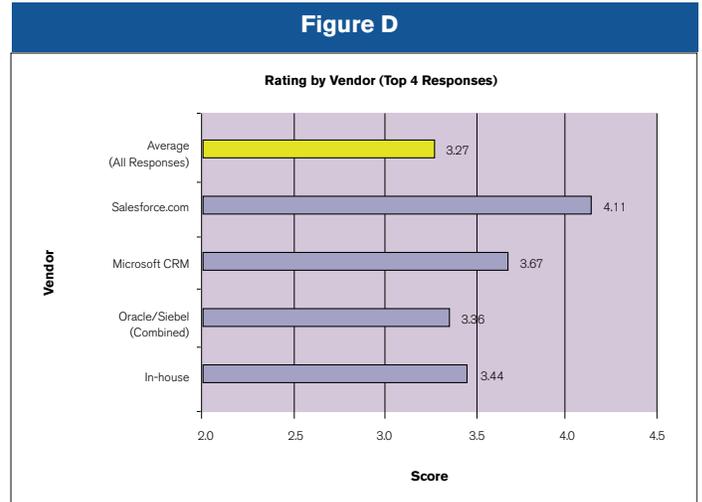
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SALESFORCE.COM CUSTOMERS ARE HAPPY CAMPERS

We looked at only the companies who had implemented a SFA system (that is, rated their company's commitment to SFA with a score of 1 or above), and sliced the results by vendor implementation. Here, the results were surprising.

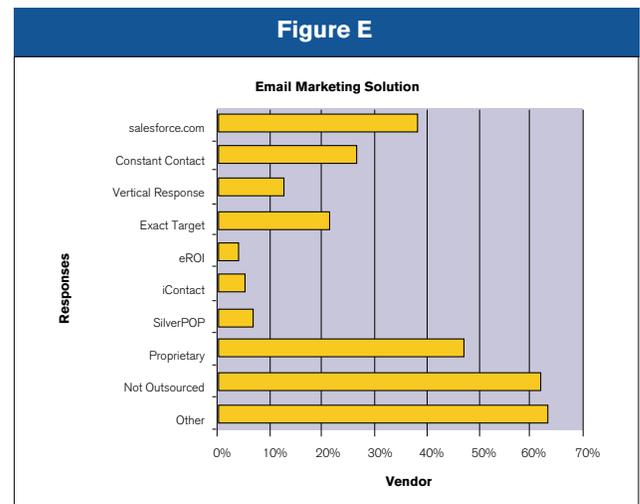
Although key analyst firms give highest marks to Siebel/Oracle for their completeness of vision and ability to execute, our survey participants indicate that Salesforce.com is far ahead of Oracle/Siebel with respect to understanding their Customers' needs and keeping customers happy. When coupled with their 40% market penetration (within our survey respondents), Salesforce.com is the clear SFA system of choice. Whereas Oracle/Siebel received a score of only 3.36 (somewhere between "limited benefits" and "most people use the system"), Salesforce.com received an overall score of 4.11, indicating clearly that Salesforce.com customers are culturally committed to using Salesforce.com. For comparison, when we tallied all respondents who had implemented a SFA system, the overall score was 3.27 (i.e., just a notch above a rating of "seeing limited benefit"). See **Figure D**.



EMAIL AUTOMATION MARKET FRAGMENTED

More than 3 of 4 companies are using Email marketing. Unlike the SFA market, where only a handful of vendors dominate, we found the email marketing space to be fragmented, with many vendors mentioned. (The 'other's category, which accounted for 21% of our respondents who are doing email marketing, includes 10 vendors). This leads us to believe that either there is an opportunity for vendor consolidation and/or there is limited differentiation between email marketing vendors. We also noted that 17% of our respondents who are doing email marketing are using an in-house solution and a full 21% are not automating the email marketing process at all.

As with our SFA survey - our respondents consisted of primarily mid-tier Enterprises with 250 or more employees, so vendors who have penetrated the Small/Medium Business ("SMB") Segment, such as Constant Contact, were not as prominent in our survey audience. See **Figure E**.



