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Defining The Online Marketing Suite

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EXECUTIVE SUMMARY

Today interactive marketing is a fragmented discipline in which marketers work with many different vendors to develop and execute marketing programs. But as the number of channels and programs grow, this situation becomes untenable. Today's interactive marketers have few options as neither enterprise marketing suites nor interactive specialists address their needs. Forrester believes that the time is right for the online marketing suite to emerge. This suite, underpinned by a central hub, is the eventual destiny for all online marketing technology and will enable a single view of the customer across channels, provide process tools to support collaboration, centralize optimization, and support a partner ecosystem.

INTERACTIVE MARKETING'S LACK OF STANDARDS IMPEDES EFFECTIVENESS

Like direct and brand marketers, interactive marketers struggle to create customer-centric marketing programs across channels.¹ But interactive marketers face an additional hurdle: a complete lack of industry standards due to the fact that interactive media — like online video, mobile marketing, or even search marketing — is pubertal and still “under development.” To counter this, interactive marketers work with a panoply of technologies and service providers to create order across programs.² This dependence on multiple partners makes it difficult for marketers to:

- **Collaborate efficiently.** Interactive marketers who work with a host of partners — like search agencies, creative teams, Web design shops, and email service providers — to execute marketing programs find that collaboration too often relies on ad-hoc meetings or email trails. This slapdash approach to cross-channel planning leads to misaligned goals and lengthy project cycle times. As the head of interactive marketing for a large Telco told us, “The simplest campaign takes several months to define and launch. Most of our time is spent ferrying data, briefs, and creative across multiple agencies.”
- **Consistently measure program performance.** While Web analytics vendors like Omniture or Coremetrics cull Web traffic data, most interactive marketers also employ channel-specific tools to understand the performance of their search, email, or display ad campaigns. In order to gain program-level reports, marketers must manage the inconsistencies created across multiple vendors' data collection tags, tracking codes, and attribution methods.³ One hotelier explained, “Often our Atlas data doesn't tie to our Omniture data due to tag overwriting and different calculation methods. We spend plenty of time clearing confusion caused by conflicting reports.”

- **Optimize spend across the mix.** Most interactive marketers can only optimize investments on a channel-by-channel basis using the conversion rates or acquisition costs of a *given channel*. But in order to effectively achieve business goals, they need to distribute budget profitably across all channels. For instance, credit card companies looking to minimize their cost per lead can do so in paid search with bid optimization or in sponsored emails using tools available from vendor specialists in this area, like Datran Media. But to prioritize budget across these channels, they must manually collect response data, compare campaign performance, and use external optimization systems to adjust future plans.

Today's Solutions Fall Short

Interactive marketers looking for technology solutions to help them manage through collaboration, measurement, and optimization challenges are a bit like Goldilocks in the house of the Three Bears. They find that neither enterprise marketing platforms like Unica or Aprimo nor interactive marketing specialists like WebTrends or Efficient Frontier can fit the entire marketing process just right. Here is where current offerings founder:

- **Enterprise marketing suites lack Web expertise . . .** Current offerings from vendors like Oracle (Siebel) and Unica automate marketing processes through expensive campaign management and marketing resource management (MRM) applications that need extensive IT support and aren't tailored for interactive marketers.⁴ Case in point: The "interactive marketing" options at most of the enterprise marketing suite vendors include email delivery and sometimes Web analytics. These offerings are neither comprehensive — expanded interactive capabilities like search marketing and Web interaction optimization are neglected — nor best-of breed. For example, the marketing module of on-demand CRM vendor RightNow Technologies' suite allows for message creation and delivery but lacks the simple dynamic content editor and ISP relations team marketers would find standard with a dedicated email service provider.⁵
- **. . . while specialists are too focused.** There are thousands of vendors offering extremely particular interactive marketing solutions. For example, managing search marketing can require three vendors: Outrider provides strategy but no proprietary technology while Atlas offers bid management but limited strategy services, and SEMDirector provides search marketing analytics but no bid management. Some solutions like RevCube and Omniture aspire to integrate multiple interactive channels, but these applications are far less prevalent than standalone tools, and they primarily focus on one aspect of marketing rather than supporting the entire process.

INTRODUCING THE ONLINE MARKETING SUITE

Forrester believes that marketers need a new technology framework to fill interactive marketing’s technology and process shortcomings. Forrester expects an online marketing suite to emerge that differs from current options in function, user, data structures, integration capabilities, and delivery model (see Figure 1). We define the online marketing suite as:

A network of interactive marketing specialists — held together by a central hub — which supports the entire interactive marketing process from planning and design to execution, measurement, and analysis.

