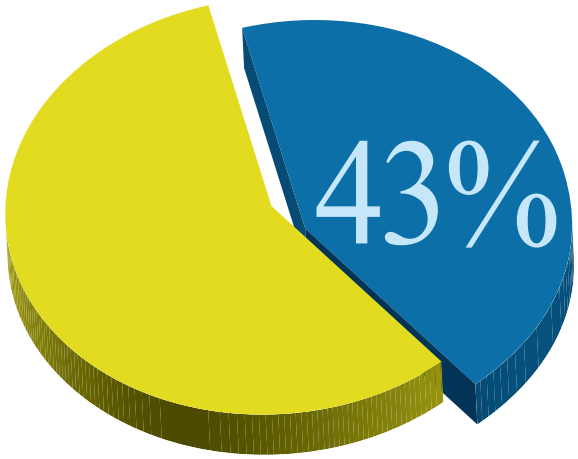
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Actionable insights at a glance

Gleansight Deep Dive
Email Marketing versus Marketing Automation Solutions

Assessing the benefits and tradeoffs for the small- and medium-size business

Should you consider transitioning from using a stand-alone email marketing solution to a full-blown marketing automation platform? What are the tradeoffs between the two technologies? Many small business marketers (defined herein as organizations with 1-250 employees) view marketing automation as a tool designed for midsize and enterprise organizations that can assign dedicated resources to manage the tool and have the budget to cover the steep licensing fees. Until recently, that perception was well-founded. Today, however, a new breed of marketing automation solution has emerged – one with the small and medium size business (SMB) marketer in mind. These new tools offer low monthly pricing plans, no setup fees, and core capabilities such as campaign execution, prospect and customer segmentation, email marketing, landing page hosting, web analytics, and lead scoring.



Percentage of Top Performers (compared to 17% of Everyone Else) that are currently using marketing automation solutions

Email Marketing currently serves as a core technology for 9 out of 10 small business marketers. Based on research findings derived from the Q4 2011 Gleanster survey, adoption of marketing automation by small business marketers has grown 26% year-over-year. Yet, according to the research, only 3% of small businesses actually use a marketing automation tool. The research also revealed some notable stats on marketing automation adoption, with 43% of Top Performers using the technology today and 41% planning to do so in the future. So, should every small business run out and replace their email marketing tool with a marketing automation solution? Not so fast. There are multiple factors to take into consideration before a small business can begin to extract significant value from marketing automation. This Deep Dive explores the benefits and tradeoffs between email marketing and marketing automation for the small business.

About the Pie Chart

The data presented in the pie chart is derived from the Q2 2011 Gleansight benchmark report *Email Marketing Personalization* and the Q4 2011 Gleansight benchmark report *Marketing Automation*. The data serves as the basis for this Gleansight Deep Dive, which provides analyst commentary related to a particular aspect of the topic. The objective is to provide additional perspective and illuminate certain key considerations regarding the implementation of the related technology-enabled business initiative.

To learn more about Gleanster's research methodology, please click here or email research@gleanster.com.

The questions that this Deep Dive seeks to address include:

- *What are the tradeoffs between email marketing and marketing automation?*
- *Exactly what is marketing automation? How does it help small business marketers?*
- *How do you know when your organization is ready for marketing automation?*
- *What can Top Performers tell us about best practices in email marketing and marketing automation adoption?*

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Marketing Automation: Core Capabilities and Technologies

Marketing automation systems share a set of basic capabilities needed to complete the cycle of reaching, capturing, and nurturing leads and engaging with customers across multiple channels. These include:

Outbound email. *Users must be able to create templates to generate personalized emails from the system database. They must also be able to import email lists from trade shows, print advertising, CRM and other sources. Emails must contain trackable links to system-generated landing pages.*

Social media. *Users can post content to social media, track social media-generated traffic, help recipients share content to their own social media accounts, and monitor social media conversations. More sophisticated features include forms and personalized ads within social platforms, using social sign-on to capture more data, and building more detailed profiles based on activities, consumption, connections and influence.*

Landing pages and Web forms. *Users must be able to create Web forms and landing pages that can capture leads from system-generated emails and other sources. Forms are designed to collect prospect information and marry this with cross -channel behavioral response patterns allowing the organization to identify which prospects are ready to talk to sales. These pages are hosted by the marketing automation system and post data directly to the marketing automation database.*

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For most small business marketers, email serves as a core component of their outbound marketing strategy. Research from the Q2 2011 Gleanster study *Email Marketing Personalization* shows that 89% of small business marketers across both B2B and B2C companies rank email as one of the top two most profitable channels. Email continues to be a powerful tool for the small business marketer. At the same time, a range of other technologies have established a foothold in the marketing department. These include web analytics, landing page hosting, paid search, CRM, and social media. Unfortunately, these fragmented technologies create a number of challenges for small business marketers: disparate data, constrained resource bandwidth, reduced support for multiple interfaces, overlapping functionality, copious licensing fees, and a general lack of consistency in customer experience quality.

