WHITE PAPER

Cloud Platforms: The Future of Marketing and Advertising Technology

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IDC OPINION

The market for marketing and advertising technology has seen a great deal of innovation over the past 10 years—so much so that it now boasts well over 1,000 vendors, which IDC has organized into more than 75 categories. IDC believes this structure is unsustainable, and over the next three years, the forces of consolidation will exert fundamental changes in how enterprises provision marketing and advertising infrastructure and from whom they provision it. The result will benefit brands, vendors, and customers. Findings include:

- **Unsustainable complexity:** The market for marketing and advertising technology has been in innovation mode. Point solutions have come to market independently and asynchronously, forcing buyers into reactionary purchase behaviors. A long-term plan has simply not been possible. As a result, CMOs have had to optimize fragmented marketing infrastructures and manage increasingly specialized staff members who struggle to understand how their activities influence those of their peers.

- **From managed services to software as a service (SaaS):** Brands have rejected the agency black-box model to digital ad management. There is widespread frustration among brands not only about fees and margins but also more fundamentally about being able to apply business acumen to ad performance in real time. Digital advertising, in general, and search, in particular, represent an increasingly significant spend and require real-time management. SaaS solutions make the in-house approach both feasible and cost effective.

- **Pervasive programmatic advertising:** Ad networks are too complex and buyer behavior is too dynamic to serve without automated ad placement for large and even midsize companies. Optimizing reach, acquisition cost, and personalized creativity across channels at scale requires massive data sets, algorithmic bidding models, and real-time visibility—none of which can be achieved without an automated solution.

- **Competing on data:** Using advertising and marketing technology to drive customer expectations beyond the ability of competitors to deliver is becoming a new source of competitive advantage. Brands with the ability to aggregate multiple first-, second-, and third-party data across their advertising and marketing operations will be the winners.

The key driver for the transition to clouds is the value delivered to CMOs. They will be able to deploy consistent solutions on a global basis, get better reporting from internal and external campaign investments, and manage marketing based on performance.
METHODOLOGY

This document is based on the extensive market research that IDC has conducted on the development and adoption of marketing technology as well as interviews with five Marin Software customers. IDC has also conducted extensive research on how enterprises are deploying marketing and advertising technology and has published a number of frameworks and forecasts, which are referenced throughout this paper and listed in the Related Research section.

IN THIS WHITE PAPER

This White Paper presents IDC’s view of how key technology trends will shape the future of the marketing and advertising technology market. The analysis is based on IDC’s 2015 Strategic Framework for Marketing Technology, which organizes more than 75 categories of marketing and advertising technology into four broad categories: interaction management, content production and management, data and analytics, and marketing management and administration. This framework is the basis for IDC’s worldwide market size and forecast for marketing technology, which is expected to reach more than $32 billion in 2018. IDC believes this will be a highly diverse market with many options available to buyers, specifically because both best-of-breed and platform strategies will be needed to serve a variety of buyer acquisition strategies. However, cloud platforms will become increasingly attractive to mainstream buyers that lack the resources of early adopters to own and operate the constellation of technologies needed to run modern enterprise marketing organizations.

SITUATION OVERVIEW

Connected Customers Require Connected Marketers

Fundamental to the grand transformation happening in every marketing department on earth is the digitally connected customer. Customers are connected to information, each other, and a myriad of other sources in ways they never were before smartphones became ubiquitous. In addition to the profound power shift from brands to customers that this has enabled, the digital world also introduced a mind-boggling number of new media, devices, and modes of influence — some of which are consumers themselves. As a result, buyer behavior is more complex than ever. It is no longer a reliable linear model; rather, it is now a world of almost infinite permutations. Creating a consistent buyer experience, serving customers at each step of their journey, and tracking every customer touch point require highly sophisticated real-time communication and coordination of marketers, systems, content, data, processes, and reporting. Brands are realizing that accomplishing all this depends on outstanding performance not only within media channels (e.g., search ads, social, mobile, Web site, and in-store) but also across media channels. It requires an infrastructure that provides the following:

