PAY BACK YOUR INVESTMENT IN MARKETING TECHNOLOGY

at The Speed of Light

Part 1

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Contents

PART I

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Abstract: The majority of brands across the globe struggle with optimizing return on capital investments in marketing technology. The reasons for this are complex, but our experience shows that the optimization problem can be solved by focusing on the right things with the right rigor. Accelerating payback from both marketing suites and/or best in breed integrated solution stacks is suddenly a CEO priority across the globe. This brief presents a proven, unique optimization model for realizing the original promise of marketing technology—incremental revenue generation, enhanced customer experiences, loyalty and competitive advantage via the activation of customer data.

Since modern marketing technologies first arrived on the scene in the 1990s, CEOs across the globe have gone on record every year to say that they are disappointed with the return they have generated from investments in their marketing technology (MarTech) stacks.

Concern from the C-suite regarding tech productivity is justified. According to Gartner, 26% of marketing budgets are spent on marketing technology. Considering this level of investment, the original promise of MarTech to 1) continuously increase revenue efficiencies, 2) drive exceptional customer experiences and 3) create competitive advantage is not an unrealistic expectation. This expectation of obtaining the "NorthStar" of marketing technology optimization has proven elusive for most brands across the globe.

In this brief, we'll

1) present the reasons for this underperformance and 2) our proven optimization model for achieving the NorthStar.

We'll present our actual experience with major brands across the globe as well as share our in-depth research into best optimization practices. While sustainable gains in MarTech ROI have been achieved by some Digital Champions, the goal of optimizing investments in MarTech deployments remains elusive for most players.

WHY COMPANIES FAIL

The lack of progress has many causes that, in the aggregate, weave a complex mosaic of the challenges companies face when pursuing the NorthStar. Lack of innovation in personalization and segmentation strategy, lack of access to high-value targeting data locked in disparate silos and organizational/cultural issues are just a few barriers.

Our experience with the world's largest brands, however, indicates there is a primary reason that companies fail at optimization. Simply stated, it is a lack of focus on prioritizing the highest revenue-generating activities in a strategic way, while simultaneously allowing tech stack operating costs to exceed original estimates for Total Cost of Ownership (TCO).

Additionally, realizing ROI from investments has proven to be elusive for many brands. To "crack the code" on personalization, we have developed a new era of personalization that we call Affinity at Scale. Affinity at Scale is a new approach to personalization that is a unique formula of human insights and data signals that drives an authentic, empathetic connection to the brand.

Let's now get started on our optimization journey by reviewing the trends and dynamics we are seeing globally in the quest for optimization.

CURRENT STATE - MARTECH OPTIMIZATION TAKES CENTER STAGE IN THE C-SUITE

CEOs are now mandating that the CMO, CTO, CFO and COO team up to drive optimization of capital investments in MarTech. For the first time since the birth of MarTech, the C-suite is now spending more time optimizing MarTech than installing it.

Our experience shows that optimization of tech investment takes human innovation in marketing working in tandem with IT. Marketing must focus on driving the incremental revenues that pay back the tech stack while IT continuously streamlines operational efficiencies of the platform(s). Integration of marketing and IT is not a new concept but executing on this core competency remains elusive for many major global brands. This is a major gap, as the quest for optimization dictates that Marketing and IT work closely together to tackle the optimization challenge, using shared goals and compensation as potential motivators. Our experience shows that Digital Champions integrate human innovation with tech functionality better than their competitors.

Adding to the challenge of integrating innovation with tech functionality, Gartner cites that marketing leaders **only activate 42%** of their MarTech capabilities and this rate continues to **decline each year**. This decline in usage of all the functionality available in the MarTech stack has had the effect of **decelerating the payback period** for capital investments in tech. Adding to the chaotic nature of the payback challenge, this decrease in utilization is occurring in parallel with a steady increase in marketing budgets year over year, pushing the chase for optimization out even further.

