



# THE FRANTZ GROUP

Aligning People, Process & Technology



## 2005 Technology Marketing Assessment

### *Final Report*

July 2005

#### EXECUTIVE SUMMARY

---

Thank you again to everyone who participated in our 2005 Technology Marketing Survey! Some of the key highlights...

- > Marketing data completeness & quality appears to be the single most pressing concern for the marketing executives we surveyed
- > Many participants appear to be diverting marketing funds from direct mail and events in order to increase spending on telemarketing, website enhancements, and data
- > Overall, respondents report that results from current lead generation activity are marginal at best, particularly for quality measures (such as conversion to pipeline & revenue)
- > Vertically-oriented campaigning appears to be an emerging trend
- > SMB is a key area of focus for the majority of companies we surveyed, as well as key vertical markets such as banking/finance, manufacturing, healthcare, and retail
- > Curiosity is high regarding eMarketing tactics – the use of internet/web-based technologies (such as personal URLs, click-to-chat, online qualification forms, etc.) to increase results of current marketing campaign activity
- > Increased focus on driving revenue through indirect/partner channels – and high degrees of interest in services & solutions to energize & improve results from existing partners
- > This survey has ignited interest in other companies surveying their customers and prospects to better understand needs, future directions, competition, spending, etc.

Based on the high degree of interest in this survey, we have decided to host a [series of web seminars](#), the first being a deeper dive into our survey results, followed by a series of web events focused on some of the key topics of interest identified in the survey...

1. Improving your marketing database
2. Exploring eMarketing techniques
3. Energizing your channel partners

#### PROJECT OVERVIEW & METHODOLOGY

---

In June 2005, The Frantz Group conducted an informal study of technology organizations, specifically marketing executives within technology organizations, with three key objectives...

- > To quantify the state of demand generation in the technology vertical (outsourcing, spending trends, challenges, areas of focus, etc.)
- > To characterize the ongoing & emerging needs of key marketing executives in this vertical
- > To solicit feedback on new initiatives and services we're planning

The survey itself was 28 questions in length, question content focused on...

1. Company & contact information
2. Specific marketing responsibilities
3. Company size
4. Start of their fiscal year
5. Common issues that are impacting their marketing results
6. Level of satisfaction as it relates to (quality/quantity of) leads from their current marketing activity
7. Approximate annual budget (for their specific area of responsibility)
8. Percent of current budget that is outsourced
9. Marketing spend allocation per quarter (ie. is it spread evenly over the calendar year, or is it weighted more heavily in particular months of the year)
10. Specific marketing functions that are currently outsourced
11. Number of third party vendors used
12. General level of satisfaction with existing outsourced vendors
13. Timing of vendor selection
14. Name of third party vendors by category
15. Marketing spending trends by category (ie. increase, decrease, or flat – across 12 categories such as events, email marketing, telemarketing, etc.)
16. Current campaign focus (ie. vertically-oriented, product-oriented, etc.)
17. Key verticals
18. Percent of company's revenue from indirect/partner channel
19. Challenges relating to partner/channel marketing
20. Perceived quality (accuracy & completeness) of current marketing database
21. Use/interest in specific call center services
22. Use/Interest in specific eMarketing services
23. Familiarity with The Frantz Group
24. Other emerging technology, regulatory, economic or other changes/trends impacting their business/marketing strategy
25. Open ended question – other thoughts?
26. Name of a colleague that may want to participate
27. Requests for Frantz Group contact
28. Requests for final report