- Well-governed data, data management, and analytical capabilities based on deep integration with first-party customer and revenue conversion data
- Advanced, real-time, and algorithmic optimization techniques
- Transparent real-time reporting
- Delivery of personalized content
- Fragmented infrastructure
Unfortunately, a unified infrastructure has been hard to achieve. The marketing and advertising technology market is unsustainably fragmented. So many different solutions are available that it is very difficult for CMOs, chief digital officers (CDOs), and CIOs to achieve a holistic view of what they have, what they need, and why. Some of this is due to the sheer number of solutions needed, but it is more daunting in large companies with autonomous business units and siloed budgets that lack a governance function to oversee the selection and specification of various marketing and advertising systems. In the long run, all components must work together because customer experience transcends internal distinctions between lines of business as much as it does media channels. To provide a holistic view, IDC breaks the marketing and advertising technology market into four broad categories that are made up of many subcategories as follows:

- **Interaction systems**: The primary function of these solutions is to communicate to and/or with the market and conduct the digital dialog. They include the following subcategories:
  - **Advertising**: Solutions to manage and optimize Web, mobile, and offline ads, including display, social, search, and video
  - **Digital commerce**: Solutions such as ecommerce platforms, merchandising, mobile point of sale, catalogs, real-time offers, location-based targeting, and social commerce
  - **Direct marketing**: Solutions such as marketing automation, content marketing, email marketing, telemarketing, direct mail, customer communications management (CCM), SMS/text marketing, and mobile app development
  - **Web site**: Solutions such as Web content management, mobile Web, search engine optimization (SEO), video, chat, social log-ins, communities, portals, search, recommendation engines, tag management, and personalization
  - **Social monitoring and publishing**: Solutions for identifying and interacting with communities, influencers, competitors, partners, prospects, and customers on a wide array of trending topics and social channels
  - **Other**: Solutions such as social monitoring and publishing, AR/PR, online and offline events, loyalty/gamification, sales enablement, and partner relationship management (PRM)

- **Content production and management**: The primary function of these solutions is to facilitate the production and management of marketing content. They include authoring and publishing tools (such as text, image, audio, and video), content management systems (CMSs), digital asset management (DAM), document management, content analytics, and internal portals.

- **Data and analytics**: The primary function of these solutions is to store and produce insights from customer, operational, and financial data. The technologies in this category are databases, data warehouses, and data management platforms as well as enterprise-class analytics solutions over and above the analytics embedded in nearly every interaction technology. These solutions can aggregate and analyze data from multiple internal and external sources to supply new insights for marketers.

- **Management and administration**: The primary function of these solutions is to provide the internal communications, workflows, budgeting, and expense tracking infrastructures that CMOs need to manage marketing operations. They include marketing resource management (MRM), collaboration, enterprise social networks, and project management.
Figure 1 shows a map of all the solutions in the four broad categories that collectively encompass the marketing and advertising technology market.

**FIGURE 1**

IDC’s 2015 Strategic Framework for Marketing Technology

Marketing and Advertising Cloud Consolidation

The forces of consolidation are actively at work in all areas of this map, both within and between categories. Analytics is seeing a consolidation of segmentation, predictive, social, Web, and even mobile data into single offerings. Content search and analytics tools are similarly merging. Management and administration is seeing cloud communication and collaboration solutions gain traction by merging all of the collaborative application capabilities. In the interaction arena, Web content management systems now fulfill many of the Web site management requirements. eCommerce platforms will be a gravitational force in pulling all of the digital commerce boxes together. Figure 2 shows the diverse channels around which advertising technology point solutions have emerged, but platforms are already starting to consolidate search, social, and display on Web and mobile.
The bigger issue is the coming availability of everything in the interaction space as an integrated platform. Advertising and marketing clouds have the potential to break down the silos within brands and agencies to provide better:

- Cross-channel campaign coordination
- Customer behavior data
- Analytics on interchannel performance
- Return on marketing

As these offerings mature in the next three years, the business case for outsourcing major portions of marketing infrastructure and services will become increasingly attractive for many companies. However, the top global ad agencies desperately need both the technology infrastructure and the technical expertise to run the infrastructure. They will be heavily reliant on the tech community for digital execution, administration, and analytical expertise.

