Automated Marketing:
Managing for Personal Experience in SMB Markets

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Executive Summary

Marketing automation has proved itself as a tool to streamline the increasingly complex media mix. It's been able to help marketing departments promote through various digital channels and automate repetitive tasks — a need that grows as those channels continue to fragment.

We define marketing automation as:

Software and processes that streamline manual digital marketing tasks, letting companies optimize the sales pipeline, lower cost of acquisition and quickly identify hot sales opportunities.

But beyond this general definition, it's important to differentiate the various flavors of marketing automation. Specifically, what forms does it take at the local level? Erstwhile residing in the enterprise world, it has become somewhat democratized for use by small and medium-sized businesses.

Subdividing even further, marketing automation can be used directly by SMBs, as well as local agencies that offer small businesses marketing automation and fulfill it on their behalf. Yet a third classification enables local agencies to use marketing automation to sell to SMBs.

It is that third classification on which this report focuses. This includes functions like identifying, organizing and managing SMB sales prospects. Factors like response time are becoming vital to win SMBs' business in an increasingly competitive local media and advertising picture.

As in the brand world, local marketing continues to fragment into many available choices for SMBs to promote themselves. The growth of mobile and social media alone has yielded a dizzying array of options that leave SMBs oversold and paralyzed by a "paradox of choice."

This makes it more vital than ever for local agencies to adopt tools to help them beat a growing number of competitors to win SMBs' business. This report examines the why and how: why local agencies should pay attention and how they can optimize sales through marketing automation.
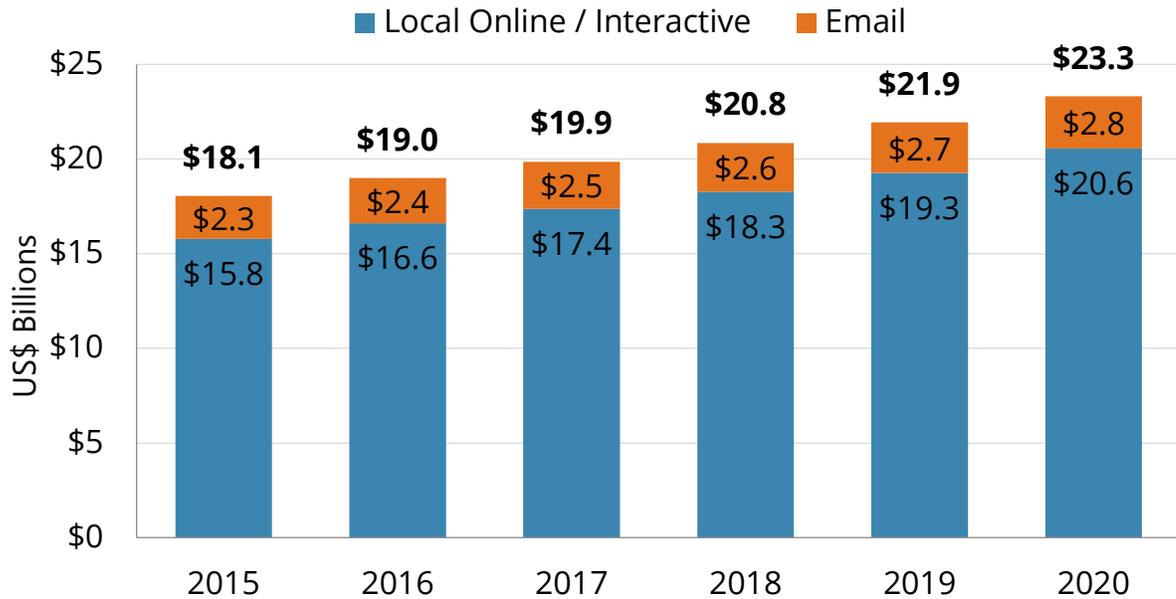
Automated Marketing

Every networked application can become a marketing channel unto itself. Facebook, Google, Twitter, Instagram and many other tools are now critical communication links for SMBs. The small company's opportunity is in focusing on high-touch local engagement with online customers. Indeed, Fortune 2000 companies now struggle to cross the national/local divide, actually giving the local physical business that can touch a customer an advantage in more circumstances.