It is unrealistic, of course, to expect marketing to use 100% of tech functionality — there is functionality that is just not required for many marketing models. The amount of functionality utilized is dependent on dozens of factors such as innovation levels, creativity, training, skills in targeting and personalization, complexity/type of products being sold and many more.
And, just when you think there could be no more challenges than there are, Forbes indicates that **51% of organizations use 21 or more MarTech solutions**. Attempting to maximize revenues at the customer level — a pre-condition for optimizing the stack— is an uphill challenge. In a large enterprise, there can be dozens of marketing tech silos spread across business units, channels and product factories, all attempting to maximize revenues for the business unit, but not at the enterprise or customer level.

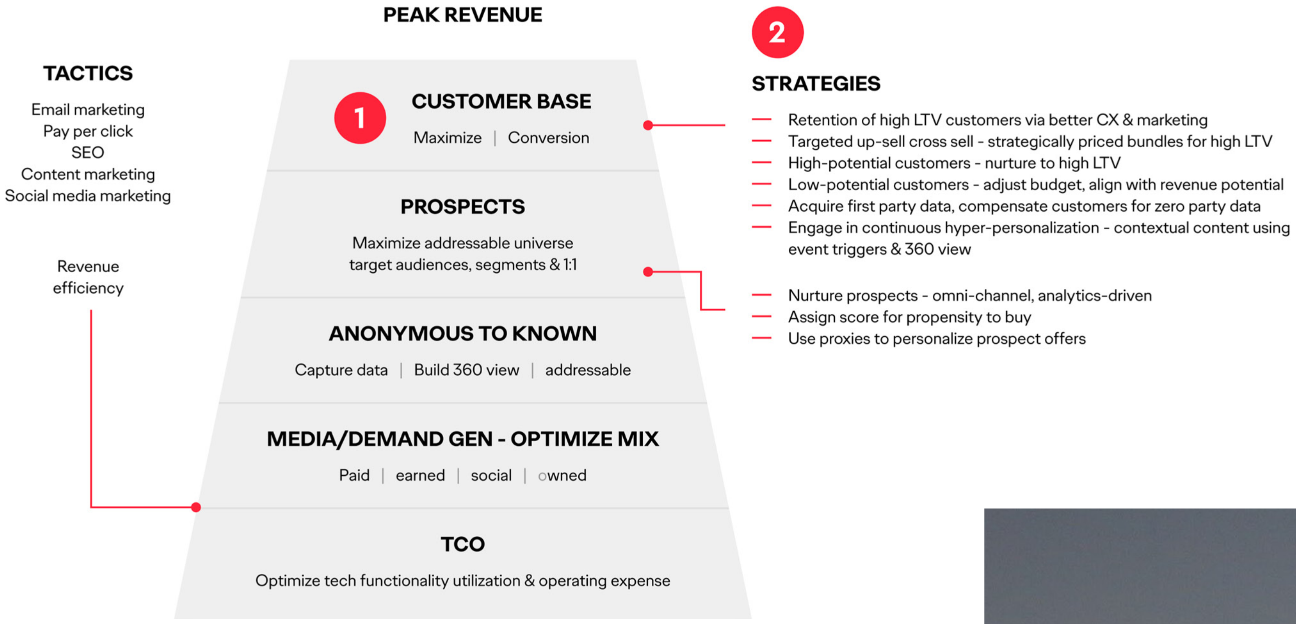
THE OPTIMIZATION MODEL - PAY BACK MARTECH INVESTMENTS AT LIGHT SPEED

The graphic on the next page is a proven optimization model we have developed from deep experience in global MarTech strategy implementations and best practices of Digital Champions.

Our view, based on both our clients and research of leading global brands, is that an innovative marketing team should leverage the optimal tech functionality for their particular marketing model. Optimal tech functionality usage, combined with innovative personalization, drives maximum revenues, or what we have termed Peak Revenue (top of pyramid). Hitting the zenith of Peak Revenue, in turn, accelerates and optimizes the tech payback cycle by giving the CFO flexibility in how to maximize the Net Present Value (NPV) of capital investments. The goal of the model is to optimize the tech stack, defined as generating the maximum number of revenue dollars per each dollar of tech expense.