Figure 1 The Online Marketing Suite Brings New Value

	Current technology options	The online marketing suite
Primary function	Automate highly complex offline marketing processes or execute point interactive campaigns	Support the end-to-end interactive marketing process from planning through execution and optimization
User	Marketing manager	Interactive marketers of all levels, agencies, and marketing operations personnel
Data model	Multiple separate databases that store campaign-specific data	Unified data model that integrates at a consumer level
Integration capabilities	Limited to ad-hoc API integration with select partners	Built on an open source platform to allow for an easy connection with a limitless partner network
Delivery model	On-premise or services-led	Hosted/on-demand

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Source: Forrester Research, Inc.

Fundamentals Of The Online Marketing Suite

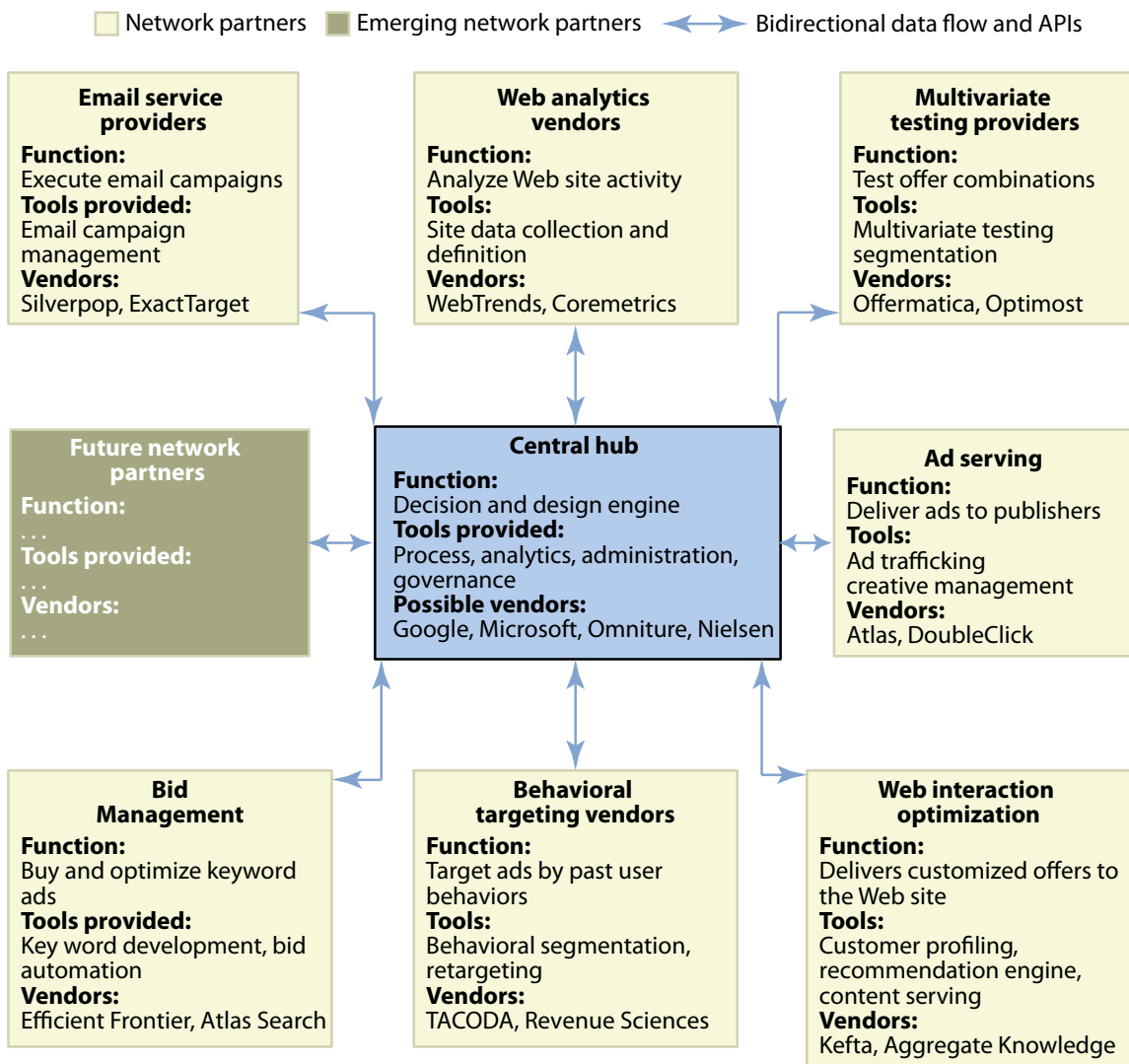
The complete suite has two core components: 1) the central hub — the molten core of the suite that enables marketers to manage and integrate online data, and 2) the network — a thriving community of technology and service partners that delivers execution, targeting, and measurement services (see Figure 2). The central hub is the novel part of the suite; current interactive marketing specialist vendors will make up the network layer. Four critical elements make the central hub the design and decisioning engine of the online marketing suite:

1. **A unified data model.** The primary building block of the online marketing suite is a shared data repository that resides in the central hub and is capable of creating a singular view of the customer and transparently managing responses across interactive channels. One interactive marketer, who is building TOMS internally states: “It starts with the data. We now enforce some minimum data collection standards on all our vendors.” Marketers will identify viable,

aspiring online marketing suite vendors by those that use business logic and rules to cleanse, rationalize, dedupe, and attribute data at a customer level in order to create a unified data model. Early examples of unified data models can be found in solutions provided by Connexion.a, Exponential, and Revcube.

2. **Process tools and metadata repository.** As interactive channels proliferate, marketers must manage a larger number of programs executed at a greater velocity than ever before. To enable this, the central hub will house two core process management features: 1) a centralized repository to manage and standardize marketing terms, definitions, and workflows, and 2) process and collaboration tools like a marketing calendar to schedule programs or a shared campaign management interface that allows marketers to co-create programs and deliver programs with agencies and execution partners who participate in the suite's network.
3. **A centralized optimization engine.** Today program optimization occurs at the channel level based on conditions unique to that channel. Case in point: optimization of paid search depends on price and past keyword performance, while Web site optimization hinges on multivariate testing of site-level attributes. The optimization engine in the central hub will apply mathematical algorithms to all available data to optimize all programs against overarching marketing goals and constraints. The head of interactive marketing for a large consumer brand declares, "Multiple initiatives are responsible for conversion. Unless we account for them in our optimization, we will leave revenue on the table."
4. **Standards-based architecture.** Marketers need supporting technologies that can integrate with relevant applications and scale to manage terabytes of data while still flexing to accommodate changing market conditions and business needs.⁶ One interviewee summed up this sentiment: "The idea of the suite makes sense only if it supports easy access to functionality from our existing vendor partners." The strongest suites will maximize the size of its network to include myriad best-of-breed channel specialists and facilitate hub/network connections through common standards like Web services, XML, and service-oriented architecture (SOA) that support rapid application integration.

Figure 2 The Online Marketing Suite



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Source: Forrester Research, Inc.

WHAT IT MEANS

THE ONLINE MARKETING SUITE IS INEVITABLE

As marketing channels proliferate, interactive marketing budgets expand, and interactive capabilities start to infuse even traditional channels, the need for better accountability and simpler processes — key benefits of the online marketing suite — will become an imperative.⁷ Forrester expects the online marketing suite to emerge as the principal way marketers will manage interactive programs and vendors within the next three years, leading to some significant shifts:

- **Interactive marketing organizations will finally own a standard set of skills.** Forrester identifies two interactive marketing organizational models: channel managers and excellence centers.⁸ Although each organizational type will customize the online marketing suite to match its own level of maturity, both will need the technology smarts to be able to tailor the suite's data model and mix of network partners to match their firms' needs. As the suite becomes modus operandi, interactive marketing organizations will begin to operate under similar processes, and rely on technologies with similar functions and tools. This means interactive organizations will — at last — standardize around a set of core skills that will include technology, analytics, and strategic planning, instead of prioritizing channel expertise, which will be auto-optimized by the suite.
- **Simple hubs with broad networks will lead.** Today several types of players are vying to become the central hub in our online marketing suite model. Enterprise technology vendors like Unica are integrating functionality like campaign management and marketing resource management (MRM) into a single suite. Google and Microsoft are creating one-stop media shops that will ultimately run off of a single ad management platform.⁹ Even recent agency moves like WPP buying 24/7 Real Media indicate that agencies may be looking for more control of the online marketing media and technology environment.¹⁰ But these models do not yet have a unified data model and centralized optimization — the two key components of successful central hubs in the online marketing suite. Marketers will give their business to those hubs that: 1) create a unified data model soonest; 2) support the broadest partner system; and 3) lower switching and adoption costs by simplifying user interfaces and eliminating the need for training.
- **The online marketing suite will force vendor consolidation.** Standalone players have long struggled to balance the need to deliver best-of-breed solutions with expanding their functional offering to attract a larger portion of the marketing budget. And many firms that believe in an integrated marketing vision — like iCrossing or Epsilon — are transforming themselves into full service firms to own as many different cross-channel services as possible. But this approach is hard to scale profitably. The online marketing suite removes the burden of managing the entire interactive marketing ecosystem from one vendor by sharing infrastructure, administrative tasks, and functional expertise across a network of players with

focused execution capabilities and an open architecture, like ExactTarget. We expect the online marketing suite to catalyze consolidation across vendor-rife interactive categories like email, search and ad networks, as channel specialists trying to grow into one-stop shops prove to be too complex for network players and can't provide the data model needed to compete with emerging hubs.