> "Disparate systems lead to disjointed and suboptimal customer experiences."

How Marketing Automation Differs from Email Marketing

Gleanster set out to understand why so many small business marketers have yet to deploy a marketing automation tool. Most indicated that email marketing was sufficiently effective for their marketing needs, citing it as an affordable, flexible, and generally preferred channel for customer interactions. Further exploration revealed that many small businesses also believe that marketing automation requires a great deal of organizational adaptation, costly resource commitments, and significantly higher licensing fees than email marketing. If that's the case, why are Top Performers five times more likely than Everyone Else to adopt marketing automation tools?

The answer may lie in the fact that marketing automation emerged from the challenges inherent in managing an array of disparate technologies. On the surface, it might seem that marketing automation is a tool solely for marketing. In reality, it's a tool for both marketing and sales – a tool for managing revenue growth across a variety of customer touch points.

Integrating for Success

Disparate systems tend to lead to disjointed and suboptimal customer experiences. According to Gleanster research, eight out of ten small business marketers currently use three or more technologies to support their marketing activities. Most of the time, these technologies are not integrated, and customer data is fragmented within these tools. The result is a general inability to analyze and optimize the customer experience across multiple channels. In reality, email marketing tools are primarily designed to be good at one thing: email. But, of course, customers don't interact with companies using email alone. Multi-channel engagement is a core differentiator for marketing automation. Marketing automation provides native functionality from multiple back-office marketing systems including email marketing, web analytics, landing page hosting, and CRM integration. One system, one interface, one source of marketing data.

When weighing the relative benefits of email marketing and marketing automation technologies, one could make the case that email marketing is, in fact, a multi-channel tool. After all, you can integrate links to a website, mobile views, or social media within an email. In this respect, Email marketing can be extremely effective for multi-channel engagement. Email can also provide personalized engagement through dynamic data fields, list segmentation, and multivariate testing.

On the other hand, tracking and measuring performance in terms of engagement after the email is sent becomes next to impossible without an integrated multi-channel system in place. What is really needed is one system that manages and tracks behavior across multiple channels – a system that encompasses all of the benefits of email but with linkages to track and aggregate ongoing cross-channel customer engagement. That's where marketing automation starts to become an attractive option.

Email marketing is largely a tool for marketers. CRM is largely a tool for sales. The disparity of the tools and accompanying business processes have divided marketing and sales functions in most organizations. Marketing automation tracks marketing engagement across multiple channels, including email, website and social media, and aggregates

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Behavior tracking. *The system must track the behavior of individual visitors to the company Web site, typically using a combination of cookies to identify visitors and tracking tags embedded in company Web pages. Conventional Web analytics captures page and session statistics but does not usually link these to persistent individual identities.*

Lead scoring. *The system calculates one or more scores to measure the quality of a lead, primarily to determined when it should handed to the sales department. Scores are based on the combination of individual attributes (title, company, location, etc.) and behaviors (search terms, email responses, Web forms completed, pages viewed, etc.). Scoring formulas can be complex, so special interfaces are needed to make them easy to build, understand, and maintain.*

Lead nurturing. *The system can be configured for automated engagement based on the unique needs of a prospect. In conjunction with lead scoring, communizations can adapt based on the prospect readiness to talk with sales. The messages can change in response to lead behaviors such as Web page views and email opens. Lead nurturing flows may be simple, linear sequences or can incorporate complex decision rules that send different leads down entirely separate paths.*

CRM integration. *The marketing automation system maintains its own lead database, but exchanges updates with CRM so both systems have consistent information. Integration may also extend to sharing coordinating campaigns between the two systems and sending alerts to sales people about behaviors captured by marketing automation.*

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prospect and customer behavior in a centralized database, enabling the sales organization with a powerful source of information. marketing automation tools bridge the divide between marketing and sales. Taken a step farther, prospect engagement can even be monitored and assigned numeric scores (a process called *lead scoring*), allowing marketing and sales to track prospect engagement and automatically notify sales of highly qualified prospects. For small companies, this means that overtaxed sales resources can dramatically reduce the amount of time spent qualifying opportunities as they enter the pipeline and focus instead on closing short-term revenue and driving increased profitability.