When the brand is maximizing the revenue dollars from their MarTech stack, they achieve Peak Revenue. Digital Champions then use the incremental revenues to accelerate the tech payback schedule. Champions also focus on Technology Value Optimization (TVO) vs. only on TCO. TVO is defined as revenue productivity + TCO optimization, and it is a core metric that drives optimization. The underlying principle of TVO is accelerating marginal revenues faster than marginal costs. Focusing on this time-dependent metric accelerates optimization of the tech stack by accelerating the revenues required to pay it back faster and maximize NPV.

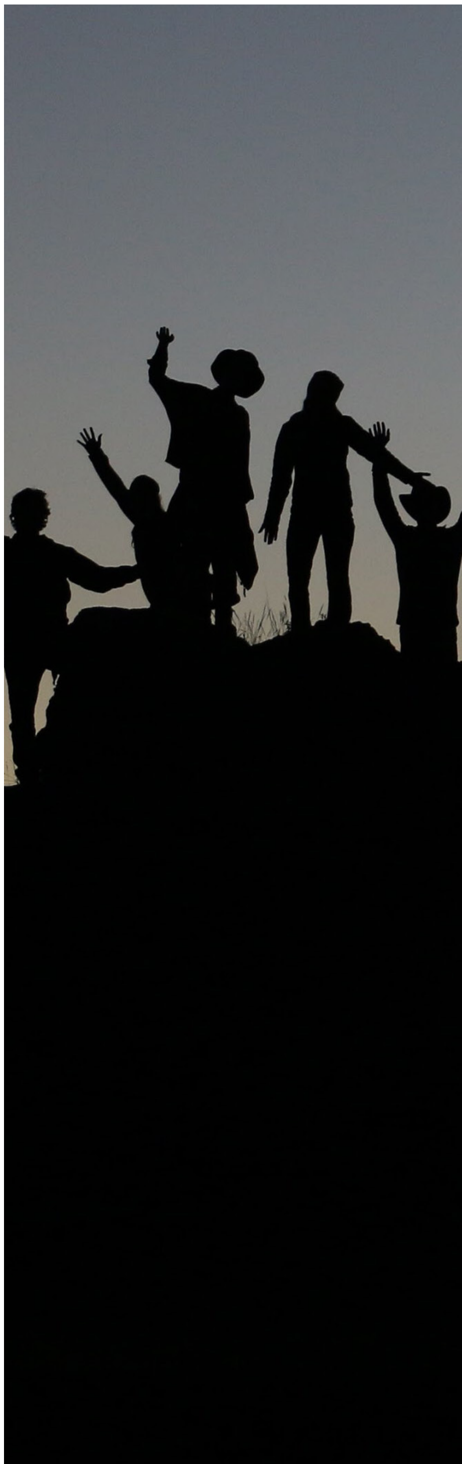
MARTECH STACK OPTIMIZATION



As shown in the graphic, there are three components to the optimization model, they are:

Core Capabilities/ Activities/Initiatives

— The Customer Base - optimize the marketing budget for existing customers, maximize revenues via hyper-personalized content and offers.
— The Prospect Universe - build addressable audiences, segments, and individuals whom, based on analytics, have a known propensity to convert.
— Anonymous to Known Conversion/360 Degree View - convert anonymous, non-addressable prospects to known, addressable prospects using identity resolution capabilities in technologies such as Customer Data Platforms (CDPs).
— Media - use media — paid, earned, social & owned — to generate demand from prospects that fit your known high-LTV customer profile (look-alike segmentation, propensity scores, other).
— TCO - continuous optimization of TCO by IT such as streamlining ops and app stacks, negotiating

