Marketing Automation Tools for Start-Ups

Review and Evaluation of Marketing Automation Tools recommendable for small and new companies

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Vorwort

Das vorliegende Paper fasst die Erkenntnisse zu Marketing Automation und geeigneten Tools insb. für Unternehmen in der Gründungs- und frühen Entwicklungsphasen zusammen.

Es basiert auf der Bachelorarbeit von Nadine Männel, die von Oktober bis Dezember 2018 von Prof. Dr. Monika Engelen betreut wurde. Neben einer Recherche der grundlegenden Theorie zu Start-Ups und Marketing Automation wurden 12 Tools auf Ihre Verwendbarkeit in Start-Ups hin analysiert. Da die Arbeit in Englisch verfasst wurde, ist auch dieses Praxis Paper auf Englisch.

Der Kerninhalt dieses Papers ist sowohl ein Verständnis für Marketing Automation zu schaffen als auch konkrete Empfehlungen zu anwendbaren Tools zur Marketing Automation abzuleiten.

Preface

This paper summarizes the findings on marketing automation and suitable tools, especially for companies in the Start-Up and early development phases.

It is based on Nadine Männel's bachelor thesis, which was supervised by Prof. Dr. Monika Engelen from October to December 2018. In addition to researching the basic theory of Start-Ups and Marketing Automation, 12 tools were analysed for their usability in Start-Ups. As the paper was written in English, this practice paper is also in English.

The core content of this paper is both to create an understanding of marketing automation and to derive concrete recommendations for applicable tools for marketing automation.

Contents

I   Introduction and basic definitions

Major advances in technology challenge established and new businesses. The ability to enter online markets has increased the competitive environment by decreasing entry barriers and switching costs, and furthermore, increasing customer empowerment. The multichannel exposure to brands, products and services along with the ease of information retrieval requires the implementation of more powerful marketing techniques to remain competitive. As a result, consumers face an overabundance of information about brands, products and services which makes it crucial for companies, especially for Start-Ups, to target customers individually to set themselves apart. To achieve this the overwhelming amount of data which can be gathered along the purchase funnel has to be managed more efficiently and marketing automation is one solution to handle the mass information.

1   Start-Ups

There are various approaches to the definition of the term Start-Up. One definition by Hahn (2014) is "a young business with an innovative idea […] in search of financing". Blank and Dorf (2012) extend the definition by stating "a start-up is a temporary organization designed to search for a repeatable and scalable business model".

According to Kuckertz (2015) Start-Ups are confronted with as five so-called liabilities:

−   Liability of Size
    The market share of the Start-Up is limited as it has not established its value on the market. Potential investors are unaware that the Start-Up exists, or they do not recognize their performance as a legitimate market participant.

−   Uncertainties
    The development and success of the business is unclear to inside stakeholders. Due to the lack of experience and rudimentary routines, Start-Ups have difficulties performing on a continuous high-quality level. This makes them vulnerable to periods of poor performance for they do not possess many financial resources.

−   Limited Tangible Resources
    New business models in particular involve a high-risk for investors, for there is no historical data or references. The lack of financial resources and quality equipment is one of the major reasons for the failure of a Start-Up.

−   Dependance of the Founder
    The potential success is based on the entrepreneur and his ability to reveal the benefit of his Start-Up to customers and investors. The entrepreneur is the key factor for the success or failure of the Start-Up.

−   Liability of Newness
    The initial lack of experience and process of developing a business culture, is time intensive causing the Start-Up to be inefficient and thus lowers the quality of the outcome. Failing to overcome these temporary struggles leads to the failure of the Start-Up, which is a phenomenon described by Stinchcombe (2000) as the liability of newness of Start-Ups.

2 Marketing Automation

One-message mass media campaigns belong to the past and with evolving technologies, marketers have to rethink their targeting strategies. As consumers value advertisements that are customized to their individual needs, interests and preferences, companies have started to shift the focus of segmenting customers with respect to psychographics rather than demographics. Technological progress enables companies to obtain a holistic insight into the customer journey, and furthermore, preferences of individuals. Understanding these preferences and adapting communication across different channels, increases leads and ultimately can lead to sales conversions.

Marketing automation starts with storing existing customer data (like a traditional customer relationship management (CRM) system) and enhancing it with current information of the customers collected with each interaction. Through so-called lead scoring, companies are analyzing the behavior of their target groups and detecting potential customers at an early stage. Lead scoring is complementing the customers' digital experience with automated functions, meaning that the customers behavior and digital body language is recorded down anonymously to where promising leads can be redirected to sales.

