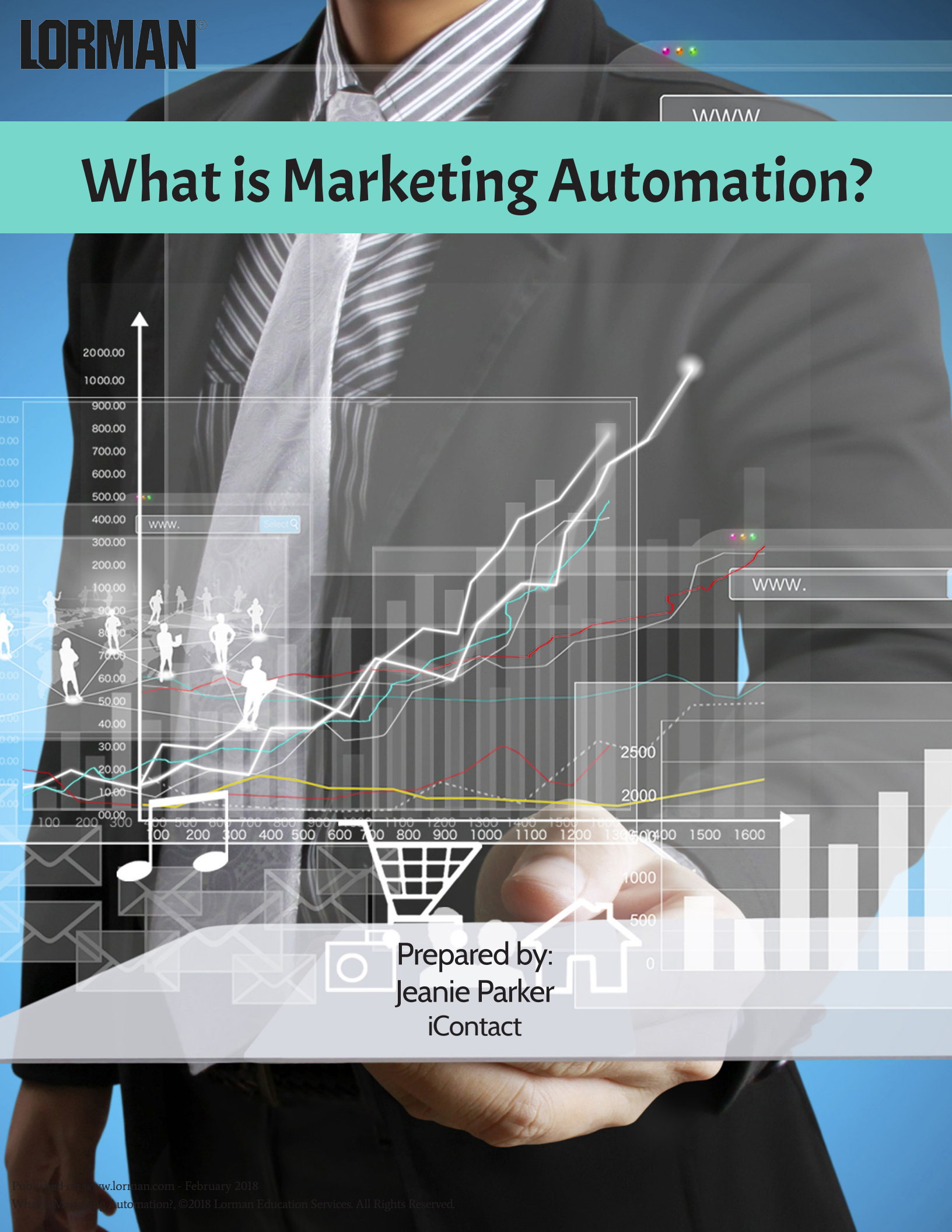
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What is Marketing Automation?



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What is **Marketing Automation?**



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What is Marketing Automation?

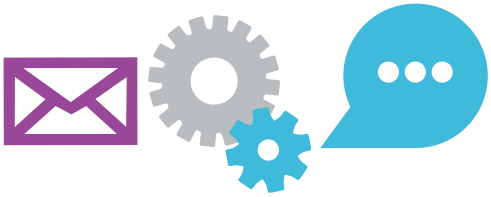
Marketing automation is one of those loaded terms that means different things to different people. It's the subject of a fair amount of hype and embellishment, too, which adds to the confusion. The reality is that marketing automation is a simple idea, though one with wide variation in execution. It can be simple. It can be extremely complex. It's done by huge companies. It's done by one-person businesses. The goal is always the same, though: to automate previously complex marketing tasks so you can always send the right message to the right person at the right time.