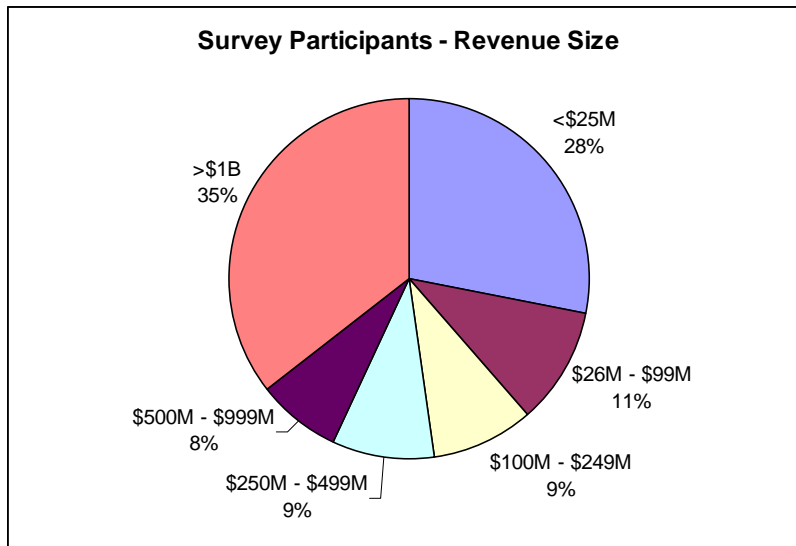
Surveys were completed during a three-week period beginning on June 8, 2005. The survey was administered & collected via the web. Invitations to participate were distributed via email to approximately 2,000 marketing executives. Participants were offered a \$25 gift certificate in exchange for their time to fill out the survey.

We received 136 completed surveys from 91 unique organizations (nearly a 7% response rate).

Included survey participants were primarily Vice President and Director-level marketing executives – who collectively control more than \$75 million of marketing budget. Survey participants reported specific areas of responsibility...

<b>What are your specific marketing responsibilities?</b>	<b>Count</b>	<b>%</b>
Select, manage or approve third party marketing vendors	82	63%
Ensure website is integrated into marketing programs/campaigns	80	61%
Determine demand generation strategy/plans for direct channel	78	60%
Determine eMarketing strategy and tactics	77	59%
Decide which marketing services are outsourced	74	56%
Approve all marketing programs/campaigns	72	55%
Determine demand generation strategy/plans for channel partners	60	46%
Manage internal telemarketing/inside sales team	36	27%
Other, Please Specify	35	27%

The following chart provides a breakdown of participants' company size – a good mix of companies, both large and small...



## CAMPAIGNING

We asked respondents to identify the biggest issues impacting their current marketing results. Data appears to be a major issue (which was also reinforced by responses to questions later in the survey), both incomplete data and poor quality data – impacting more than half of the participants. Lead conversion to pipeline, which is one objective way to measure lead quality, was also a concern. Other issues identified are illustrated in the chart below...

<b>Key Issues Impacting Marketing Results</b>	<b>Count</b>	<b>%</b>
Poor quality marketing data (old, inaccurate, wrong/missing contacts)	76	59%
Poor or unknown conversion of marketing leads to sales pipeline	67	52%
Incomplete marketing database for our key markets	64	50%
Insufficient funds to sustain meaningful campaigns	59	46%
Inadequate ROI data by campaigns and/or tactics	56	44%
High or unknown cost per lead	48	38%
Too many marketing leads are lost or not being used	47	37%
Internal marketing staff issues (training, competence, ...)	33	26%
Inadequate marketing automation software or tools	33	26%
Poor or unknown performance of our channel partners	22	17%
Poor performance by third party marketing vendors	17	13%
Other, Please Specify	11	9%
No issues impacting us	4	3%

Many of our current clients have recently placed increased focus on vertical marketing – crafting vertically-oriented campaign messaging in an effort to more effectively engage prospects. We asked respondents how they were currently focusing their marketing campaigns – and learned that many are still using product-oriented messaging.

<i>Marketing campaign focus...</i>	<i>Most Common</i>	<i>Sometimes</i>	<i>Future Direction</i>	<i>Not a Focus</i>
Product/Service focused across many verticals	50%	28%	3%	19%
Vertical market focused but not product/service specific	13%	53%	4%	29%
Vertical market focused highlighting a specific product/service	44%	35%	14%	7%

We asked respondents to identify key market segments or vertical industries their respective organizations are pursuing. Not surprisingly, we found a high degree of interest in the SMB segment – which is a major area of focus for nearly half of the enterprises we surveyed. Other top verticals of interest for our respondents included Banking/Finance, Manufacturing, Healthcare, and Retail.