Automation is top of mind as the evolution of digital technology delivers new marketing capabilities to Main Street. Small businesses have struggled to compete with global brands armed with enterprise information technology for the past 30 years. For agencies and other marketing service providers, which must deliver success for a variety of clients, the challenge is multiplied. An emerging class of marketing automation tools with support for niche solutions can consolidate and manage campaigns across numerous SMB channels.

Digital evolution is a mixed blessing for SMBs, however, because they must constantly adapt to communicating through new channels. For agencies and other firms supporting SMB marketing, it is a time to concentrate on rapid conversion of a client's potential customers into qualified leads and closed sales, blending campaigns across channels to deliver complete customer engagement. Creating an initial success for a client paves the way to deeper engagement and, ultimately, becoming the agency of record for an SMB.

SMB service providers wrestle with how to manage marketing on behalf of many small clients simultaneously. Automation is the essential feature of next-generation marketing platforms, including Vendasta's 10X Marketing Platform, the Signpost platform, Connectivity's Small Business offerings and Sprout Social's social media management platform. From email list management and scheduling to high-value content with targeting to drive engagement and measuring marketing campaign results, these tools simplify SMB marketing tasks. Business directory and web hosting providers also offer their own custom blends of third-party and proprietary tools to solve the small business marketing automation problem.

Figure 1 - Local Online Marketing Spend – Growth Ahead

Local Online / Interactive ■ Email

Year	Email	Local Online / Interactive	Total
2015	$2.3	$15.8	$18.1
2016	$2.4	$16.6	$19.0
2017	$2.5	$17.4	$19.9
2018	$2.6	$18.3	$20.8
2019	$2.7	$19.3	$21.9
2020	$2.8	$20.6	$23.3

US$ Billions

Note: Digital revenues associated with traditional media (e.g., websites associated with local TV stations, local radio stations, newspapers and magazines) are included in the revenues for the traditional media and are not included in online/interactive revenue above. Numbers are rounded.

Source: BIA/Kelsey U.S. Local Media Forecast 2016

BIA/Kelsey regularly conducts a survey of local marketing spending, the Local Commerce Monitor (LCM). Across all spending levels, a notable feature of SMB spending over the past decade has been the increasing diversity of channels available.

BIA/Kelsey segments its LCM survey respondents into two groups, by scope of marketing spending. "Core" SMBs spend less than $25,000 a year tend to be more conservative, using fewer media with less aggressive conversion goals and fewer promotions than "Plus Spender" SMBs, which spend $25,000 or more annually. Significantly, Plus Spender respondents used an average of 12.9 different media in 2015, up from 10.9 last year — more than twice as many as Core SMBs, which reported using an average of 5.9 channels.

Small businesses experiment with new channels every year, embracing some and abandoning others as they seek a more effective marketing mix. Plus Spenders are ideal customers for agencies and vendors ready to manage marketing campaigns across many media.

Digital channels proliferate, first mimicking their analog counterparts, then evolving into variations that confuse people with roots in traditional media. Yet, these new channels, including search and email marketing, social media advertising, analytics/performance assessment (especially rapid A/B testing of messages and calls to action), online video, and mobile applications and advertising, are where future business success will be

determined. According to the Harvard Business Review, 85 percent of early adopters of new social marketing channels report "significant" or "moderate" change in their business strategy compared with 34 percent of companies slow to adopt new channels such as social and mobile.[1]

Identify a Plus Spender during a sales call: Ask how many marketing channels the SMB uses. If the answer is eight or more, you're likely talking to a Plus Spender.