**Market Size and Forecast**

Figure 3 forecasts how much organizations worldwide will spend on software solutions for marketing. The market will grow from approximately $20.2 billion in 2014 to more than $32.3 billion in 2018. It will be one of the fastest-growing areas in high tech with a compound annual growth rate (CAGR) of 12.4%. Cumulatively, over the five years from 2014 to 2018, organizations will spend approximately $130 billion on software for marketing departments. The majority of this spending will be in the areas of interaction systems and data and analytics.
FUTURE OUTLOOK

Advertising Cloud Buyer Maturity

Marketing and advertising technology are essential to competing in the modern digital, mobile, social marketplace as well as for the aggregation and analysis of offline customer activity. It is a marketplace of buyers with limitless access to information in which the linear model of customer acquisition has transformed into a dynamic of almost infinite variations. Each variation represents a single customer’s journey from acquisition to advocacy – a journey on which extraordinary assistance from sellers at every step is expected. The following are the basic rules of engagement facing the modern marketer that present a host of new opportunities:

- Marketers that clearly and quickly separate individual purchase intent from the overwhelming noise in the marketplace will have a huge head start on their rivals.
- Companies whose marketers effectively serve the buyer across purchase stages, media channels, devices, and real-world interactions will sell to the best customers the fastest.
- Marketers that elevate buyer expectations will make their competitors look dated and out of touch.

Capitalizing on these opportunities requires a radical new approach to marketing – one that is data driven, creative, process oriented, responsive, hierarchical, and entrepreneurial. Leadership requires extensive investment in marketing technology and the drive to rapidly mature the infrastructure and the organization’s ability to make best use of it. The required technology is diverse and complex, so marketers must have a rational approach to acquiring, using, and integrating systems.
for interaction, content production and management, data and analytics, and marketing management and administration. IDC has developed the following five-stage model for marketers to accomplish this:

- **Ad hoc:** Retro-digital — Marketing technology is limited to email and Web site.
- **Opportunistic:** Marketing automation falls short – Despite its name, marketing automation addresses only a small part of the overall marketing technology envelope, primarily integrating email and Web marketing with customer relationship management (CRM) systems.
- **Repeatable:** Proliferation of point solutions – Investments are expanded to address burgeoning but separate needs for new areas such as advertising, mobile, content, data and analytics, budgeting, and resource planning.
- **Managed:** Marketing platforms – Point solutions are finally knit together as a platform via data and process integrations that encompass not only marketing operations but also advertising and real-world interactions. Collaborative workflows, cross-channel control, personalization, predictive analytics, and content marketing capabilities advance.
- **Optimized:** Enterprise engagement – A comprehensive marketing technology platform is integrated with other customer-facing enterprise systems, supported by a standardized customer data governance structure, and coupled with a culture that fosters high analytics IQ, nurtures creativity, and develops multifunctional marketers.

Today, even the most advanced users are only starting to make the transition from the repeatable stage to the managed stage or, in other words, from point solutions to platforms. There are two fundamental reasons for this. First, as described in the five-stage model, the supply side of the market is simply developed around point solutions. Second, some of these areas have become so complex that they require mastering new organizational practices, processes, and skill sets. An analogy to an orchestra is apt. If 50 players are needed to perform, they each must first master their own instrument. Then they must learn their parts for the piece that the group wants to perform. Next, they must learn how their parts fit together under the orchestration of the conductor. Marketers are like musicians who have been issued new instruments that are unlike any kind they’ve used before. They are quickly mastering their new tools and learning new marketing plays, but they have not yet formed into a full-fledged orchestra in which all 50 musicians perform as one.