> "Marketing automation tools bridge the divide between Marketing and Sales"

Why Marketing Automation?

As suggested, a marketing automation solution delivers essentially all the benefits of an email marketing solution along with integrated capabilities that would otherwise need to be cobbled together using various standalone technologies (See Figure 1). By combining most, if not all, of the core functionalities into a unified platform, it serves the needs of both the Marketing and Sales organization, ultimately having a far greater impact on the business as a whole.

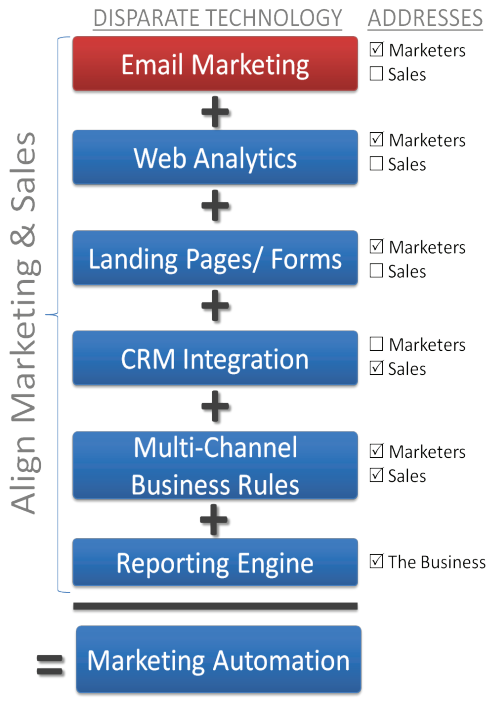
Let's face it: Most small companies don't have a sales problem or a marketing problem. They have a revenue problem. Marketing and Sales must work together to bond the buying cycle and the sales cycle and maximize revenue for the organization. marketing automation becomes the glue that links the different components related to marketing and sales engagement. It also drives accountability by proving visibility into pipeline performance and business outcomes.

By isolating core features and functionality, it becomes possible to outline the differences between email marketing and marketing automation by business value, as shown in Figure 1. When making a tool selection decision, organizations should examine capabilities at a far more granular level. A cost-benefit analysis can't be done based merely on the information provided here – and, in truth, any decision is going to be informed by the specifics of the company in terms of how it's structured and organized, how it goes to market, and so on.

What To Know Before Taking the Plunge

As compelling as marketing automation might seem, it's not for every small business. The truth of the matter is that technology investments play a relatively small role towards achieving Top Performer results. The incessant quest to improve the marketing and sales process can certainly be addressed by having the right tools. But organizations must also have the right skills to utilize the tools appropriately. As a general rule of thumb, you will get as much out of a marketing automation tool as you are currently getting out of your email marketing tool. If your organization is heavily utilizing email marketing capabilities to segment lists, personalize campaigns, and improve performance through A/B testing, then you are quickly reaching a diminishing return on

Figure 1: What is Marketing Automation?



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Reporting. *The systems provide information on messages sent, responses received, and profiles of the lead database. Many also import sales results from the CRM system and use these to for Return on Investment calculations. Some vendors go further to provide reports tracking leads through stages in the combined marketing and sales "revenue cycle" from initial acquisition through closed deals.*

investment. It makes sense at that point to migrate to an integrated tool that makes it possible to optimize customer engagement across channels and allow marketing to take charge of qualifying new leads before they get passed to sales. On the other hand, if an organization sees no need to customize or optimize email marketing campaigns, then it will unlikely to be able to fully leverage the features of a marketing automation tool and achieve a significant return on investment. The right decision, in this case, therefore, may be to stick with its existing email marketing solution.