Marketing automation is about using software to automate the process of communicating with your customers and prospects – driving them further along the path toward buying whatever it is that you sell, whether that's a product, a service, or a cause. It involves marketing with email but it's quite different from basic email marketing, and far removed from the disreputable practice of "spamming" subscribers. This paper reviews the basics of marketing automation. It is intended to give you a sense of what it is and how it might work for your business.

Deficiencies in the Manual Marketing Process

Marketing automation began as a way to use technology to make up for deficiencies in the traditional, manual process of marketing. Here's a problem though: The "What is marketing automation?" conversation assumes that everyone understands what aspects of the marketing process are going to remain manual, versus those that will be automated. Adding to the confusion, the "marketing automation" community has also given some new, high-tech names to familiar, traditional tasks. We're going to clear this all up.

Marketing automation is about using software to automate the process of communicating with your customers and prospects.



Marketing for the Modern World

Quickly, let's answer the most basic question first: What is marketing? Everyone will have their own specific answer, but in general, marketing involves all of the tasks and processes that lead to a new customer placing a first order or an existing customer placing a repeat order. This is not a new topic, obviously. What's changed in recent years, however, is the way that prospects and customers interact with businesses.

Today, as most managers have observed, customers are increasingly connecting with companies through technology. Car shopping, for example, which used to involve driving around to various dealerships, today almost always starts with online browsing of car websites. After gathering

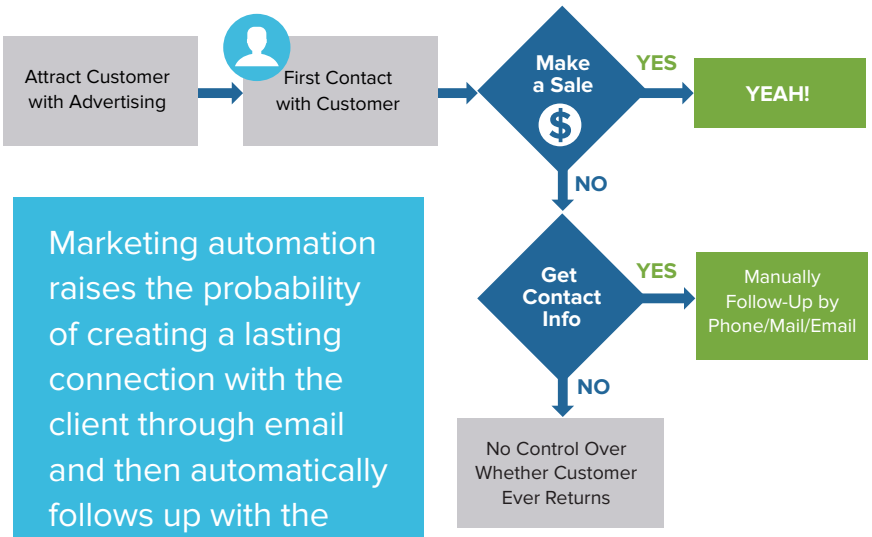
information about cars, the potential car buyer then goes out for a test drive at a dealership that fits the buyer's criteria. Alternatively, or perhaps in addition, the potential car buyer might use a mobile device and a map-enabled search app to locate a car dealer while out and about.

If you're a car dealer, you want that potential customer to drive to your dealership and test drive a car as soon as possible. If the customer doesn't come that day, you want him to keep your dealership "top of mind" so that he will return another day. Better yet, you want a salesperson to contact the buyer, find out what he's looking for and do as much as possible to ensure that he will come and buy a car from you, and not anyone else.

How can you make this happen? Traditionally, a car dealer might advertise in the newspaper, on billboards, on TV and radio. When a prospect saw a car he liked in an ad, s/he might call the dealer, ask about the car and then perhaps drop by for a test drive. There is nothing wrong with this process and indeed, advertising is still very much the norm in the automotive industry.

Here's the issue. The dealer, who is spending a lot money acquiring that first conversation with the customer, is out of luck if he cannot sell a car on the first contact. As **Figure 1** shows, the traditional manual marketing process runs the risk of losing contact with a prospect. Not everyone is ready to buy a car at the first point of contact with the dealer. If the dealer gets contact information from the prospect, it is possible to follow up, but doing so is a laborious, uncertain process. And follow-up requires a considerable investment in time on the dealer's part.