**Digital Advertising and Channel Convergence**

> Marin will be a hub to capture data from many different sources, interpret it, and provide reports for subject-matter experts to make smart decisions not just about a particular channel but about overall marketing strategy.

David Rodnitzky, CEO, 3Q Digital

Digital advertising is generally thought of as three main categories: display, search, and social. As these disciplines emerged, companies dedicated practices areas, budgets, and technology stacks to them. Specialized agencies emerged with deep expertise in one or more of these areas to offer a variety of managed services options for brands. Today, a number of key changes are breaking down this model. The changes are as follows:

- **Brands are demanding more transparency and control from agencies.** Managed services where an agency charges a monthly fee or retainer to execute a given amount of ad spend are being rejected by brands. The managed service model does not offer the transparency, control, or responsiveness that brands need. In today’s “always on” digital market, brands cannot afford to wait for periodic performance reports. As a result, brands need an infrastructure or service that provides real-time access and the ability to quickly change tactics whenever necessary. This becomes more important as the ad spend becomes larger. Agencies will need to move to open technology and services to compete.
- **Digital channels are linking and expanding.** Display, search, and social are becoming increasingly linked, and new techniques such as native content are emerging. Consumers are conducting social searches, publishers are leveraging editorial with user- and sponsor-created content, and media channels such as Facebook, Twitter, Pinterest, and LinkedIn are adding bundled advertising products to their platforms. Mobile is also playing a major role in reshaping the ad landscape. Dynamically serving ads on the most cost-effective channel based on what content the customer has already seen requires digital ads to work together. To this end, major vendors are expanding their channel-specific products into multichannel platforms. Within leading brands, siloed approaches to managing digital advertising are starting to change. Early adopters that invested heavily in best-of-breed approaches for each of the three digital ad categories are working hard to create shared data repositories, workflows, and metrics across them. New buyers will have the advantage of having an increasing amount of this integration embedded as advertising and marketing clouds mature.

- **Customers require better coordination between marketing and advertising.** Today, customers are as digitally savvy as the best marketing and advertising professionals. In return for all the data they know brands have on them, brands are now expected to use the data to the benefit of their prospects and customers. This is a huge opportunity that applies to the entire brand—not only to advertising and marketing but also to sales, finance, fulfillment, and customer service. Brands that are best in class at leveraging customer data across these functions will deliver and derive the most customer value over the lifetime of the relationship. Brands need to break down or avoid creating independent silos for different customer touch points. Leading brands are already starting to utilize the fast-paced world of ad tech to more rapidly improve their marketing strategy and tactics. As a result, interoperability between advertising and marketing will be a source of competitive advantage, enabling brands to make the most compelling offers to the best customers the fastest.

**Efficiency at Scale**

*Through the use of Marin, we have grown our paid search budgets by double digits every year since 2012. That's very impressive for a mature, highly competitive channel.*

Mark Fiske, Senior Director, Global Marketing, Ancestry.com

The paid search environment has become so big and so fast that for large brands it's similar to a Wall Street trading desk in scale, complexity, and compressed time frames. There are many different dynamics that may require subtle tweaks or major changes in ad-buying strategies on a daily or even hourly basis. In business to consumer (B2C), customer behavior can change over the course of the day with more research happening during working hours and more buying behavior after work. Seasonality, holidays, sporting events, and geographies also affect consumer behavior. Moreover, life events such as weddings, funerals, and school graduations can be significant qualifying signals for certain businesses.