Content Is Still King

While marketing automation providers may boast that they can get a new company up and running within a matter of a few hours or days, the fuel that powers a marketing automation tool is content, and that order can take a great deal longer to fill. Targeted content needs to map to all stages of the customer

Table 1: Core Feature Comparison Between Marketing Automation and Email Marketing

Key: ● Does It ◖ Sort of Does It ○ Not a Typical Feature

Feature	Email Marketing (EM)	Marketing Automation (MA)	Considerations
Email Delivery	●	●	Both EM and MA are email engines.
Email Templates	●	●	Both EM and MA have email marketing template capabilities.
Time Based Automation	●	●	Drip marketing helps companies automate periodic engagement over time. Both EM and MA can be configured to send drip campaigns.
Event Based Automation	◖	●	With MA, triggers can be initiated by multi-channel activity; web, email, landing pages, etc.
Alerts and Notifications	○	●	MA integrates and centralizes multi-channel activity directly to CRM providing real-time alerts for sales based on prospect activity across many channels.
Web Analytics Integration	◖	●	Some EM tools come with packaged integration for third-party Web Analytics, but MA has built-in Web Analytics capabilities to centralize and simplify behavioral tracking.
CRM Integration	◖	●	Some EM tools come with packaged integration for third-party CRM. MA is designed to link Sales and Marketing (CRM and MA) with Lead Scoring to help sales prioritize leads for highly relevant engagement with prospects. This helps organizations tangibly measure marketing and sales effectiveness like never before.
Lead Scoring / Prioritization	○	●	Lead scoring assigns a numeric score to prospect activity. Over time, aggregate scoring tells your organization which prospects are actively engaging with marketing content across multiple channels. This mitigates the amount of time sales wastes qualifying opportunities that just aren't ready to buy.
Webinar Integration	○	●	Top Performers ranked webinars as one of the top two most profitable channels. Some MA solutions allow for direct integration with Webinar systems for promotion and overall performance monitoring.
Multi-Channel Activity Tracking	○	●	MA captures and manages engagement on email, the web, social media, webinars, landing pages, PPC, etc.
Social Media Integration	●	●	Friend Forward and social media integration have become a new best practice for email.

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Research Stat

Top Performing organizations outperformed Everyone Else by 2-3x in revenue growth and lead-to-sales conversion. These organizations are 3x more likely to use a marketing automation tool. But while it's one thing to adopt a marketing automation tool, it's another thing to extract value from that investment. Top Performers are often early adopters of marketing automation tools. As early adopters, they frequently made costly mistakes. These mistakes inform many of the best practices that have subsequently emerged.

Table 1: Core Feature Comparison Between Marketing Automation and Email Marketing

Feature	Email Marketing (EM)	Marketing Automation (MA)	Considerations
Landing Page Hosting	○	●	MA provides hosted landing pages, form capture, and trigger-based campaigns based on form completion.
Progressive Profiling	○	●	Progressive Profiling captures prospect information through a series of interactions by requesting small bits of information that, over time, aggregate to form a prospect profile.
Pipeline Analytics & Reporting	○	●	MA is really about managing and measuring the Customer Lifecycle, from the Buying Cycle to the Sales Cycle. Top Performers were 3x more likely than Everyone Else to measure Lead-to-Revenue conversion, which can be done only with MA.
Rules-Based Lead Routing	○	●	MA provides lead routing based on behavioral scoring and other attributes. You can route leads directly to sales reps based on territory, product, or any number of other attributes.
Rules-Based Engagement	◖	●	MA provides multi-channel business rules that can trigger different engagement. Completion of an online form can trigger an email, or a visit to the website could trigger an alert for sales within CRM.
List Management	●	●	Basic list management is largely the same for EM and MA.
Segmentation Rules / Filters	◖	●	While both EM and MA provide segmentation, only MA can filter prospects by lead source, field capture from landing pages or forms, and event based activity. For example, users who fill out a form on a landing page can indicate location, which can automatically route prospects to the correct sales rep.

buying cycle to start generating a return on investment. It also becomes necessary over time to develop new content to use in nurture marketing campaigns. This is core to the continuous performance improvement process required to maximize the value of a marketing automation initiative. For most small business marketers, creating new content might seem resource intensive and costly. It may be possible to cut some corners by repurposing existing content and mapping it to unique buying cycle stages for relevance. If that content doesn't exist, or if the organization isn't willing to invest the time or resources to create it, then it may not be the right time to deploy a marketing automation solution.

Incidentally, marketing automation need not be any more resource intensive than email marketing. Managing it, however, may require some new skills, which can easily be learned. Companies can expect to need at least one resource that knows how to configure the tool for lead scoring, email marketing, landing pages, and campaign execution. This person will need to interface with sales and marketing, and will likely need to be somewhat analytical to hold sales and marketing accountable for performance.

Marketing automation requires that Marketing and Sales abandon certain traditional processes that lead to siloed operations. It's important that Sales understands that this is not just a tool for Marketing, but also a tool to help Sales qualify opportunities. The key to success is to engage with sales early and to engage with them often. Plan on frequently revisiting lead scoring rules to make sure that alerts and routing are truly worthy of sales team's time and efforts.