FIGURE 1. The traditional manual marketing process



Marketing automation raises the probability of creating a lasting connection with the client through email and then automatically follows up with the prospect until s/he is ready to buy.

How can the dealer create a connection with the prospect that enables the dealer to follow up regularly and persistently without being irritating or spending hours playing phone tag? That's what marketing automation is all about. Marketing automation raises the probability of creating a lasting connection with the client through email and then automatically follows up with the prospect until s/he is ready to buy. Then, after the first sale, marketing automation continues to stay in touch – without people doing too much work to make it happen – in order to attract the customer back for repeat business.

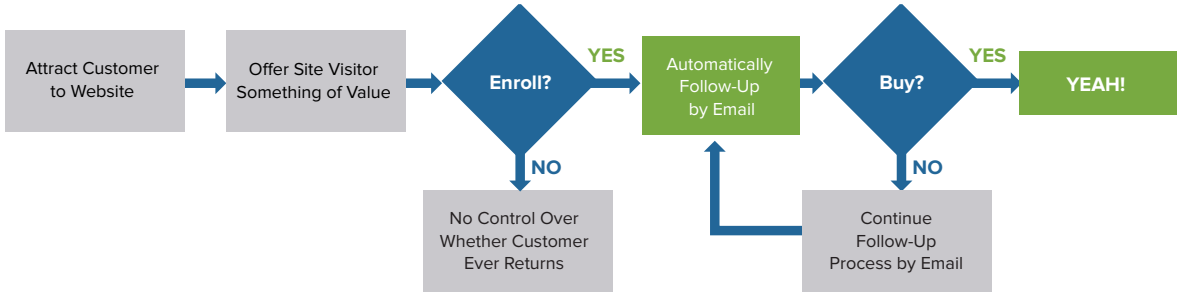
How Marketing Automation Works

Most of us have had the experience of interacting with a marketing automation tool even if we didn't know what it was called. Though there is a lot of variation in the practice, automated marketing begins with a visit to a website. Once on the site, the visitor is offered an incentive to exchange his or her email address for something of value. This could be a coupon, a free trial, a piece of marketing content, the ability to receive special offers in the future, and so forth. After entering his or her email in a web form, the email address is sent to a marketing automation tool, which adds the address to a list. Most marketing automation tools are hosted in the cloud. The user accesses the tool through a web interface.

Depending on the system, there may be a confirming email that goes out automatically that double-checks that the site visitor is, in fact, opting in to receive messages from the business. After that, the marketing automation tool automatically sends pre-written messages to the site visitor at predetermined intervals until the visitor either buys something or opts out. **Figure 2** illustrates this basic marketing automation workflow.

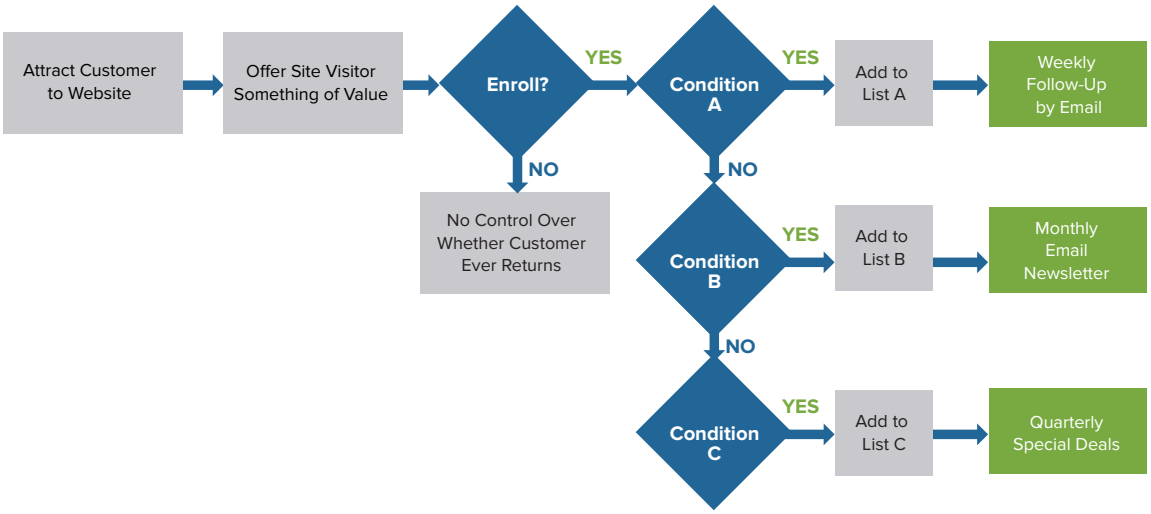
There are many variations on this pattern. Some retailers, for example, ask for a customer's email address at the point of purchase. Others may use contests or sweepstakes to get customer names and email addresses for future marketing automation use. The "contact us" form may also feed email addresses into the marketing automation tool.