Based on set of rules the potential customers can be segmented and both the communication object as well as medium tailored to their (or their segment's) preferences, current situation and/or predicted behaviors. Controlling the responses should lead to adaptions of the set of rules by the management and continuous improvement based on real behavior of the customers (e.g. the click rates and conversions achieved). The general framework is shown in figure 1.
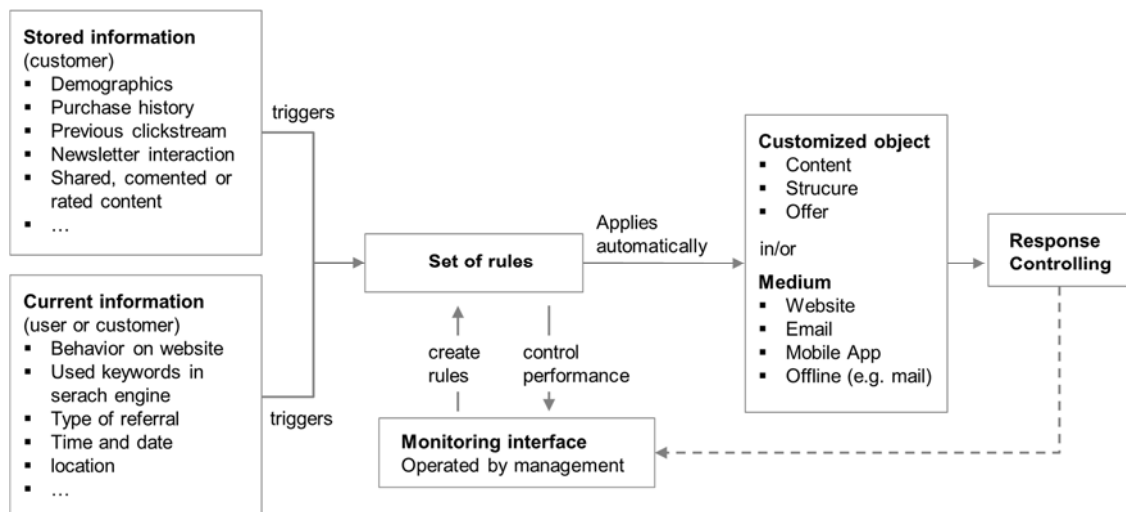

Figure 1: General Framework of Marketing Automation, adapted from Heimbach et al. (2015) p.131

Marketing automation thus tries to bridge the gap between individual targeting and efficient marketing actions. By automating the data gathering, analysis and communication many potential customers can be reached with personalized messages.

II Marketing Automation Software

Marketing automation softwares store, extend and change user information and user actions. By predetermined rules, the marketing automation actions are direct responses to a customer's behavior. The rules can be created through different channels e.g. by using historical data or observing purchase behavior or click paths. The created segments of customers can also be based on demographics or direct communication with the brand e.g. newsletters. By automating this process, the software can respond simultaneously to every customer showing a certain behavior by using the determined rule.

Marketing automation features support the marketers in three essential ways.

− First, by implementing automations, productivity can be enhanced by avoiding repetitive tasks. The automation of day-to-day routines opens up more space for time-intensive tasks.
− Secondly, the decision-making is based on the software's data analysis which is more accurate and able to identify patterns. Decision-making for new strategies or predictive segments is thus most often improved.
− Lastly, mass customization is a factor that, in times of Big Data, is crucial to be handled by automation thus the identification and customization of segments can be broken down to one single customer or transaction. The most important automation features are presented shortly in the following:

1 Website Tracking

By adding a code to your website, customer behavior can be tracked and becomes visible. It is recording the interactions between the customer and the website, counting website visits or page views. To a certain extent a customer journey can be mapped throughout the whole product life cycle, meaning from purchasing the product until its replacement. Classic functions known from email marketing such as email tracking and opening tracking are included in this group as well as customer journey map, click charts, including clickthrough reporting and site tracking.

2 Lists and Segmentation

One of the most important features within a marketing automation tool is the segmentation. With the shift towards a consumer-oriented market, it created more submarkets with different customer groups, which made it necessary to segment these groups to target them with relevant offers. Segmentation can be done for every branch, for global or local markets or lifestyle. Wedel/Kamakura (2000) classified two types of segmentation, general and product specific with differentiated observable and unobservable traits. General and observable segments are geographic, demographic or cultural. Product-specific but still observable segments are user status, usage frequency or store loyalty. What is becoming more important to users is the personalization, which is not observable. Customers want to be addressed by their values, personality and lifestyle choice. It is a key factor to identify segments with the subscriber base and target them with the right offer to increase the conversion rate from prospects to customers.