For business-to-business (B2B) marketers, long marketing and sales cycles make it imperative to closely track buyers in order to make the most compelling offers to the best customers the fastest. B2B buyers go through long education processes that span the following distinct stages as defined by IDC:

1. **Exploration:** Buyer seeks fit between a business challenge and potential solutions.
2. **Evaluation:** Buyer validates that the solution fits its needs and compares alternatives.
3. **Purchase:** Buyer wants to deploy the solution as soon as possible.
The main challenge for B2B marketers is that as buyers move from one stage to the next, content that was previously valuable and engaging becomes suddenly irrelevant. Thus it is critical to connect individual buyers to specific actions and responses and acutely tune advertising and marketing content to their changing needs. This data is also crucial for optimizing ad investment because what works and what doesn’t work can change rapidly, and transparency can be the difference between success and failure.

For both B2C and B2B, other layers of complexity also must be overcome. Competitors are constantly trying new tactics as ad inventory is continually changing. New channels emerge, ad networks change, and customer access costs can shift suddenly between channels. As a result, getting the most from every search ad dollar requires the ability to bid at the keyword level in real time, and large brands can have millions of these search ad dollars. It is simply impossible to do without an automated platform.

**Customer Snapshot — From Managed Services to Advertising Cloud**

A large brand-name retailer with a nine-figure marketing budget uses Marin to manage its search ad investments. Eight years ago, the digital ad budget was largely dedicated to email and the Web site. The small amount of search ad activity was handled by an agency. Today, paid search is the largest portion of the digital ad budget, and the lack of visibility provided by the agency model was extremely frustrating. Marin enabled the company to bring search advertising in-house and improve control, visibility, and performance.

**Next-Generation Marketing and Advertising Teams**

*The only way we’ll succeed is to have a core group of people executing in a synchronous manner. If we took Marin out of the equation, we would lose the consolidated view of bids and customers. We would have to start buying separately on each ad network. We would need digital media managers dedicated to each channel, but that’s not how our business is set up. Our line-of-business marketers cannot be efficient without an aggregated tool.*

**Director, Acquisition Marketing, Large Retail Brand**

In addition to their investment in technology, leading organizations are using three key practices to bring greater efficiency to their advertising and marketing operations. First, they are establishing centralized repositories and governance for customer data. Second, in addition to channel-specific performance metrics, they are creating shared metrics across channels — each team is compensated on overall marketing performance. Third, they are using collaborative workflow environments to increase the coordination and transparency between teams. As a result, they are able to collaborate across marketing and ad functions, including optimization, social, content, paid search, and search engine optimization (SEO). This is considered a competitive advantage in terms of improving speed, responsiveness, and consistency.
The big thing that Marin brought to the table was the ability to integrate our CLV data. Campaigns we thought were very successful turned out not to be, and vice versa, when we looked at how long customer relationships last. CLV analysis has become fundamental.

Mark Fiske, Senior Director, Global Marketing, Ancestry.com

Attribution and ROI models are very difficult to build for large-scale marketing operations. It can also be a highly political conversation because it will directly impact budget allocations in different groups that ultimately should be working together toward the same goals. In many respects, the details of the methodology are less important than the degree to which it is transparent and understood by everyone up and down the organization. It also requires transparency across the different systems so that everyone trusts the reporting process from each of the different digital channels. It helps a great deal if executives, finance, sales, and marketing can establish methods for attributing marketing contribution early on before it gets too complicated. The degree to which marketing contribution can be attributed directly to revenue depends on business models. Many B2C companies can accomplish this, but many cannot. The key is to connect contacts to ad spend and then track their progress through nurturing campaigns to a transaction. However, there are key challenges for both B2C and B2B companies. For B2C companies, customers do not always buy the item they click on in an ad. For example, an ad for jewelry may ultimately result in a sale of shoes. For B2B companies, a tweet that links to a white paper may result in a video view. Without the data that tracks the flow of customer interactions across both ad and marketing touch points, it is very easy to underestimate the influence that ads have on buyer behavior.
FUTURE OUTLOOK

IDC predicts that after more than 15 years of unbridled innovation, the market for marketing and advertising technology will enter a consolidation phase in the next two years as point solutions rapidly evolve to cloud platforms. Some point solutions will be consolidated; others will remain as independent "add-ins" to serve niche requirements and complement major platforms. However, the market at large will move to a platform model in which most marketing technology will be available as a service and potentially bundled with technical and agency services.