Figure 2 - Top 10 Media Used by Plus Spender SMBs in 2015
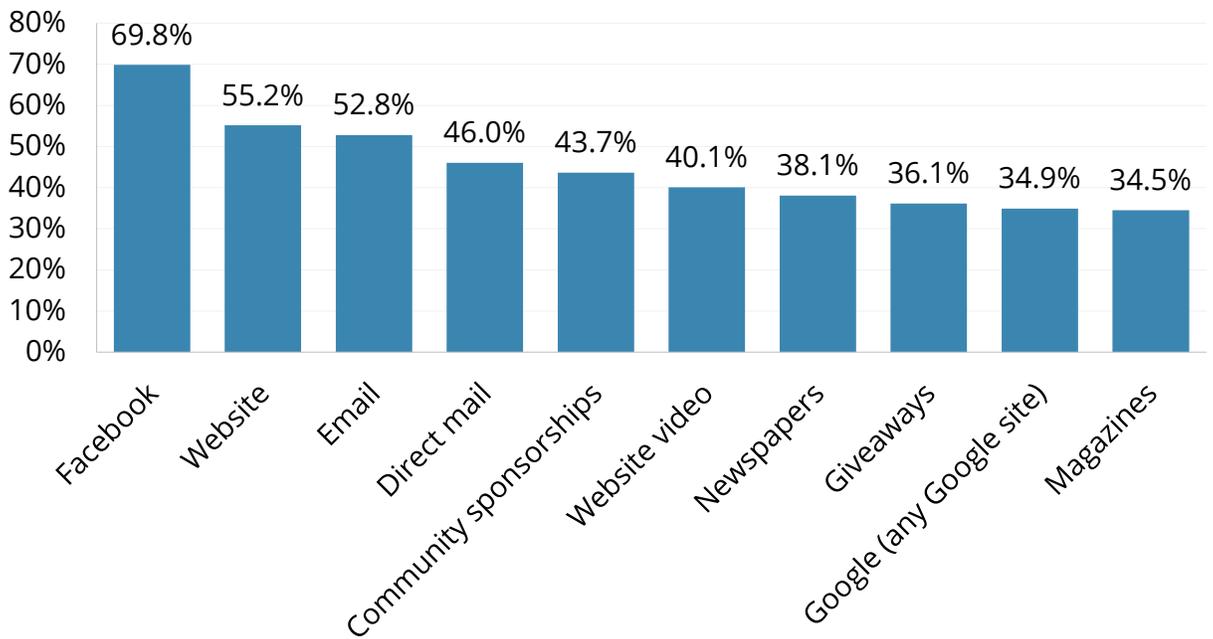
Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 19, Q3/2015 (and prior waves, if relevant).

Local digital advertising and marketing spending will increase $5.2 billion by the end of 2020, reaching a total market value of $23.3 billion as more SMBs shift the bulk of their spending online (see Figure 1). Across all spending levels surveyed, SMBs identify Facebook, their own website and email as their top three channels for marketing in 2015.

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[1] The Digital Dividend: First-Mover Advantage, Harvard Business Review Analytic Services. http://www.verizonenterprise.com/resources/insights/hbr/digital-dividend/

More Media, More Marketing Success

Facebook, websites and email are only the tip of the iceberg for the most active SMB marketers (see Figure 2). Almost 50 percent of SMBs say Facebook is "very important" or "extremely important" to their marketing plans. Yet 58.7 percent of SMBs monitor online reviews and comments about their business, and approximately half of all SMBs budget for paid marketing assistance each year. Every market signal can be useful. For instance, it is important to monitor consumer reviews because they heavily influence the reader's likelihood to purchase.
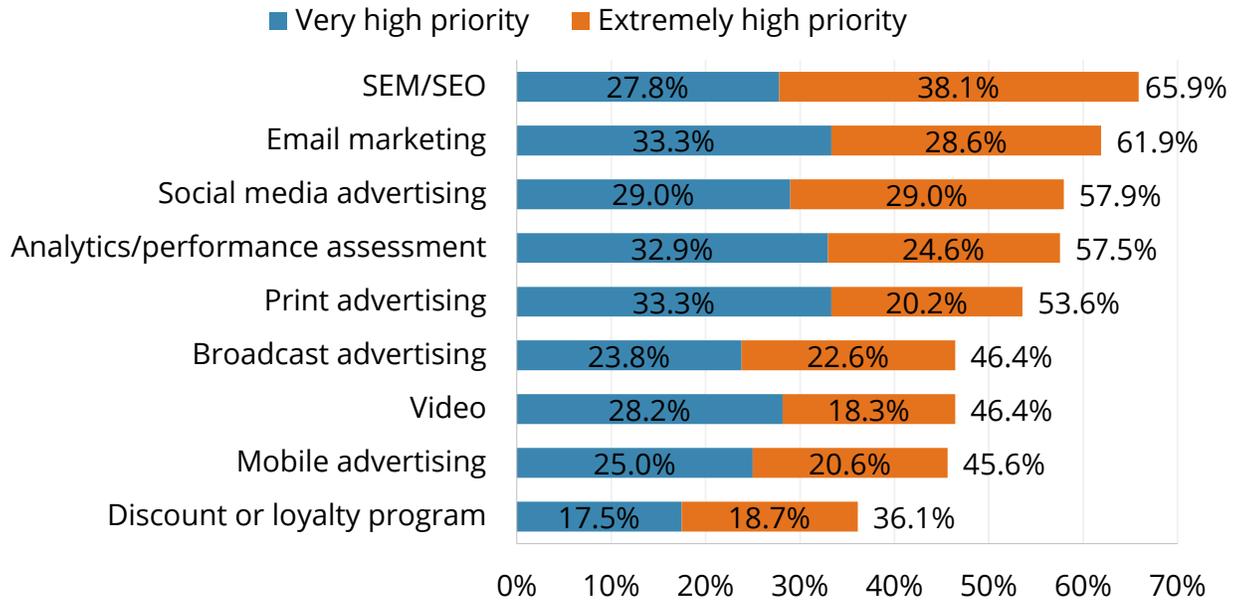
Measuring and responding to customers across all the media they use has become a critical challenge for SMBs. Agencies, directory and website providers, and other services competing for SMB spend face even more complexity as they must coordinate many small businesses' marketing activity. Plus Spenders live up to the name, laying out an average of $75,169 in marketing expenses in 2015, compared with $2,471 among Core SMBs. Plus Spenders are also more inclined to increase spending, particularly by reinvesting returns from successful campaigns (see Figure 3). This coming year, 48.4 percent of Plus Spenders plan to increase spending, compared with 34.2 percent of Core SMBs.