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MARKETING AUTOMATION IN ITS INFANCY

We asked our respondents which marketing automation platform they are using, if any. A full 57% of respondents are either not yet using a marketing solution at all or are doing limited email marketing. 17% are using an in-house developed solution and 10% are using the marketing features of salesforce.com to track campaigns.

When viewed from a different perspective, only 16% (or about 1 in 7 of our respondents) indicated that they have implemented a specific vendor solution, which overall means that the marketing automation market is still in its infancy with a lot of upside growth opportunity when vendors add sufficient functionality. See **Figure F**.

MARKETING AUTOMATION: 72% CANNOT TRACK ROI

We asked our audience which marketing automation processes they have in place today, with a focus on sales enablement / lead generation processes vs. product management related processes (we're saving that for a future survey). Multiple answers were permitted.

We compared the results of our B2B vs. B2C companies and found that, for the most part, both B2B and B2C reported similar usage with the exception of lead routing and lead scoring: B2B companies are almost 3x more likely to use lead scoring and lead routing.

But surprisingly, only 28% of our respondents are calculating and tracking their ROI on campaigns – leaving a full 72% stabbing in the dark with respect to calculating marketing results. We believe that this is due to the limitations in current solutions, limited integration of sales and marketing processes which are required in order to perform closed loop analysis and finally, limited understanding of meaningful and consistent metrics to use to measure campaign effectiveness.

In summary, sophisticated marketing automation remains in its infancy, with companies focusing mostly on the basics: email marketing, website analytics with very few companies taking advantage of behavioral data, such as website sessions and survey responses and lead scoring and routing. See **Figure G**.

Figure F

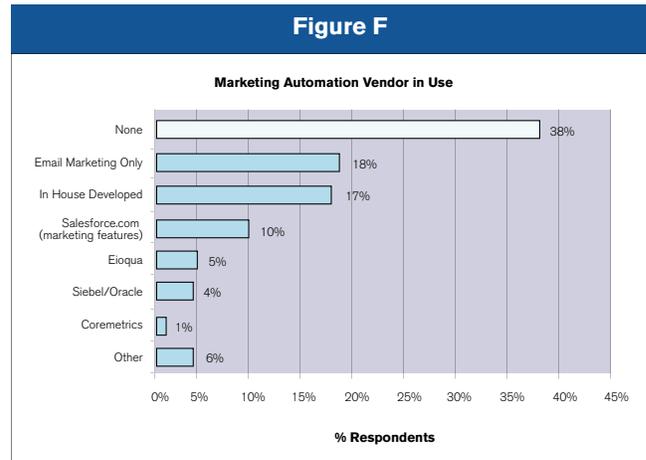
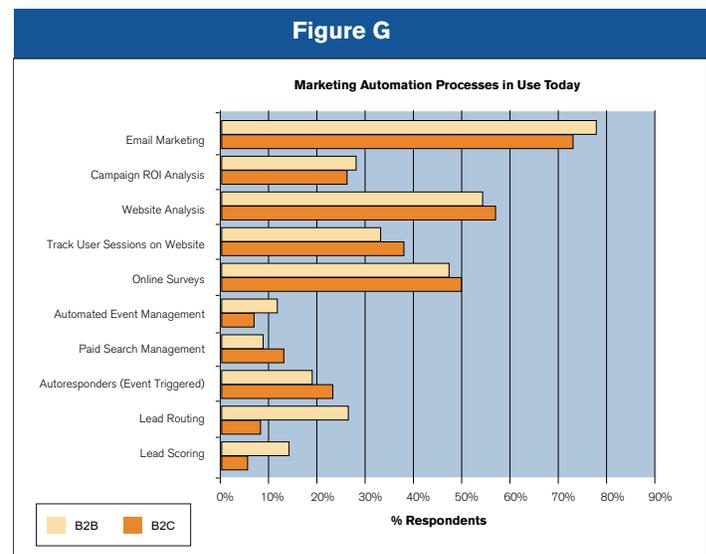


