MARKETING AUTOMATION COSTS DOWN 85 PERCENT

ANALYST
Moira Smalley

THE BOTTOM LINE

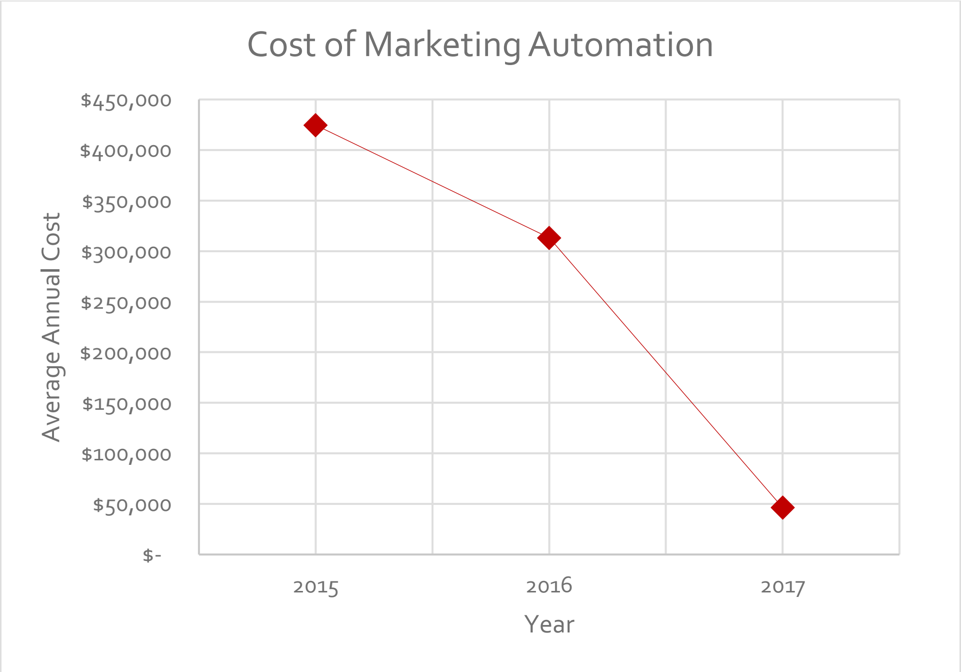
Increased competition and more strategic deployments are driving down the cost of marketing automation. Nucleus found that the average total cost of ownership (TCO) is decreasing significantly year over year, down 85 percent since 2016. Marketing automation customers are also recovering their investments over twice as fast as they did last year.

•••

Nucleus identified low TCO as one of the top factors affecting the positive return on investment (ROI) of marketing automation deployments (Nucleus Research, *r49 – Two main factors affecting marketing ROI,* March 2017). In a recent evaluation of Nucleus's business to business (B2B) and business to consumer (B2C) marketing ROI case study data, Nucleus found that TCO is decreasing – driving increasingly high ROI – and payback periods are shorter than ever. This report explores by how much, and why.

DECREASING TCO

Nucleus found that the average marketing automation solution costs approximately $255,400 annually. However, year over year analysis indicates that marketing automation is getting cheaper, with the average annual cost dramatically lower today than it was just a few years ago. In fact, the average annual total cost of marketing automation has decreased by over 85 percent since 2016 – now under $50,000.



EVALUATING THE TREND

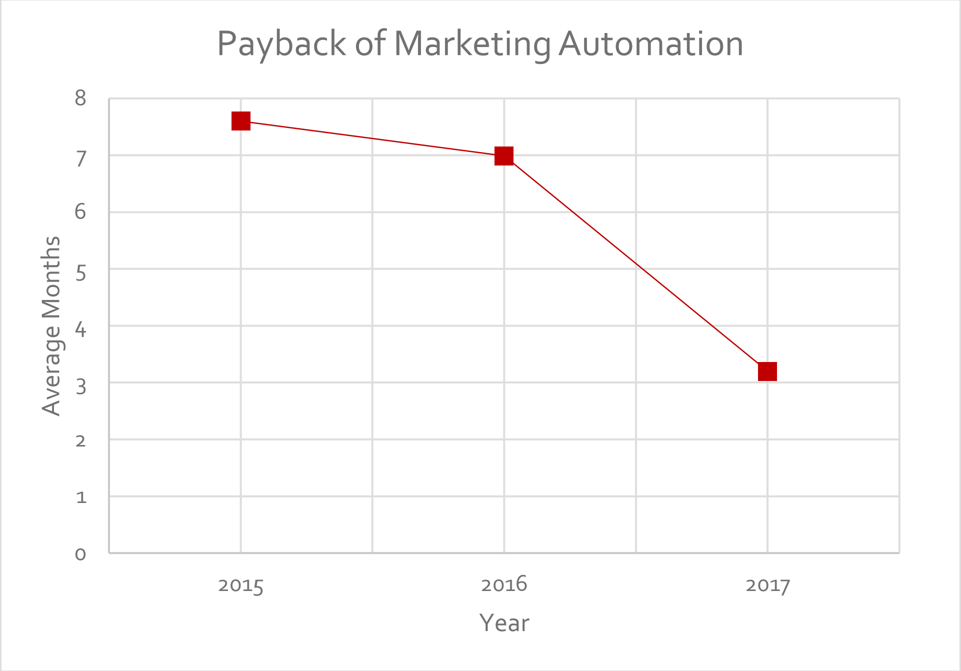
This trend confirms what Nucleus suspected: increased competition and more strategic deployments are driving marketing automation costs down.

- Increased competition. The number of options for both B2B and B2C businesses of all sizes is much greater than it was just several years ago. New vendors are emerging, and established customer relationship management (CRM) vendors are acquiring or expanding marketing automation capabilities. With so many options, customers now have the luxury to be more cost-conscious, and vendors are getting creative to meet their needs. Some vendors have enabled customers to purchase only the functionality they need, some now charge for active contacts instead of the entire database, and others have released free, slimmer versions of their marketing offerings.

- More strategic deployments. Deployments are getting more efficient and strategic due to improved integration capabilities, the wealth of free resources and support available to customers, and increased involvement from upper management. Marketing departments are being held to higher standards regarding their direct impact on the bottom line. Marketing management has become more involved in making sure they have the tools to do so as a result, investing more time into developing pre-implementation strategies and cutting costs wherever possible.

FASTER PAYBACK

The payback period is the point when the total cost of a solution is offset by the benefits received, and the company recovers its investment. In addition to decreasing TCO, Nucleus found that payback periods are getting shorter. In fact, marketing automation customers recovered their investments twice as quickly as they did last year. Shorter payback periods are beneficial not only because cash is back in hand, but also because risk is reduced. For example, the shorter the payback period, the less likely that an outside factor – such as a change in management – will impact the application's ability to deliver (Nucleus Research, *a11 – Managing risk and flexibility: a look at payback period*, February 2007).



LOOKING AHEAD

As marketing automation evolves, returns are growing and costs are shrinking. For now, vendors are meeting the low-cost expectations of their customers, but soon, cutting costs will come at the expense of functional capabilities. Nucleus predicts that the cost differential year over year will become less dramatic by 2018, and average annual marketing automation costs will begin to plateau.