Among Core SMBs, only 17.7 percent retain a digital agency for their online campaigns. Plus Spenders, which report higher returns on their marketing spend than Core SMBs and, consequently, much higher satisfaction levels with their agencies, employ an agency 53.9 percent of the time. More than half those agencies are small local firms of fewer than 50 employees.

And the new media tsunami continues to rise. Several digital categories are poised for rapid growth in the next five years.

Figure 3 - Plus Spender SMB Marketing Priorities for 2016

Top 2 – Very and Extremely High Ratings Combined

■ Very high priority   ■ Extremely high priority

Category	Very high priority	Extremely high priority	Total
SEM/SEO	27.8%	38.1%	65.9%
Email marketing	33.3%	28.6%	61.9%
Social media advertising	29.0%	29.0%	57.9%
Analytics/performance assessment	32.9%	24.6%	57.5%
Print advertising	33.3%	20.2%	53.6%
Broadcast advertising	23.8%	22.6%	46.4%
Video	28.2%	18.3%	46.4%
Mobile advertising	25.0%	20.6%	45.6%
Discount or loyalty program	17.5%	18.7%	36.1%

0%   10%   20%   30%   40%   50%   60%   70%

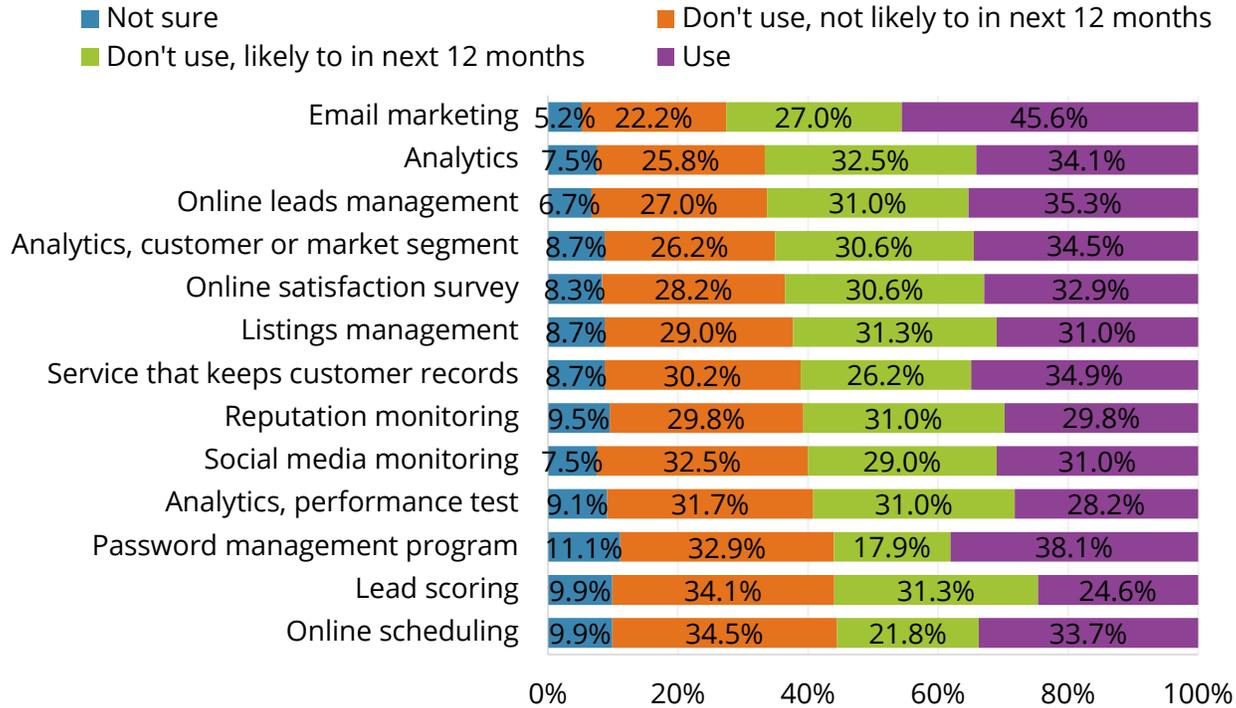Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 19, Q3/2015 (and prior waves, if relevant).