Figure G



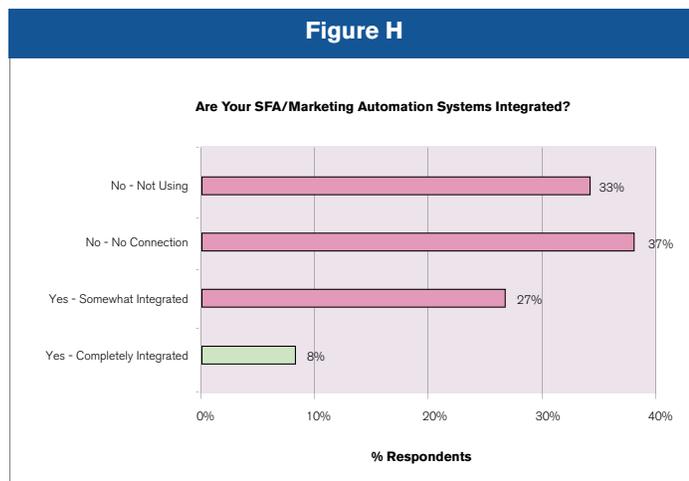
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SFA / MARKETING INTEGRATION: NOT CROSSING THE CHASM

We asked our respondents whether their marketing or email platform is integrated with their SFA platform to share prospects between the solutions, and track ROI results in a closed loop fashion. A mere 7.9% of respondents have a completely integrated SFA and Marketing Automation solution and 1 in 4 (27%) have at best, some level of integration. This emphasizes the challenge that many companies still face: sales and marketing remain separate islands in most companies.



This poses a great challenge for marketers - crossing the 'sales/marketing chasm'. Without tight integration, it is extremely difficult for marketers to perform closed-loop analysis and calculate meaningful ROI on their outbound marketing efforts. This can be exacerbated by not having a top-down, CEO-led culture of endorsing SFA and marketing automation best practices.

“WE AVERAGE ABOUT 8% RESPONSE RATE, BY TAKING A LONGER TERM APPROACH AND OFFERING PROSPECTS PRODUCT EDUCATION AND USEFUL INFORMATION VS. JUST SENDING NEWSLETTERS AND/OR OFFERS”

– Brandon Kent
TDG (telemarkcorp)

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POOR DATA, LACK OF ROI VISIBILITY ARE TOP MARKETING CHALLENGES IN '08

We asked our marketers about their top challenges – effectively “what keeps you up at night?” Three answers stood out across the board above and beyond all others: keeping the growing database of prospects ‘clean’ and updated, calculating meaningful ROI and finally, getting enough quality leads to keep the sales machine properly fueled. See **Figure I**.

EFFECTIVENESS OF MARKETING PROGRAMS

We asked our respondents “In your experience, how effective are each of the following marketing program techniques?” Responses were rated on a scale from 1 (Least Effective) to 5 (Most Effective) with a score of ‘0’ for N/A. We then separated the responses for our B2B and B2C companies and tallied the weighted scores, which are displayed in **Figure J**.

For both B2C and B2B companies, good old face to face still tops the charts with ‘Company Events’ earning the top overall score. Public relations, email marketing and search optimization rounding out the top overall responses. However when comparing our B2B responses with our B2C respondents, we saw a wide difference of opinion on efficiency of several program types.

Traditional webinars and whitepapers ranked high for B2B but were at the bottom of the heap for B2C companies – not a big surprise since most consumers don’t read 10 page whitepapers or sit through webinars to make a decision on a consumer oriented product or service.

However, ‘Community building’, which ranked at the top of our B2C companies, ranked second to last in efficiency for B2B companies – just a notch above blogging. In other words, the ‘social networking craze’ has not yet caught up to B2B businesses. We believe this is mostly due to the fact that B2B customer / prospect bases are often several orders of magnitude smaller than B2C target audiences and as a result, it is difficult to achieve enough ‘critical mass’ of interested B2B participants to create a meaningful community. This should change as the twenty-somethings who have grown up with social networking tools, move further up the decision food chain within the Enterprise.