3 Reports and Analytics

Reports and analytics include anything starting from basic reports to in-depth analytics. This feature group can be further divided into two categories of strategic marketing analytics and predictive analytics. Strategic marketing analytics supports the direction in which the marketing team is going and maximizes the impact with limited resources. On the other hand, predictive analytics are reporting, amongst others, user behavior, demographics and lifestyle. This information is important to identify new trends within new segments.

4 Lead Scoring

Lead scoring is evaluating a customer's behavior towards his readiness to action. The leads are triggered through a tracking program and classified how the lead was detected. Website visitors will have a different score than direct mail subscribers. Apart from lead generating and lead management, lead scoring is an intricate feature on its own and not included in every automation tool yet. There are different models of lead scoring, one of them is the points-based scoring. Points-based means that with every interaction on the website, the customer collects points such as clicking on products or subscribing to the newsletter. A high value can be easily accumulated by multiple website visits or opening an email. The customer's score might be misleading though, because the score does not indicate any actual interest in buying the product. This type of lead scoring needs adjustment and judgment through a sales person to follow up on leads. A more accurate lead score can be predicted through activity-based scoring. Deriving from the points-based model, it only collects points for product-related activity. The user activity is recorded and allows classification into active and inactive leads. Additionally, upon these calculations, the leads can be further identified as hot, warm or cold leads

5 A/B Testing

A/B Testing is a feature to measure the success rate of different variations of media sources e.g. landing pages or newsletters. It allows the marketing automation user to send out two different versions with for example different photos or a different color scheme. Creating the frame for a controlled experiment, the tool shows version A and B at random over a specific time frame to an audience. Other than 50/50 the viewing parameters can be adjusted to a smaller percentage. The popularity of each variation is reported back to the marketing automation user, who can now implement the variation most effective. The influence of A/B testing can turn out to be the success factor of a campaign.

6 Automated Notifications

This feature groups all forms of automated notifications such as newsletter and other drip campaigns as well as transactional emails including order notifications and, transactional emails which are used to confirm orders or sign ups. Additionally, each subscriber receives an email, preferably followed by a welcome series that can be automated introducing the company, their product selection and entices the customer for example, with a special discount. Automated notifications can also be initiated through

certain triggers in a customer's behavior. An abandoned cart notification can be set up after a customer leaves the shop unfulfilled. The automation of notifications includes send time optimization and scheduling.

7 Integrations and Social Media Lead Ads

Integrations and Social Media lead ads App integration generally means the ability to extend the tools functions and spectrum of services by integrating other apps. With additional app integration the marketing automation tool is able to receive external interactions from the integration's platform. Social media lead ads integrations like Facebook lead ads places a sign-up form linked to the ad on Facebook. The lead prospect is not interrupted in his activity and can share his data on a prefilled form. Facebook can forward information such as email address, region or gender to the automation tool.

III Marketing Automation Tools

The number of features might be luring a Start-Up into spending more, but it has to be reconsidered which functions are truly necessary. Typical features of marketing automation tools fall in roughly three categories:

Automation is the overall category for all features that can execute tasks autonomously and assist the process of automation such as:

- automated notifications
- website tracking and customer activity
- reports and analytics
- lists and segmentation
- A/B testing
- lead scoring
- integrations and social media lead ads.

Features under the category **Design** are geared towards visual assistance and creating interfaces that attract customers such as:

- forms
- templates and drag and drop builder
- drag and drop automation
- landing page
- social media ads
- custom branding.

The **Extras** category refers to the features that may not be essential to the software but support the execution of the tool, including:

- CRM and list management
- live support
- multi-user account
- unlimited sending/contacts.

To specify the importance of a feature over another, priorities need to be set. The priority of features should be investigated by the following questions:

- what is the impact of the feature?

- what urgency does the feature have?

- how foreseeable is the future tendency?

Due to the challenges Start-Ups are facing, the selected tools evaluated and shown below are limited to maximum $500 per year for the total cost of the software.

The tools that achieved the highest evaluation in the comparison of marketing automation software for Start-Ups are (in decending order): Sendinblue, ActiveCampaign, Constant Contact, MailChimp, Automizy. All the presented information is as of December 2018.