FIGURE 2. The Basic marketing automation workflow.



Depending on the system, there may be a confirming email that goes out automatically that double-checks that the site visitor is, in fact, opting in to receive messages from the business.

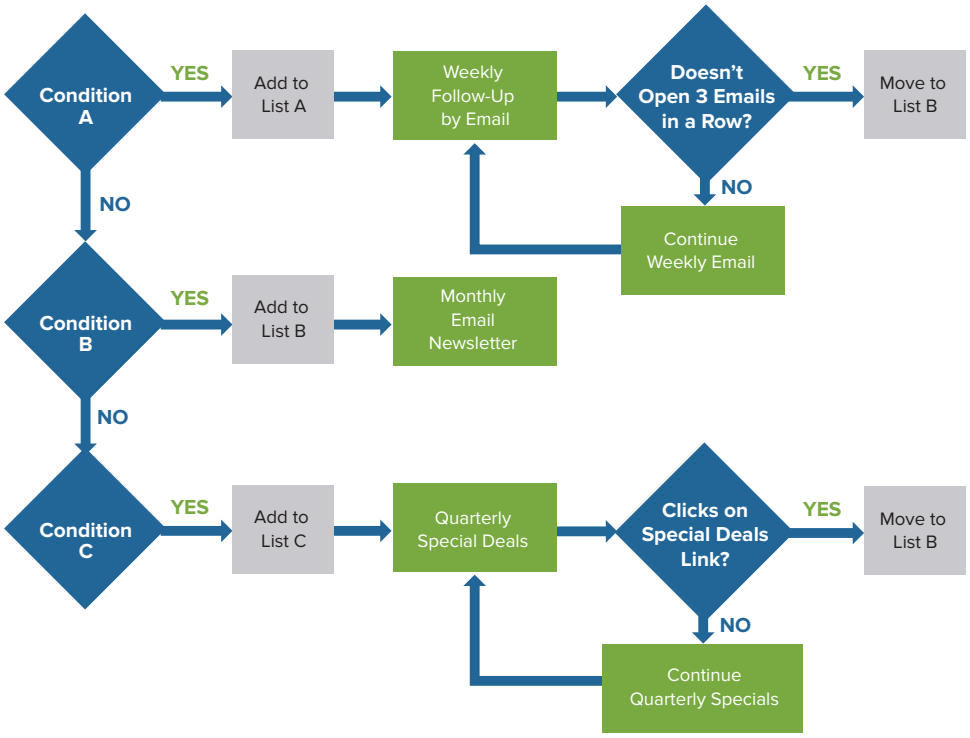
FIGURE 3. Adding multiple conditions to a marketing automation workflow.



The workflow can get more involved depending on the user's requirements. For example, as **Figure 3** shows, a marketing automation workflow can assign registrants to different email lists based on criteria such as age or zip code. In this case, registrants are assigned to one of three email lists, each of which gets a different series of emails: a weekly follow up, a monthly newsletter, or a quarterly special deal offer.

The possibilities are extensive. For instance, as **Figure 4** reveals, it is possible to change the workflow based on actions an email recipient takes, or doesn't take. In Figure 4's example, if a recipient clicks on a link in the quarterly special deal email, that recipient is added to the monthly newsletter. The clicking of the link suggests interest, so the recipient is added to a higher frequency email list to increase the chances of a purchase.

FIGURE 4. Addition of user conditions based on user actions.



As Figure 4 reveals, it is possible to change the workflow based on actions an email recipient takes, or doesn't take.

Marketing Automation Vs. Email List Marketing

Is this any different from email list marketing, the basic process of creating an email list and sending out messages to customers and prospects? It's comparable, but marketing automation takes the process further. Marketing automation typically involves setting up registration forms and incentives to get site visitors to agree to receive emails in the future. The follow up is automatic, based on schedule or if/then rules. Once the site visitor converts and joins the email list, the follow up occurs without any (or much) human interaction.