"Mobile is the primary force behind the continuing increase in digital advertising, largely driven by social advertising, and jumping to a 15.8 percent share of the media pie by 2020," says BIA/Kelsey research director Stephen Marshall of the 2015 LCM results. "Social local spending will grow 27 percent annually through 2020, exceeding the growth of traditional and other digital media. In the years ahead, social will be a larger chunk of the digital media pie."

Following Customers Into New Channels, Leading Them to Act

Communication inevitably continues its evolution, and small businesses must keep up with how their customers connect to compete for a purchase. The tools they select will likely be permanent or at least long-term choices that must evolve rapidly to accommodate the businesses' needs. SMBs will depend more on service providers, such as agencies, to assist with ongoing customization of their marketing messages and the integration of new channels.

In the enterprise, customer relationship management giants, such as Salesforce and Siebel, have relied on providing extensive integration for new third-party services to ensure their customers have the widest range of choices in new channel-specific tools. However, the initial investment in these platforms is typically many multiples of the Core SMB's annual marketing spend. Moreover, each new capability integrated involves development and support costs that are simply beyond the reach of most SMBs.

Figure 4 - Marketing Services Used and Considered by Plus Spenders

- ■ Not sure
- ■ Don't use, likely to in next 12 months
- ■ Don't use, not likely to in next 12 months
- ■ Use

Service	Not sure	Don't use, not likely	Don't use, likely	Use
Email marketing	5.2%	22.2%	27.0%	45.6%
Analytics	7.5%	25.8%	32.5%	34.1%
Online leads management	6.7%	27.0%	31.0%	35.3%
Analytics, customer or market segment	8.7%	26.2%	30.6%	34.5%
Online satisfaction survey	8.3%	28.2%	30.6%	32.9%
Listings management	8.7%	29.0%	31.3%	31.0%
Service that keeps customer records	8.7%	30.2%	26.2%	34.9%
Reputation monitoring	9.5%	29.8%	31.0%	29.8%
Social media monitoring	7.5%	32.5%	29.0%	31.0%
Analytics, performance test	9.1%	31.7%	31.0%	28.2%
Password management program	11.1%	32.9%	17.9%	38.1%
Lead scoring	9.9%	34.1%	31.3%	24.6%
Online scheduling	9.9%	34.5%	21.8%	33.7%

Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 19, Q3/2015 (and prior waves, if relevant).

Enterprise tools, as we discussed in a February 2015 white paper[2], are built for large teams of marketers rather than the one- or two-person marketing departments of a small business. They are too expensive and complex for SMBs and require high levels of hands-on assistance that are beyond the reach of SMB budgets. In fact, 57.1 percent of Core SMBs still use paper customer records, and only 21.6 percent are considering CRM investments in 2016. By contrast, 55.6 percent of Plus Spender SMBs use CRM systems. Seventy-five percent of Plus Spenders also pay for third-party help in managing their online presence.

Currently, email marketing and analytics are the leading services being used or considered for adoption in the next year by Plus Spenders, followed by online leads management (see Figure 4). Web listings management and social media monitoring/reputation services are now considered important by more than 50 percent of Plus Spenders, making a baker's dozen requirements necessary for the most aggressive small business marketers.