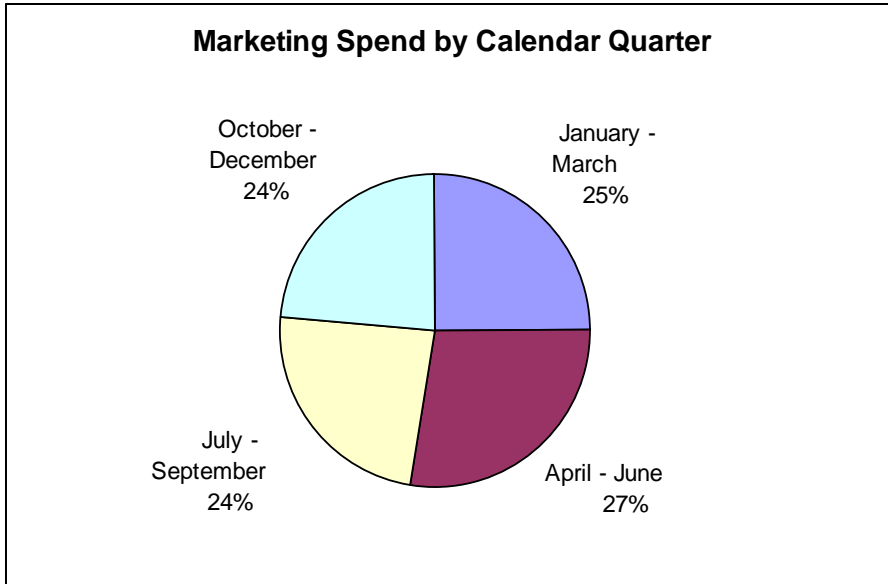
<i>Vertical / Segment</i>	<i>Major Focus</i>	<i>Minor Focus</i>	<i>On Radar</i>	<i>Not Important</i>
SMB (cross industries)	46%	20%	9%	25%
Banking/Financial Services	45%	16%	11%	28%
Manufacturing	43%	21%	15%	22%
Healthcare (payer and provider)	38%	16%	17%	30%
Retail	38%	21%	14%	26%
Public Sector (federal, state, local government)	36%	20%	15%	28%
Wholesale Distribution	33%	28%	13%	26%
High Technology	32%	26%	18%	24%
Insurance	28%	23%	13%	36%
Education	25%	18%	19%	39%
Life Sciences/Biomedical	25%	24%	13%	37%
Telecommunications	25%	22%	20%	33%
Transportation	17%	26%	20%	37%
Utilities	15%	20%	17%	48%
Professional services (law, real estate, consulting)	14%	23%	17%	45%
Energy	11%	26%	25%	38%
Architecture, Engineering, Construction	8%	29%	15%	48%
Agriculture	3%	16%	20%	61%

## MARKETING SPENDING TRENDS

Our survey respondents collectively control more than \$75 million of marketing budget.

<i>Approximate Annual Budget</i>	<i>Count</i>	<i>%</i>
<\$50,000	24	19%
\$50,001 to \$100,000	20	16%
\$100,001 to \$200,000	17	13%
\$200,000 to \$350,000	14	11%
\$350,001 to \$500,000	11	9%
\$500,001 to \$1,000,000	20	16%
\$1,000,001 to \$2,000,000	7	5%
>\$2,000,000	16	12%

Despite what we anticipated, it appears that marketing budgets tend to be allocated relatively evenly across the calendar year.