Advantages of Marketing Automation

Marketing automation can strengthen a company's relationship with its customers and prospects. Any company that has periodic, unpredictable interactions with customers will benefit especially. Consider the example of a medical supplies business that only hears from customers when they run out of whatever medical product they use. Chances are, there are many different providers of the product, each vying for the customer's business. It is easy to slip away from being the "top of mind" first choice for the customer. However, if the company can consistently be present in the customer's email box – with a message that adds value and builds the trust relationship – they are in a better position for profitable repeat business.

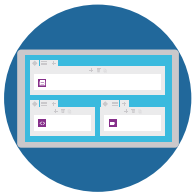
Done right, marketing automation can help businesses realize stronger returns on marketing investments than have been possible with manual processes. **Table 1 presents a simplified example of marketing return on investment (ROI). In this case,** a $50,000 marketing budget yields 4,000 leads, 5% of whom convert to paying customers through traditional means. What if marketing automation could boost the conversion rate by 10%, up to 5.5%? With an average order of $500 and a 60% gross margin, marketing automation adds $6,000 to gross margin and pushes the return on investment (ROI) for marketing from 20% to 32%.

TABLE 1.

	As Is	With Marketing Automation
Marketing Budget	$50,000	$50,000
Number of leads created	4000	4000
Cost of acquisition per lead	$12.50	$12.50
Conversion percentage	5.0%	5.5%
Number of orders	200	220
Revenue per order	$500	$500
Gross Revenue	$100,000	$110,000
Gross Margin	$60,000	$66,000
Marketing ROI	20%	32%

Core Marketing Automation Concepts

Marketing automation has its own vocabulary. It also encompasses a number of related marketing concepts, with the overlap adding to the confusion about what marketing automation is and is not. Here are some of the core marketing automation concepts and some thinking around how they work together:



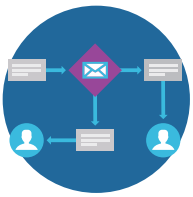
LANDING PAGE:

Marketing automation can succeed with any process that gathers the prospect's email address. The best approach, however, is to set up a dedicated web page for the site visitor to "land" on as an introduction to your company or your special offer. The landing page is designed to convert the site visitor into an actual sales prospect. For example, a pay-per-click (PPC) ad will usually direct the site visitor to a landing page that matches the offer shown in the ad. That way, there is continuity and momentum encouraging the visitor to register. A landing page contains a sign up form. Marketing automation tools invariably include tools that enable the user to create landing pages and contact forms.



AUTO RESPONSE:

Marketing automation users have the option of creating an email that goes out instantly after the registrant has filled out the contact form. This is known as an auto response email. The auto response serves several purposes. For one thing, it acknowledges that the information has been received. The auto response also gives you the ability to send a marketing message to the recipient at the hottest possible moment – right after he or she has signed up for information. Even a few minutes later, the prospect's interest may have waned or their attention has drifted elsewhere. Auto responses are about satisfying the need for instant gratification. If you promise an interesting piece of content to the prospect, an auto response gets it to them right away. If they have to wait a day to get it, they may not even remember what it is when it hits their inbox.



WORKFLOW:

The marketing automation toolset usually gives you the ability to set up a series of automated tasks to be completed based on criteria and schedules that you establish. Figures 2, 3 and 4 show examples of marketing automation workflows.



DOUBLE OPT-IN:

Some marketers want to ensure that the recipients on their email list truly want to receive the information they are getting. A double opt-in is the mechanism to achieve this goal. With a double opt-in, the site registrant receives an auto response message that says something like, "Please confirm that you want to receive our newsletter." This way, the recipient is firmly aware of the subscription to the newsletter and will not treat it as spam. The email industry even has a term to describe email that is sent with the recipient's permission, but which the recipient has long forgotten about. It's called "graymail" and it's considered a nuisance – to the point where many email servers are able to notice when a recipient doesn't open repetitive messages and relegate them to junk, even if the recipient has opted in to receiving them. Double opt-in reduces the risk of this outcome.



LEAD NURTURING:

Sometimes referred to as "drip campaigning" or "nurture flows," lead nurturing is the process of sending a series of follow up emails to a prospect with the goal of converting them to become actual paying clients. The follow up emails "drip" out to the lead, nurturing their interest until they are ready to buy.