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[2] *Optimizing Local Marketing: SMB Marketing Needs 'Do It With Me' Models*, BIA/Kelsey, February 2015. http://www.biakelsey.com/Research-and-Analysis/Reports/Sponsored-Research/Optimizing-Local-Marketing-DoItWithMeModels.asp

SMB-specific marketing automation platforms must support customization across two vectors, niche-specific content and campaigns as well as support for third-party integration of new services and channels (e.g., adding a popular new social network and related reporting to the campaign dashboard in the platform). While most SMB marketing tools support integration, content customization is often a separate workflow that can be expensive. The full lifecycle of customer interaction must be scripted for prompt execution based on the response of the customer at each step. Vendasta reports, for example, that the value of a hot lead diminishes by almost 100 percent during the first hour after the customer responds to a call to action.

"Every five minutes that passes [after a customer acts on a call to action] costs as much as 10 percent of the opportunity to convert," explains Jeff Tomlin, chief marketing officer at Vendasta. "The first five minutes is a business' best opportunity to turn a lead into a sale."

Each social or messaging channel a marketing automation platform supports must be addressed with appropriate content or the campaign will fall flat. A prospect responding to a website call to action may communicate through several channels, all of which need to be monitored and a channel-appropriate message sent in response to take the customer to the next step. Each product or service can require that marketers prepare content to support several potential customer journeys in different channels.

It is critical that agencies ensure their platform is prepared to customize each campaign's content and adjust distribution across multiple digital channels. A preconfigured solution that cannot be customized sacrifices the critical element of customer engagement, individual context, whether created with individually, geographically or demographically personalized content assets. Flexibility and extensibility are must-have requirements for an SMB marketing automation platform.

In the Real-World Usage Crucible

The best way to test a marketing platform is to put it to use in a trial. Agencies, in particular, can assess a platform by testing it with a few clients or in their own sales process, using their experience to validate client strategies. In the end, the real test of a tool like this is whether it sells successfully.

Figure 5 - DIWM vs. DIY – Plus Spenders Split on Assistance
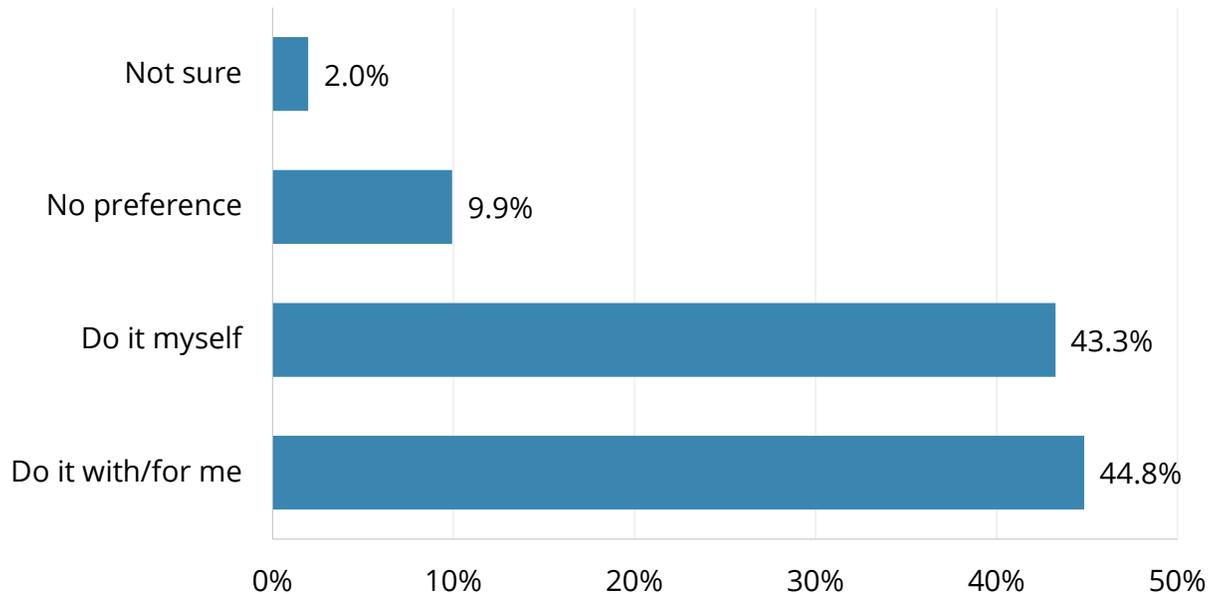
Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 19, Q3/2015 (and prior waves, if relevant).