1 Sendinblue

Sendinblue was founded in Paris, France in 2012 with an estimated yearly revenue of $5.5 million. Sendinblue offers unlimited contacts for all price levels. The limitation is set by the amount of emails that can be sent per day as well as limited features. The tool is affordable up to the Essential level including 60,000 mails per day and allows the customer to remove the Sendinblue logo. Other price levels are:

Lite for $21 per month, Essential for $33 per month and Premium for $55 per month

The essential plan has limited automation features. All plans include customer support over the phone.

2 ActiveCampaign

ActiveCampaign was founded in 2003 in Chicago, IL with an estimated annual revenue of $13.5 million. ActiveCampaign is a platform with contact-based pricing. Starting with up to 500 contacts, only the Lite version meets the financial requirements. The contacts can be extended up to 2,500 to stay within budget. The price levels are set up in four categories:

- Lite starting at $9 for 500 contacts (up to $39 for 2,500 contacts)

- Plus starting at $49 per month

- Professional for $129 per month

- Enterprise for $229 per month

ActiveCampaign offers an additional 20% discount for non-profit organizations and the above-mentioned prices reflect yearly subscriptions. If a monthly payment is preferred, the pricing increases. The lite version has a limit of three users, the marketing automation is included and no additional costs for training or set up are required. Support is offered through a live chat and email. A personal level of support is included on the enterprise level.

3 ConstantContact

ConstantContact was founded 1995 in Massachusetts with an estimated annual revenue of $361.9 million. Offering two package options, the pricing increases with the number of contacts:

- Email for $20 per month for up to 500 contacts

- Email Plus for $38.25 per month for up to 500 contacts

The catch here is that the Email Plus package has to be purchased for 12-months in advance to stay under budget. Non-profit organizations can save up to 30% if they choose the one-year prepay. Furthermore, the automation option is only available at Email Plus although the cheaper subscription offers common features like list segmentation, social media and templates. The Email option is limited to one user while Email Plus can be set up for up to ten users. Both plans have online as well as live support

4 MailChimp

Founded in 2001 in Atlanta, GA with an estimated yearly revenue of $456 million. Mailchimp offers three price levels starting at:

- Free for $0 per month

- Grow for $10 per month

- Pro for $199 per month

The free plan is limited to 2,000 subscribers per month and 12,000 emails while for the affordable grow version both categories are unlimited. Multi-user accounts are available in free as well as the grow plan. Again, email and chat support are limited to paying customers and premium support is only available with the pro account. With a closer look into the automation, Mailchimp offers its features to all price levels.

5 Automizy

Automizy was founded in 2014 in Hungary and has an estimated yearly revenue of $1.5 million. Pricing with Automizy is based on the business's number of subscribers and offers three options at every 500 subscribers increase: Starter, Pro and Enterprise.

The website does not give away enterprise prices as they are on request only. Based upon the amount of contacts, a Start-Up has two options to stay within the price range. For a Start-Up with up to 1000 subscribers the monthly costs are $39 for choosing pro. With basic features but more subscribers up to 2,500 the software charges $25 per month, including email marketing and marketing automation.

Conclusion

Taking into consideration the limitations of Start-Ups, implementing marketing automation can be a promising solution to handle the mass of information, obtain a more holistic insight into the customer's decision-making process, and customize marketing activities. While the limited size of Start-Ups may be a disadvantage with regard to reaching a wide audience of customers, by expanding marketing activities with a marketing automation software, Start-Ups can gain a valuable customer insight and leads with little manpower. Marketing automation can be a promising opportunity for Start-Ups and the internet offers a lot of marketing automation tools for a limited budget or even free.

These results can be a base for decision-making in Start-Ups in general, but the results should be reflected upon critically with respect to contextual factors of the Start-Up as the needs of tools can change during different phases of the organization. The results of tools and functions presented represent the current state of technological advancement. In an ever-changing dynamic digital economy, technologies will continue to evolve, and these tools and features are likely to change in the future.

The automation of newsletters, triggers and notifications may be time-saving but it could backfire on the business if they overload their recipients. All positive traits of the automation tool will be inadvertently reversed. A high degree of automation may lead the user to automate everything possible, but the frequency is key. Also, it may appear depersonalized to the customer because they are only responded to by automated messages. Although segmentation does identify target groups, there are nuances within the target group that needs to be considered and addressed specifically. There is no doubt that marketing automation is a powerful tool, but it also needs to be handled as such.

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Marketing automation tools

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Sendinblue: https://sendinblue.com/

Pictures

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