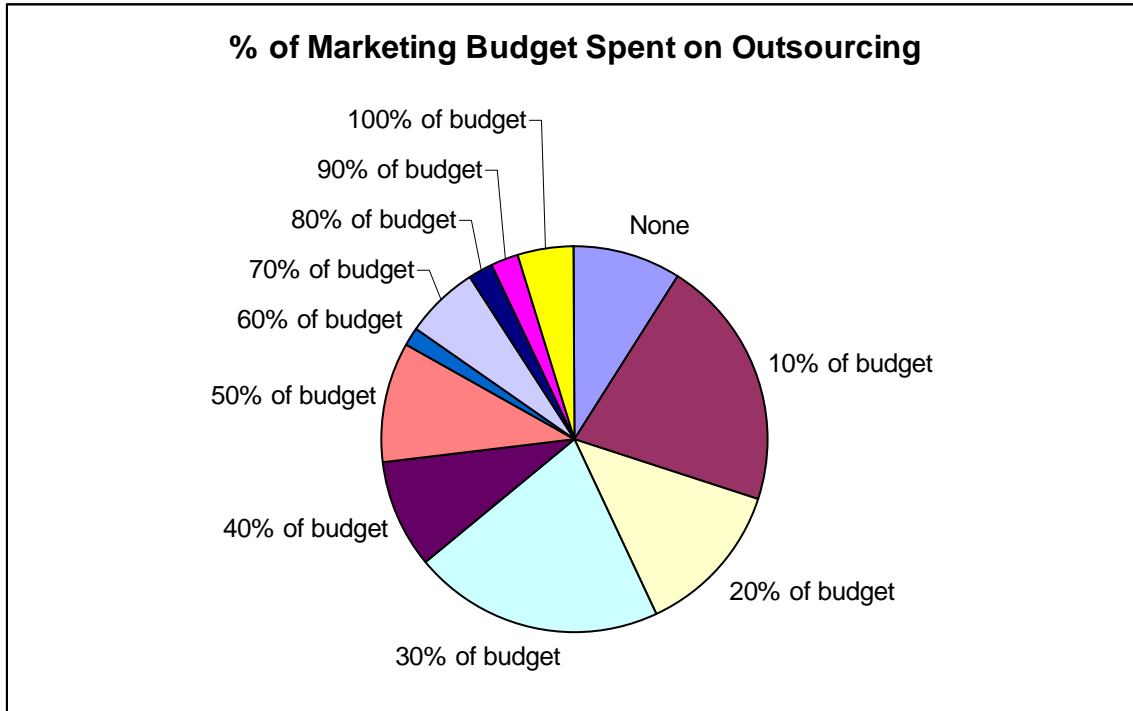


Respondents seem to be diverting funding from tactics like events and direct mail, and funneling more dollars into telemarketing/lead generation activities and web strategies.

<b>Category - Marketing Spending</b>	<b>Increase</b>	<b>Flat</b>	<b>Decrease</b>
Telemarketing/lead generation	43%	44%	6%
Website enhancements	42%	42%	4%
Marketing data (purchase, clean-up, etc.)	31%	45%	10%
Webinars/Webcasts	31%	46%	4%
Channel marketing programs	30%	43%	3%
Email marketing	29%	53%	7%
Brand Advertising	28%	44%	10%
Direct mail	25%	46%	21%
Marketing tools (e.g., CRM)	24%	51%	6%
Market/customer research/surveys	22%	49%	9%
Tradeshows/Seminars/Conferences	22%	52%	21%
Training/consulting	11%	51%	14%
<b>Average</b>	<b>28%</b>	<b>47%</b>	<b>10%</b>