Plus Spenders are the obvious rich target for marketing platform vendors and agencies seeking to monetize campaign management services. These aggressive marketers have a strong preference for on-premises sales representatives, with 52.8 percent of Plus Spenders saying they consider their sales rep relationship "extremely" or "very important."

BIA/Kelsey's surveying also shows Plus Spenders represent two minds about their use of marketing tools, with 43.3 percent preferring a "do it myself" or self-service model and 44.8 percent choosing a "do it with me" relationship that helps them master the tools (see Figure 5). Even when hiring an agency, as more than half of Plus Spenders do, entrepreneurs often want to have full insight into the tools' capabilities, in part to judge the efficacy of their agency spending.

SMBs' desire to master the capabilities of a marketing platform reflects the priorities that they will apply to their own campaigns, as well as those of agencies seeking to select a profitable platform for their practice. Those priorities include:

▪ **The ability to quickly and accurately identify which customers are ready to adopt a digital strategy** while ensuring its sales team a cost-effective, efficient conversion. This represents the most significant change in the pace of agency work in the past few years — the most responsive agency, or platform, wins more business.

▪ Lead qualification, notably **the need to identify high-value prospects such as Plus Spenders**, from among the many customers that may engage with a digital campaign.

- **Marketing ROI measurement is becoming more exact but remains difficult to apply to customized campaigns** because content personalization fragments the simpler, gross-tonnage measures of traditional media.
- **Integration of multiple tools**, because every platform will have some shortcomings that need to be addressed with third-party solutions.
- **The ability to support multiple customer journeys in one tool**. For instance, an agency assessing a new marketing automation platform will need to be able to deliver "do it yourself" (DIY), "do it with me" (DIWM) and "do it for me" (DIFM) customer experiences to SMBs, just as SMBs must deal with increasingly fragmented customer requirements.
- **Realistic pacing of campaigns across media**, with emphasis on the variety of channels and customer touches that may be involved in a digital campaign:
  - The number of times a customer may need to be touched to convert a sale
  - The accelerating pace of response loops in the campaign, such as the need to have sales representatives follow up on an active lead in five minutes to increase conversion
- **Granular campaign controls**. Once configured, marketing automation systems are often static and inflexible (more so for SMBs than agencies, which typically have a development team), leading to generic promotions and poor performance.
- **Content is the most important component in any marketing campaign**. Easy access to original and packaged content from internal product and marketing groups, third-party content sources, and the myriad consumer-generated content sources that influence purchases are key requirements in marketing automation tools.
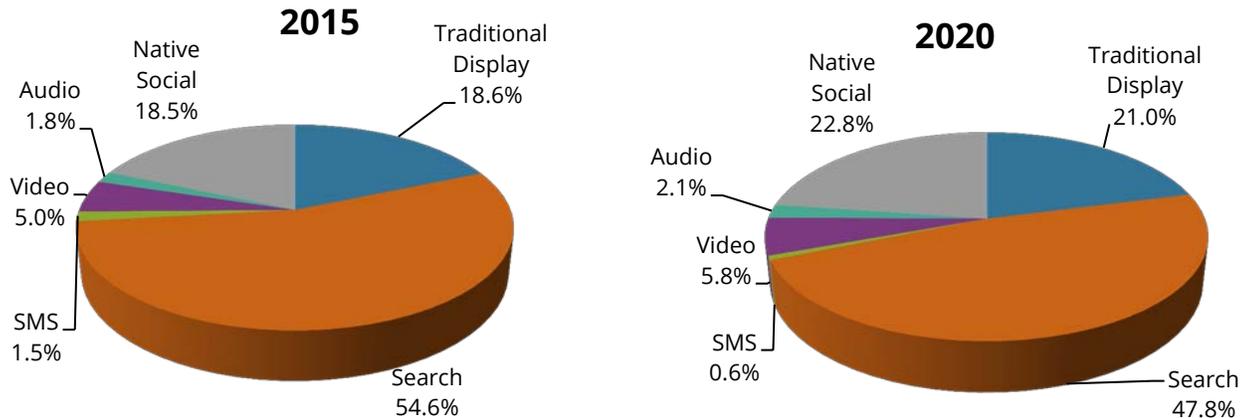
Takeaways

Digital media growth will continue well into the 2020s, based on BIA/Kelsey's most recent estimates, due to the addition of new channels from innovative startups and the transition from traditional media spending. Social advertising and social presence will lead the growth during the next five years, adding 4.3 percentage points of market share, while search is projected to decline in importance from 54.6 percent of 2015 marketing spend to 47.8 percent in 2020 (see Figure 6).