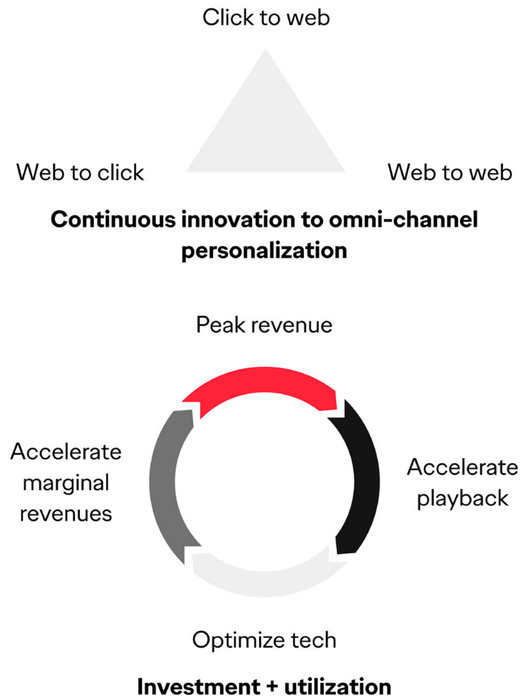


2 Strategies & Tactics

The strategies that are the highest drivers of revenue are shown in priority order on the right of the pyramid. Champions focus on the 20% of strategies that drive 80% of revenues. They optimize the marketing budget using marketing optimization tools and rigorous analysis to prioritize high-revenue strategies for both customers & prospects. For example, data-driven, personalized retention and cross-selling of existing high LTV customers is typically the highest ROI. Also shown on the left of the pyramid are the highest yielding marketing tactics that leaders focus on.

3

MARKETING INTEGRATION CYCLE



3 Integrate the Marketing Cycle and the Tech Payback Cycle

linking the revenue maximization cycle and accelerated payback cycle together into one process. The graphic above shows that incremental revenues from the data-driven marketing automation cycle can be applied to paying back investments in the tech stack at an accelerated rate. The three main components of the integrated marketing cycle consist of:

— Click to Web - maximization of throughput from email marketing to digital properties where the sale is made (if not made in the email channel).
— Web to Web - maximization of revenue from effective migration of prospects & customers among digital properties that work in synergy to create the sale.
— Web to Click - effective use of email to close the deal if the last sequence of activities occurred in the digital channels or the demand chain originated in the digital channels.

In the above integration models, technologies like CDPs can be used to provide continuous targeting that becomes more surgical with each customer interaction. As the 360 Degree View matures, marketing can drive new innovation in marketing strategies & tactics that drive revenues to increasingly higher levels and accelerate payback.

Executing on this model requires precision cooperation between the CMO, CTO and other CXOs. We recommend that processes, governance structures and compensation be linked together across marketing and IT with clear KPIs defined and accountability assigned. As shown, once Peak Revenue is achieved (top of pyramid), optimization of MarTech investments may be realized.

To complete the optimization cycle, the circle at the bottom right shows that when Peak Revenue is achieved, incremental revenue can be used to accelerate the payback period, thereby maximizing NPV of the MarTech capital investment.

SUMMARY - THE PLAYBOOK

Optimization of tech investments can be achieved by executing the following key principles presented in this brief:

1 Marketing Optimization

starting with retention of high-LTV customers, prioritize your customer & prospect marketing strategies and tactics according to the highest revenue producing activities. Continuously seek to optimize marketing budgets to drive the maximum revenue dollars per each dollar of tech expense. Accelerate marginal revenues faster than marginal costs. Achieve Peak Revenue.

2 Costs

continuously minimize TCO and improve operational efficiencies. Define KPIs for IT and implement accountability. Focus on TVO vs. TCO only.

3 Innovation

combine innovation in marketing with mastery of tech functionality that is relevant to your marketing model. Establish a MarTech Center of Excellence.

4 Process & Automation

integrate the Peak Revenue cycle with the accelerated payback of MarTech investments. Implement appropriate governance to ensure rigor of applying incremental revenues to accelerate the tech payback cycle and automate repeatable tasks available on the tech platforms.

5 Organization

Champions make marketing/IT integration a top priority, as lack of integration/cooperation is a primary cause of failing in the quest for optimization. Create shared objectives and compensation between marketing, IT and any other key stakeholder teams.

6 Metrics

focus on accelerating marginal revenues faster than marginal costs by focusing on the highest revenue generating strategies. Focusing on this metric drives optimization of the tech stack.

CONCLUSION

OPTIMIZING INVESTMENTS IN MARTECH HAS EMERGED AS A REQUISITE CORE COMPETENCY FOR DIGITAL CHAMPIONS IN THE 21ST CENTURY.

Implementing the optimization model described in this brief will accelerate the optimization cycle time of MarTech capital investments, paying back your tech investments at the Speed of Light.

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