ENDNOTES

- ¹ Many firms aspire to be customer-centric, yet few have figured out the recipe for successfully transforming their business. At this year's Marketing Forum, top marketing executives from leading companies spoke about their efforts and challenges in trying to put the customer at the center of their business. See the May 17, 2007, "[Reinventing Marketing For Customer Centricity](#)" report.
- ² In our yearly marketing technology benchmark survey, interactive marketers tell us that they currently use or plan to use approximately 12 technologies. See the April 26, 2007, "[Marketing Technology Adoption 2007](#)" report.
- ³ Data collection tags are small pieces of code, usually in Javascript, embedded in the Web page. When the page is loaded in a visitor's browser, the tag collects information about the visitor's activity and transmits it to a data collection server usually through a request for an image with the various parameters attached to the request's query string. Tracking codes are used by marketers to track performance of various offers and calls-to-action.
- ⁴ To assess the state of the EMP market, Forrester evaluated the strengths and weaknesses of top EMP vendors across 168 criteria. We found that while there are pockets of excellence in areas like campaign management and process management, solutions fall short of delivering a comprehensive suite. See the February 3, 2006, "[The Forrester Wave™: Enterprise Marketing Platforms, Q1 2006](#)" report.
- ⁵ Forrester evaluated nine email marketing vendors across 75 criteria. We found that integration with other applications, dynamic content capabilities, and flexibility of the data model are primary points of differentiation while multichannel capabilities were disappointing. See the December 22, 2005, "[The Forrester Wave™: Email Marketing Service Providers, Q4 2005](#)" report.
- ⁶ Marketers tell us that they focus on five key criteria when selecting vendors: 1) functional alignment; 2) scalability and flexibility; 3) total cost of ownership; 4) industry expertise; and 5) architectural fit. And while they'd like to see solutions with greater breadth, 70% of marketers also say that they prefer to select the best product for the task over a bundled suite. See the April 26, 2007, "[Marketing Technology Adoption 2007](#)" report, and see the July 5, 2006, "[How Marketers Buy Technology](#)" report.
- ⁷ Forrester's outlook has interactive marketing spend growing to \$61 billion by 2012, driven by marketers leveraging a distribution of channels rather than pouring new spend into a single place. This maturing perspective on interactive channels coupled with technology advances will lead to a customer-centric future where interactive technologies actually infuse all marketing efforts. See the October 10, 2007, "[US Interactive Marketing Forecast 2007 To 2012](#)" report.

- ⁸ Interactive marketing is finally gaining executive attention. But while budgets and expectations for interactive marketing programs are on the rise, supporting organizational structures are ad hoc at best. Forrester recommends that firms align their interactive teams with one of two models — channel managers or excellence centers — and then grow within these models to ultimately integrate into a Customer-Centric Marketing Organization (CCMO). See the May 1, 2007, “[Maturing Your Interactive Marketing Organization](#)” report.
- ⁹ Online behemoth Google showed that it still had room to grow on April 13, 2007, when it announced it would acquire long-time online advertising veteran DoubleClick for \$3.1 billion. The deal trumps competitive bids and catapults Google into the online display advertising business. The result: Google will now offer a comprehensive set of marketing services, MSN and Yahoo! will emphasize customer loyalty, and consumer online behavior will be unchanged. See the April 18, 2007, “[DoubleClick Makes Google A One-Stop Shop](#)” report.
- ¹⁰ Recent major acquisitions in the online advertising space — like Microsoft’s \$6 billion purchase of online marketing firm aQuantive — signal the renaissance of online advertising. Improved technology and the increased appeal of display ads vis-à-vis search and email marketing are driving more aggressive adoption of online media. But this is only part of the story. The growth in acquisition activity indicates that the industry believes that marketers are finally ready for a wide-scale adoption of interactive media and technology. See the May 22, 2007, “[Online Advertising Is Poised To Boom — Again](#)” report.