SALES FUNNEL:

The prospects in your marketing automation email list are sometimes called the "Sales Funnel." Like a funnel, the marketing automation process narrows the collection of prospects and pushes the most likely buyers to the front. It could also be called a sales filter but the term "funnel" has caught on. The funnel is also referred to as the "Lead Pipeline."



PERMISSION-BASED MARKETING:

Permission is the essence of marketing automation. The website visitor who offers his or her email address is giving you permission to send marketing messages. Without permission, your email becomes spam, with all the brand backlash that produces. Permission-based marketing is a broad topic, however. Marketing automation is simply one of the execution mechanisms of the permission-based marketing method.



1 TO 1 MARKETING:

1 to 1 marketing involves reaching out to customers and prospects using personalized, customized marketing messages. Rather than sending everyone the same message, 1 to 1 marketing uses technology to identify specific offers that will appeal to individual prospects. The goal is to harvest a greater yield on marketing efforts. Like permission-based marketing, 1 to 1 marketing is an approach to marketing that can be executed with marketing automation tools.



CONTENT-BASED MARKETING:

Content-based marketing refers to the process of creating web "content," usually written articles, infographics, videos and so forth, that attracts site visitors. The better the content, the more alluring and "sticky" the site will be. Content is the bait that draws potential participants in the marketing automation workflow and places them in the funnel.

Selecting a Marketing Automation Tool

There are many marketing automation tools on the market today offering a wide range of capabilities and price points. The right marketing automation product is the one that fits your marketing department's unique needs.

Selecting the tool that's going to work for your marketing department means first understanding the balance between your needs, budget, and personnel. Marketers sometimes overlook the human and organizational expense inherent in adopting a particular marketing automation tool.

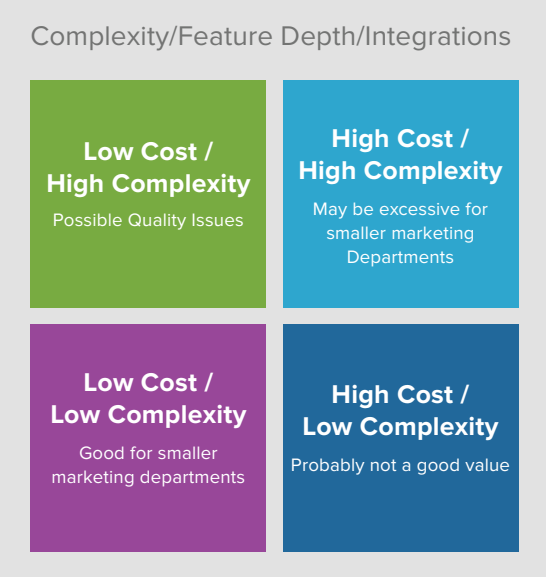
A Marketing Automation Checklist

There are a number of core functions that a good marketing automation tool must provide. Use the following checklist during your evaluation. At a minimum, a marketing automation tool should have the following basic capabilities:

- ☑ Landing page creation
- ☑ Form builder
- ☑ Autoresponders
- ☑ Email list management
- ☑ Outbound email campaign management
- ☑ Pre-Designed email templates
- ☑ Analytics and reporting of campaign results
- ☑ Personalization of emails (Insertion of first name, etc.)

Figure 5 provides an approach to evaluating potential marketing automation tools. Some of the more expensive solutions offer highly complex and advanced features as well as integration with customer relationship management (CRM) platforms like Salesforce.com. For large departments, these tools may be ideal. Smaller departments may find them excessive in terms of cost and difficulty to administer. For instance, the larger marketing automation packages generally require specialized training and often necessitate a dedicated staff member to operate them. If a department is big enough to warrant this investment, that may make sense, but it's not for everyone.

FIGURE 5. The spectrum of marketing automation tools, by cost and complexity



Conclusion

By now, you should be able to answer the question, "What is marketing automation?" As you can see, it's a fairly expansive topic, one that overlaps other marketing disciplines, such as content-based marketing and 1 to 1 to marketing. However you approach it, marketing automation is always about building a more lasting connection with prospects and customers. It's about improving the return on your marketing investment by engaging with prospects over time through targeted email messages. Marketing automation requires a specialized software tool and many options are available. In order to select the right tool, it's essential to understand how your marketing department balances its needs for features with the administrative cost of running a marketing automation program.

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