For Suppliers

The availability of advertising and marketing clouds raises the urgency for suppliers to decide how they will navigate the complex sets of relationships between tech vendors, agencies, consultancies, and integrators that will determine market power. IDC expects alliances between the major tech and agency players to be dominant in the enterprise segment. Companies whose technology becomes embedded into the larger marketing cloud solutions will find these relationships highly influential in terms of available market and future merger and acquisition activity.

For Buyers

The evolution to marketing clouds has significant implications for how marketing infrastructure will be provisioned and from whom. It also has significant implications for the following:

- Outsourcing and capacity-planning strategies
- Marketing IT budgeting models (potentially rolling technology spend into the advertising budget when bundled agency offerings are available)

In the short term, leading CMOs will build out extensive infrastructure and the associated organizational skills. As a result, they will have advantages in internal expertise, responsiveness, and control. In the longer term, marketing clouds will make many of the same capabilities available to everyone. IDC does not endorse a waiting strategy because it will have significant implications for market share erosion and result in an organization that lacks mastery in core digital and analytical skills. While marketing platforms mature,
technology will diminish as a source of competitive advantage because most companies will have access to the same infrastructure. Therefore, the long-term difference makers will be the proficiency and creativity of your people, the efficiency of your processes, and the mastery of your customers’ behaviors. While developing these areas, CMOs should continually monitor the digital capabilities of tech vendors, agencies, and other marketing services providers and regularly reevaluate the buy-versus-build equation.

CHALLENGES AND OPPORTUNITIES

Challenges for Marin will be to expand its advertising capabilities across search, social, and display – something it is already doing as indicated by its recent acquisition of SocialMoov. In addition, Marin should ensure that its customer data is usable by other marketing and CRM systems (and vice versa) so that clients can better leverage customer insights across all marketing, sales, and even customer support activities. Finally, as other marketing services firms such as agencies, consultancies, business process outsourcers (BPOs), and even systems integrators (SIs) expand their offerings for marketing, Marin must outmaneuver its competitors to develop strategic partnerships with key players.

These actions will help position the company as ad tech and marketing tech converge over the next two to three years. Companies such as Adobe, IBM, Microsoft, Oracle, and Salesforce.com have invested billions of dollars in their marketing cloud strategies. This investment is expected to continue as companies expand their coverage of IDC’s 2015 Strategic Framework for Marketing Technology. Each new capability they add represents a key differentiator, and by acquiring companies, they make the technical and organizational expertise unavailable to competitors. To date, much of the M&A activity has concentrated on marketing operations such as campaign management, social marketing, content marketing, and data and analytics. IDC expects advertising technology to become a key addition to marketing cloud offerings for all the reasons previously discussed in this paper.

CONCLUSION

There is no shortage of opportunity in the marketing and advertising technology arena. The market continues to evolve new capabilities and delivery models for customers. Brands have tremendous upside potential but must mitigate the associated risks of making the right technology decisions at the right time so that they are not outmarketed in the increasingly fast-paced expanding universe of digital marketing.

RELATED RESEARCH

- *IDC MaturityScape: Marketing Technology* (IDC #252793, December 2014)
- *Digital Marketing: The Future Role of Agencies* (IDC #252328, November 2014)
- *IDC’s Strategic Framework for Marketing Technology: Five Drivers That Get CMOs and CIOs on the Same Page* (IDC #248828, June 2014)
- *Marketing as a Service (MaaS): A New Route to Market* (IDC #247587, March 2014)
- *IDC MaturityScape: Data-Driven Marketing — Beyond Marketing Automation* (IDC #244993, December 2013)
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