



TWO MAIN FACTORS AFFECTING MARKETING ROI

ANALYST

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THE BOTTOM LINE

Nucleus identified two main factors that affect the return on investment (ROI) of marketing automation deployments. These two factors – low total cost of ownership (TCO) and automation – are common across the marketing deployments we have evaluated, and are at the root of the variables contributing to ROI. They are also responsible for a wide array of direct and indirect benefits.

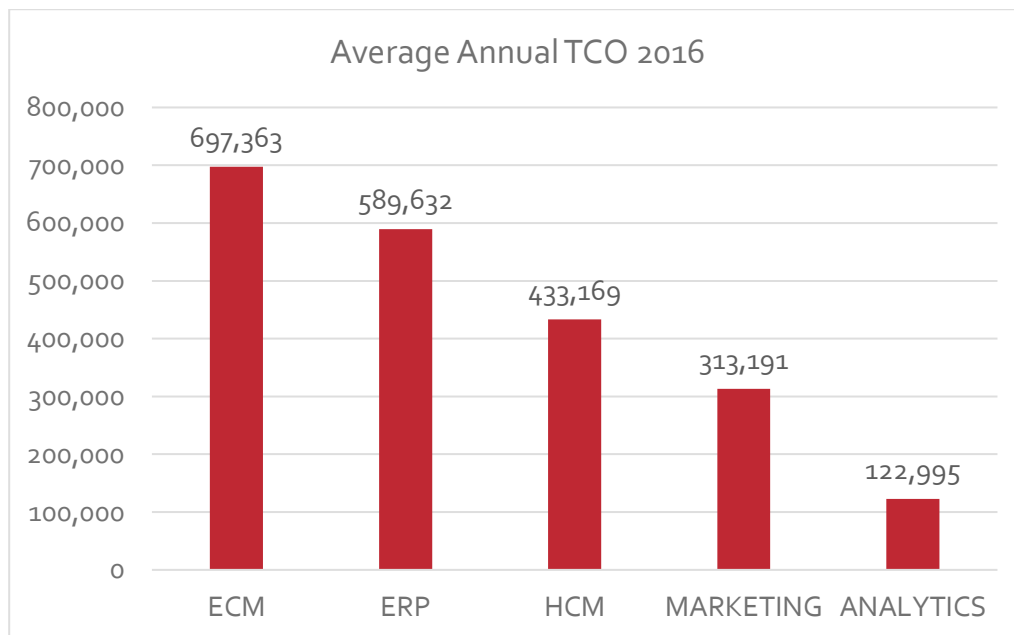
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In Nucleus's evaluation of marketing automation deployments across industries, we have found that ROI is increasing every year. Over the past three years, ROI is 3.6 times what it was during the previous three-year period (Nucleus Research, *r20 – Nucleus delivers \$6.66 for every dollar spent*, January 2017). Certain outside influences have played a part in this increase, like the growth of marketing intelligence, the rise of micro-marketing, more strategic deployments and data driven decision making, and a more unified view of the customer. However, we wanted to go one layer deeper, and identify what it is about marketing automation solutions that drives ROI to begin with. In evaluating case study data, Nucleus determined that marketing automation software's low TCO relative to other enterprise software, and its automation capabilities are at the core of what makes it such a powerful tool for SMBs and enterprises.

LOW TCO

One of the primary drivers of marketing automation software's high ROI – and a key differentiator overall – is its low TCO. Not all marketing solutions are cheap, but overall, marketing automation software tends to be more cost effective than other

software investments. Nucleus looked at ROI case study data from 2016 in the data and analytics, enterprise content management (ECM), enterprise resource planning (ERP), and human capital management (HCM) spaces to determine average TCO in each market. We found that the average TCO of marketing deployments was 55 percent lower than that of ECM deployments, 47 percent lower than that of ERP deployments, and 28 percent lower than that of HCM deployments. It was not, however, lower than that of data and analytics deployments.



Some of the reasons for marketing automation's low TCO include:

- **The cloud.** Unlike the ERP and HCM space, for example, which still have a significant number of on premise deployments, nearly all marketing automation deployments occur in the cloud. For customers, cloud deployments tend to have lower initial and ongoing costs than on premise. The cloud has fewer hardware and maintenance needs because hardware is managed by the vendor, is faster and easier to implement, and cloud deployments less frequently require assistance from consultants. In fact, marketing automation consulting costs were 74 percent lower than that of ERP last year.
- **Ease of integration.** Because marketing automation solutions are often used in conjunction with other enterprise software – such as customer relationship management (CRM) solutions, email service providers (ESPs), web content management (WCM) tools, analytics platforms, or e-commerce solutions – integration capabilities are critical to their success. Many vendors offer some of these capabilities as part of their product suites, are natively integrated with the

top enterprise solutions, provide an app marketplace, or enable system integration via application programming interfaces (APIs). This reduces TCO because fewer resources must be devoted to integrating all of an organization's systems.

Low TCO leads to benefits like direct cost savings and avoided costs, which directly impact the ROI of deployments. For example, one financial services company was able to decommission a home-grown, on premise legacy system which required several full-time employees to maintain it. By transitioning to a marketing automation solution, they eliminated hardware and maintenance costs, and redistributed IT resources within their organization.

AUTOMATION

At the core of marketing automation software is the ability to automate processes to make marketers smarter and more efficient. Marketing automation enables marketers to orchestrate more complex, cross-departmental, cross-channel marketing campaigns more quickly and effectively so they can devote time to more strategic, high-level marketing initiatives. Providing net-new analytics capabilities, marketing automation also helps marketers make more informed, data-driven decisions. It can aggregate customer data across channels to provide a more unified view of the customer and automatically derive insights that would otherwise require extensive manual research or third-party analytics applications.

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In the deployments we have evaluated, automation has been responsible for a number of direct and indirect benefits that affect ROI, including avoided costs, increased revenue, and productivity gains. Following are several examples from marketing automation case studies conducted over the past year:

- **Healthcare company.** One healthcare company was able to scale rapidly with marketing automation, increasing profits by over 1 million annually due to the ability to run more automated, effective marketing campaigns. They were able to decrease the time it takes to run reports by 98 percent, improve coordination between marketing and sales, and enable the company to adapt to changing conditions as they expanded into new geographies.

- Credit union. A credit union benefitted from automating processes and centralizing data. The customer said, *"Before we transitioned over to our marketing automation solution, we had over 80 core systems. Nothing was centralized, and reporting was tough. To launch a new marketing campaign, we would have to manipulate data for hours and hours. Our environment was just not efficient."* Marketing automation enabled the company to increase revenue by nearly 3 million annually, avoid over \$40,000 in advertising spend annually, and save over \$300,000 in avoided additional hires annually due to increased employee productivity. They were also able to double the number of leads generated, increase open rates by 45 percentage points, and improve click through rates by 19 percentage points.
- Technology company. A technology company benefitted from the automation of marketing tasks by increasing campaign volume by 300 percent, and saving nearly \$100,000 annually in avoided employee salary.
- E-commerce and distribution company. An e-commerce and distribution company reduced the time it spent on ground-level, administrative marketing tasks by 30 percent.

LOOKING AHEAD

Most factors that contribute to the ROI of marketing automation solutions are traceable to low TCO and automation, and Nucleus expects that as automation becomes more complex due to advanced analytics and intelligence, the ROI of marketing automation deployments will continue to increase. TCO is undoubtedly increasing – in fact, we found that the total cost of marketing implementations over the past three years is 40.3 percent higher than the three-year period before it – but we predict marketing automation's TCO will still be low relative to other markets, and that the total benefits will increase such that they outweigh rising costs.