## OUTSOURCING

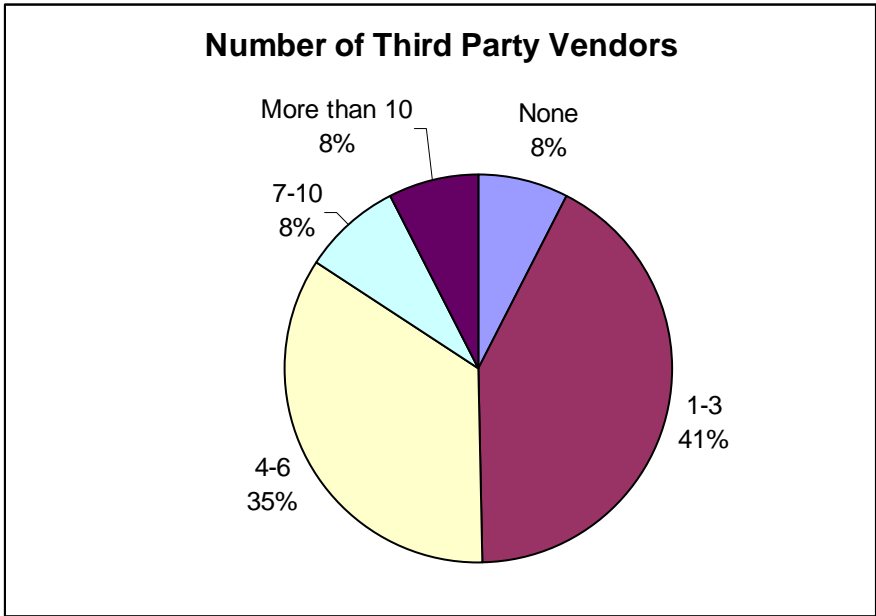
Of the \$75 million of marketing budget that our respondents control, nearly \$22 million (~28.4%) of those budgets are used to purchase outsourced marketing products and services. Approximately half of our survey participants report that they outsource 20-50% of their marketing spending...



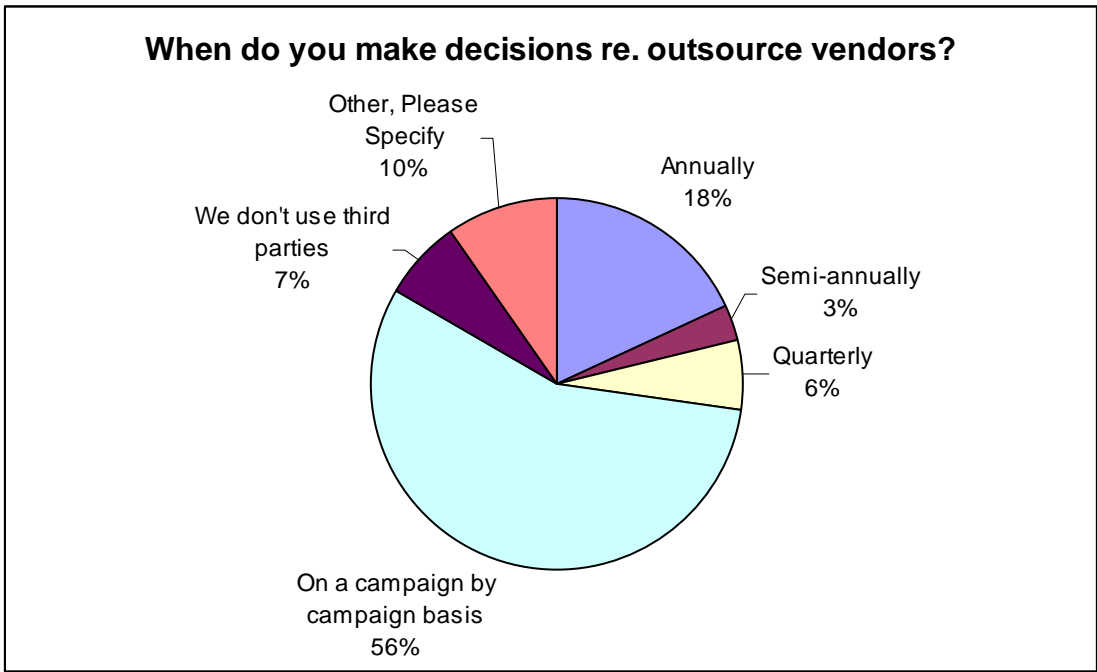
The most common categories of third party services purchased include telemarketing/lead generation, direct mail, market research, and data. Least commonly outsourced services include corporate website development, channel marketing programs, and events/tradeshows.