Readiness Assessment for Marketing Automation

How do you know if and when your organization is ready to invest in marketing automation? The Readiness Assessment shown in Table 2 can serve as a quick

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Research Stat

Three out of five small business marketers have used, or are using, social media to engage with customers and prospects.

Table 2: Marketing Automation Readiness Assessment

COLUMN	A					B	A x B
In column A rank how strongly do you agree or disagree with the following:	Circle One Disagree 1	2	3	4	Agree 5	Weight (Impact on Business)	Final Score
My organization regularly tests and optimizes our email marketing campaigns.	1	2	3	4	5	4	
My organization is fully utilizing all the capabilities in our email marketing tool.	1	2	3	4	5	4	
My organization understands our target audience and adapts messages accordingly.	1	2	3	4	5	5	
My organization could do a better job adapting our message to the unique needs of prospects.	1	2	3	4	5	5	
Marketing should be accountable for actively communicating with people that are not yet ready to buy, but might in the future.	1	2	3	4	5	4	
Marketing should pre-qualify opportunities for sales.	1	2	3	4	5	3	
Content is king for more relevant customer engagement.	1	2	3	4	5	3	
						Sum of Final Score:	

litmus test to determine the extent to which your organization may be able to utilize the benefits of a marketing automation tool. In column A, rank how strongly you agree or disagree with each of the statements. Then multiply your answers to the weights in column B. Finally, sum up your final score.

Following are some guidelines for how to go about interpreting the results:

Score (111-140): A score of between 111 and 140 suggests that your organization has cracked the code on understanding the value of marketing automation and is prepared to take responsibility for aligning the culture and internal resources to maximize the value of the investment. Your organization has likely already reached the point of getting diminishing returns on your email marketing tool. According to 68% of Top Performers, the best way to achieve success with marketing automation is to ensure alignment with Sales. That being the case, it's important to broach the topic of marketing automation with Sales executives early on and secure their buy-in. Top Performers also stress the importance of the tool's ease of use. If you choose to invest in marketing automation, then pay close attention to who will be using the tool and their comfort level with the solutions you evaluate. Ease of use is highly subjective and end users will respond differently to the various tools.

Score (50-110): A score of between 50 and 110 suggests that your organization is moving in the right direction. Deploying a marketing automation solution would likely require a significant investment in best practices education. That's not a bad thing, but you can expect to encounter lots of hurdles in the process. Scores on the high end of the scale suggest that your organization will need to move to a marketing automation solution in the near future to maintain competitive parity. Competitors already using the tool are likely to change how future prospects evaluate the customer experience your company delivers, and this may ultimately impact market share.

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Score (28-49): A score of between 28 and 49 suggests that your organization may not be ready for a Marketing Automation solution. In fact, it may be possible to extract a great deal more value from your existing email marketing tool. A lower score may also indicate that Marketing Automation isn't necessary the right choice for your particular industry or target audience.

Weighing the Opportunity Cost

Because customer experience quality correlates to the ability to deliver multi-channel, multi-touch, personalized interactions, companies need to start integrating disparate technologies to manage multiple channels and aggregate customer information into a centralized data repository. Marketers should consider that disparate data means lost opportunities, and weigh that opportunity cost against the investment required to deploy an integrated multi-channel marketing automation program.

In the end, marketing automation is the only way to deploy and automate persistent business rules, and apply them to dynamic lists. It's also the best way to address the challenge of ever-rising expectations on the part of prospects and customers when it comes to ensuring relevant and personalized engagement from the companies with which they choose to do business.

Deep Dive Talking Points:

Following are a few key take-aways:

- While the use of marketing automation by small business marketers has grown 26% year-over-year, only 3% of them currently use a marketing automation tool.
- Marketing automation enables customer engagement across two or more channels.
- Eight out of ten small business marketers use three or more technologies to support their marketing-related activities.
- As compelling as marketing automation may seem, it's not for every small business.
- Technology investments play a relatively small role towards achieving Top Performer results. In addition to deploying the right tools, organizations must ensure that they have the right skills and organizational culture in place.

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Marketing Automation

Email Marketing Personalization

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Social Media Engagement

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Social Intelligence

Lead Nurturing

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About Gleanster

Gleanster benchmarks best practices in technology-enabled business initiatives, delivering actionable insights that allow companies to make smart business decisions and match their needs with vendor solutions.

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