Integrated content management will be of pivotal importance to SMBs and the vendors supporting local digital marketing. In addition to marketing platforms, content management (also referred to as digital asset management and by other names) will play an increasingly important part in the programming of multichannel marketing. A platform's support for integration will define its ability to evolve with the market.

Figure 6 - Local Market Share by Format, 2015 - 2020

2015

- Native Social 18.5%
- Audio 1.8%
- Video 5.0%
- SMS 1.5%
- Search 54.6%
- Traditional Display 18.6%

2020

- Native Social 22.8%
- Audio 2.1%
- Video 5.8%
- SMS 0.6%
- Search 47.8%
- Traditional Display 21.0%

Source: BIA/Kelsey U.S. Local Advertising Forecast 2016

Active SMB marketers will increase spend and marketing services investments. As reported, Plus Spenders lay out up to 30 times as much per year on marketing, reporting higher returns on investment and conversion rates based on very aggressive goals across more than twice the number of channels as Core SMBs address. These companies, which include at least 500,000 SMBs in the United States, also are more inclined to hire agencies and invest early in new channels where they have an opportunity to claim early market share.

Marketing platforms must support flexible fulfillment approaches, including DIY, DIFM and DIWM. The simplification of enterprise-grade CRM systems is only the first step to success in small business. Along with functioning up to expectations, automated platforms must allow SMBs to learn to operate the tools themselves or to outsource marketing completely to an agency or other third party. These usage modalities are likely to be highly dynamic, changing for individual SMBs over time.

Flexibility and integration capabilities are key issues to consider when investing in automated marketing platforms. Does the platform support integration with third-party tools, is it open source or proprietary, and if proprietary do your internal technical team members believe the documentation is adequate to allow them to make changes to system configuration and data sources?

Act early to stay at the forefront of social media and digital adoption. Market winners can now lock in early advantages through engagement with new channels and tools for marketing in social and other digital channels. Getting to know the channel and tools before your competition can translate into multiples of an early market share lead, since mastery of the channel and its strengths are essential to effective communication. There are billions in additional marketing services revenue to be earned in the coming decade as human networks progress toward machine-assisted lifestyles that will radically transform customer expectations.

About BIA/Kelsey

BIA/Kelsey is a market research and analyst firm that focuses on all things local. Local media is an increasingly dynamic area of ad spending and is quickly evolving with emerging digital platforms like mobile, social and search.

Over the past three decades, BIA/Kelsey has been an authority on these developing technologies as well as their forebears in traditional media, which continue to transform as they likewise compete for local ad dollars and consumer affinity.

Through a growing suite of products that include research reports, articles, conferences, and client consulting, BIA/Kelsey analyzes the business, financial, social and technology trends affecting local media.

Readers, event attendees, partners and clients are given the inside track on critical data, analysis, and recommendations needed to grow and transform in a rapidly evolving media and advertising landscape.

About BIA/Kelsey Sponsored Research

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BIA/Kelsey maintains full editorial control and applies longstanding standards of editorial practice and objective market analysis. If you'd like to sponsor BIA/Kelsey's coverage of any topics or to profile sectors of local media innovation, please contact sales@biakelsey.com.

About Vendasta

Vendasta empowers agencies and media companies to grow their sales of digital and non-digital marketing solutions for local businesses. Through its 10X Platform, Vendasta combines a streamlined sales CRM and marketing automation system with a white-labelled marketplace to identify when business owners are ready to buy, providing a lift in sales and a decrease in cost of customer acquisition. Beyond a DIY interface for local businesses, Vendasta's suite of tools are fully integrated with an agency Concierge system for "Do It For Me" and "Do It With Me™" services. Vendasta's system supports both multi-location brands and local businesses. For more information, visit www.vendasta.com.