Figure I

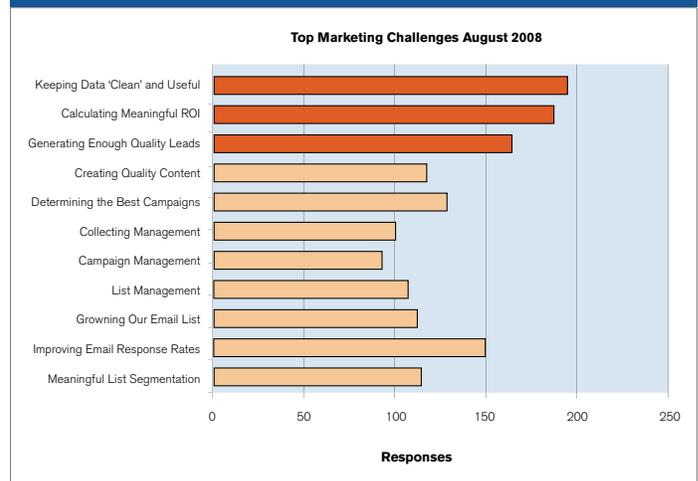
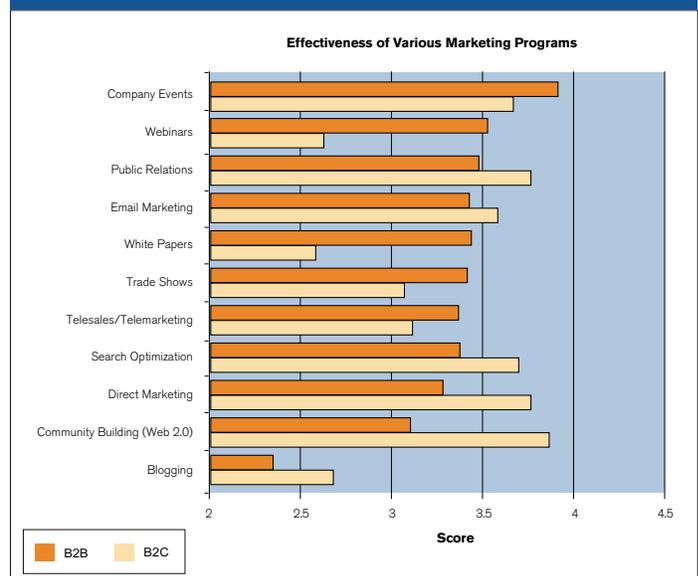


Figure J



FINAL CONCLUSIONS

In spite of continued pressure for sales and marketing teams to deliver increasing results on tighter budgets, companies are not fully utilizing marketing automation tools. We believe there are 2 reasons for this. First, current tools are either a) complex, cumbersome and expensive, or b) underpowered – lacking the functionality required to automate processes and help marketers determine meaningful ROI's. Second, as our report clearly uncovers, there is still a chasm between sales and marketing automation systems – making a true closed loop system with trackable metrics and results, nearly impossible.

We also believe marketing dept is in same situation as the IT department: being forced to accomplish and deliver more with less budget and lower headcount.

“WE LIFTED CONVERSIONS BY 210% BY PUTTING THE MAIN OFFER (FREE-TRIAL) ABOVE THE FOLD [PRIOR TO A HEADER GRAPHIC, SO IT IS VISIBLE IN OUTLOOK'S PREVIEW PANE] AND IN TEXT. EVEN WITH IMAGES OFF, THE READER IS ABLE TO TAKE AN ACTION.”

– Drew Miller
Questia

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Pinpointe.

Pinpointe is a provider of on-demand, hosted email marketing. Pinpointe's email marketing system empowers thousands of B2B marketers to target and personalize their email communications based on prospects' response (or lack of response) to previous email campaigns. Pinpointe's email marketing helps marketers stay in touch with their prospects, and deliver more quality opportunities to the sales team.

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