Category	Some or All	All	None
Telemarketing/lead generation	73%	19%	25%
Direct mail	59%	12%	37%
Market research	58%	11%	30%
Marketing data	58%	5%	36%
Email marketing	53%	8%	45%
Brand Advertising	51%	25%	35%
Webinar, Webcast	50%	12%	42%
Training, consulting	46%	2%	37%
Marketing technology (ex. CRM)	41%	9%	49%
Tradeshows, Events	40%	7%	54%
Channel marketing	37%	5%	45%
Corporate website	28%	3%	65%
<b>Average</b>	<b>50%</b>	<b>10%</b>	<b>42%</b>

Most of our respondents use multiple third-party vendors across these different categories of work. We asked respondents to share the names of some of their vendors by category, and they reported a staggering variety of different vendors – large & small, local niche firms & global agencies, etc. Seventy-five percent of the companies we surveyed work with 6 or fewer vendors.



Interestingly, we learned that most of our respondents make decisions regarding third party vendors on a campaign-by-campaign basis.



## DATA

---

Data was a major hot button for the individuals we surveyed. The vast majority of survey participants reported databases that need work. Contact data (from the standpoint of both quality and completeness) appears to be a bigger concern than company data.

<i>Marketing Database</i>	<i>Very good</i>	<i>Pretty good</i>	<i>Needs work</i>
Completeness (contacts/titles)	4%	27%	65%
Completeness (companies)	5%	44%	47%
Quality (company data)	5%	47%	45%
Quality (contact data)	2%	34%	60%

## LEAD QUALIFICATION

---

We asked participants to rate their level of satisfaction with leads coming from current marketing programs. The quality measures (conversion to pipe & conversion to close) seem to be bigger concerns than quantity and timeliness of those leads. Interestingly, the majority of respondents did not rank their current lead qualification efforts as “satisfactory” in any of the categories identified.

<i>Rate your satisfaction with the leads coming from your marketing programs:</i>	<i>Satisfied</i>	<i>Marginal</i>	<i>Needs Improvement</i>	<i>Unknown</i>
Quality as measured by wins or closes	10%	31%	46%	12%
Quality as measured by % accepted into sales pipeline	19%	40%	33%	8%
Quantity of leads	25%	37%	31%	7%
Cost of leads	21%	35%	31%	13%
Timeliness of leads	28%	37%	26%	9%

## CHANNEL

---

For the survey audience, an average of 26% of their revenue comes through partner channel. Survey respondents reported a variety of different issues. The most pressing concerns included finding ways to get better results from existing partners and better lead tracking/follow-up on partner leads.

<i>Please check all that apply to your partner channel.</i>	<i>Count</i>	<i>%</i>
We need better results from existing partners	55	52%
We need better lead passing, management & follow-up on partner leads	51	48%
We need better go-to-market programs for partners	45	42%
We need MORE high quality leads for our partners	44	42%
We need better coverage of markets/geographies	39	37%
We need better or more measureable ROI from our MDF spending	36	34%
We need to recruit partners to reach new verticals	35	33%
We need higher quality leads for our partners	34	32%
We need more consistent messaging across the channel	29	27%
We need an overall assessment of our channel marketing effectiveness	26	25%
We need to recruit more partners in general	24	23%
Our channel is great - no improvements needed now	11	10%
Other, Please Specify	5	5%
<b>Average</b>		<b>32%</b>



## OTHER ISSUES

---

We asked respondents an open-ended question what emerging technologies, regulatory, economic, or other factors/trends they see as having a significant effect on their business & marketing strategy.

### ***Budgetary & Resource Constraints***

- > The usual squeeze on budgets (3)
- > Limited internal resources (2)

### ***Regulatory Compliance***

- > Increased security issues, regulatory compliance issues (5)
- > Sarbanes Oxley (4)
- > FDA compliance guidelines (3)
- > HIPAA
- > HazMat

### ***Economy***

- > General state of the economy & business spending
- > Weak economy reducing IT spending (2)
- > General improvement in the economy
- > China's emergence as a market opportunity

### ***Specific Technologies***

- > Mobile & wireless technology (ex. PDAs) (7)
- > Security & privacy technologies (5)
- > RFID (3)
- > Data management
- > Data synchronization initiatives
- > Collaborative supply chain issues
- > .NET, J2EE, XML, VoIP, Broadband
- > IT simplification
- > We are still trying to catch up with last year's technology!
- > Decline of COBOL use in the industry.
- > hardware becoming a commodity/decrease in cost of PC
- > Increase in IPT demand.
- > CRM software
- > Product growth will fund marketing spending growth. It's a catch 22 with a small company.
- > Currently we are focusing on BPM and gearing much of our marketing messaging to include that. Also, promoting our Professional Services more as to compete with the larger companies who are embedding Rule technology.
- > Point of Sale improvements
- > IT processor
- > Consolidation of HRM software vendors
- > Software as a service and the acceptance on it
- > Performance Management
- > Digital technology
- > New version of Microsoft CRM and CRM add-ons.

### **Competition & Breaking Through The Noise**

- > Increased competition (3)
- > Email and information overload - target market is saturated with calls and email (3)
- > Multiple decision makers/influencers from various organizations
- > It is very hard to get to decision makers
- > Often feel very distant from customer and their true needs
- > Decline of interest in events
- > Overuse of email/privacy & CAN-SPAM laws
- > I think that the use of video on the web has is a powerful medium to provide our prospects with both customer testimonials as well as a simulated software experience. They can actually see what they can get
- > We need to hit base hits as opposed to home runs

### **Consolidation**

- > Consolidation of the industry, mergers in the enterprise software market (5)
- > Future acquisitions

### **Industry-specific Issues**

- > Gov't involvement in driving IT adoption in healthcare
- > Electronic Medical Record adoption
- > Internet travel distribution growth globally. The deregulation of the Airline distribution systems
- > Vertical market is purchasing smaller or more specific, need-based software.
- > Economic downturns in Automotive segment
- > Telecommunications industry changes, new market we are entering

### **Channel**

- > Greater use of partner channels (4)
- > Channel partners want good qualified data, but do not want to spend the money on it. (don't feel they're getting a great bang for their buck).
- > Partners expecting greater speed in marketing execution and results.

## **“MOST INTERESTED” & “MOST CURIOUS” THIRD PARTY SERVICE CATEGORIES**

---

We asked prospects to rate their interest/curiosity in various call center & eMarketing services...

<b>Please rate your use/interest in these call center based services.</b>	<b>%</b>
Profiling to penetrate targeted accounts	25%
Contact discovery/data cleansing	24%
Appointment setting	22%
Market research/customer surveys	19%
Teleprospecting/lead generation	19%
Event boosting	15%
Telesales	15%
International call center services	12%

<b>Please rate your use/interest in these eMarketing tactics:</b>	<b>%</b>
Tools to pre-qualify prospects (e.g., ROI Calculator)	29%
Integrated marketing campaigns (e.g., online qualification tools used in conjunction with telemarketing)	29%
Email campaigns to opt-in, targeted lists	21%
Call to action tools (e.g., demonstrations)	20%
Microsites/Landing pages to drive targeted campaigns	19%
Click-to-chat (online interaction with web visitors)	18%
PURLs (Personalized URL)	17%
Sales and marketing tools (e.g., SFA, CRM)	13%
Online forms (eg, register visitors)	13%
CRM software to track campaigns, leads, interactions, ...	11%
Webinars/Webcasts	10%