Marketing Minds
Objectivity Insight Expertise

Marketing for Technologists
7 Secrets for Growing Companies

Marketing Minds

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For Discussion Another Time

- Segmentation
- Storytelling
- Social Marketing
- Content Marketing
- Inbound Marketing
- Account-Based Marketing
- Marketing Automation
- SEO / SEM
- Omni-Channel
- CRM
- Big Data
- Golf Days
- Paid v Earned Media
- Mobigeddon
- Last-touch v Multi-touch
- Lead Management
- Hadoop
- Retargeting

So, What is Marketing anyway?









- ✓ **Substance**
- ✓ **Science**
- ✓ **Storytelling**
- ✓ **Speed**
- ✓ **Simplicity**

People

Processes

Systems

1. Marketing Budgets

Marketing as % Revenue

Gartner CMO Spend Survey 2015:

10.2%



Survey of 315 marketing & digital marketing decision makers in companies with revenues of at least US$500m.

External Marketing Spend / Revenue

2.1%

- Sample of 25 IT companies – Marketing Minds

Company	Revenue ($M)	Advertising ($M)	Advertising as % Revenue	Financial Reporting Period
Apple	182,795	1,200.0	0.7%	Year to Sep 2014
Microsoft	86,833	2,300.0	2.6%	Year to Jun 2014
Google	66,000	3,004.0	4.6%	Year to Dec 2014
Facebook	12,466	135.0	1.1%	Year to Dec 2014
Salesforce.com	5,374	203.6	3.8%	Year to Jan 2015
Autodesk	2,274	15.6	0.7%	Year to Jan 2015
King Digital Entert	2,260	422.1	18.7%	Year to Dec 2014
LinkedIn	2,219	5.7	0.3%	Year to Dec 2014
Infor	2,096	Not avail.		9 mths to Jan 2015
Twitter	1,403	46.6	3.3%	Year to Dec 2014
GoPro	1,394	47.2	3.4%	Year to Dec 2014
GoDaddy	1,387	139.4	10.1%	Year to Dec 2014
Workday	788	20.0	2.5%	Year to Dec 2014
Zynga	690	101.7	14.7%	Year to Dec 2014
Pegasystems	590	Not avail.		Year to Dec 2014
QLIK	557	27.5	4.9%	Year to Dec 2014
NetSuite	556	12.8	2.3%	Year to Dec 2014
Splunk	451	8.4	1.9%	Year to Jan 2015
Tableau	413	7.6	1.8%	Year to Dec 2014
Box	216	28.6	13.2%	Year to Jan 2015
Good Technology	212	0.8	0.4%	Year to Dec 2014
Marketo	150	1.9	1.3%	Year to Dec 2014
Xero	124	Not avail.		Year to Mar 2015
Hubspot	116	3.3	2.8%	Year to Dec 2014
CyberArk	103	Not avail.		Year to Dec 2014
All figures are World Wide totals		All	Average 2.1%	All
			5.3%	Excl APPL, MSFT GOOG, FBK

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Source: Company announcements and Stock Exchange filings: 10k, 10Q, and/or IPO Prospectus.

Advertising spend is very broadly defined in company accounts, and may (or may not) include all external marketing spend on such things as direct marketing, digital content, social media, events, sponsorships and PR.

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Revenue is Vanity, Profit is Sanity

Finance & Accounting 101

Revenue

minus Cost of Goods Sold (COGS)

Gross Margin

minus Sales & Marketing
R&D
General & Administrative

Operating Margin **($ and % Revenue)**

a.k.a. Operating Profit

minus Non-Operational costs, interest, tax, etc

Net Profit



External Marketing Spend / Gross Margin

Varies by:

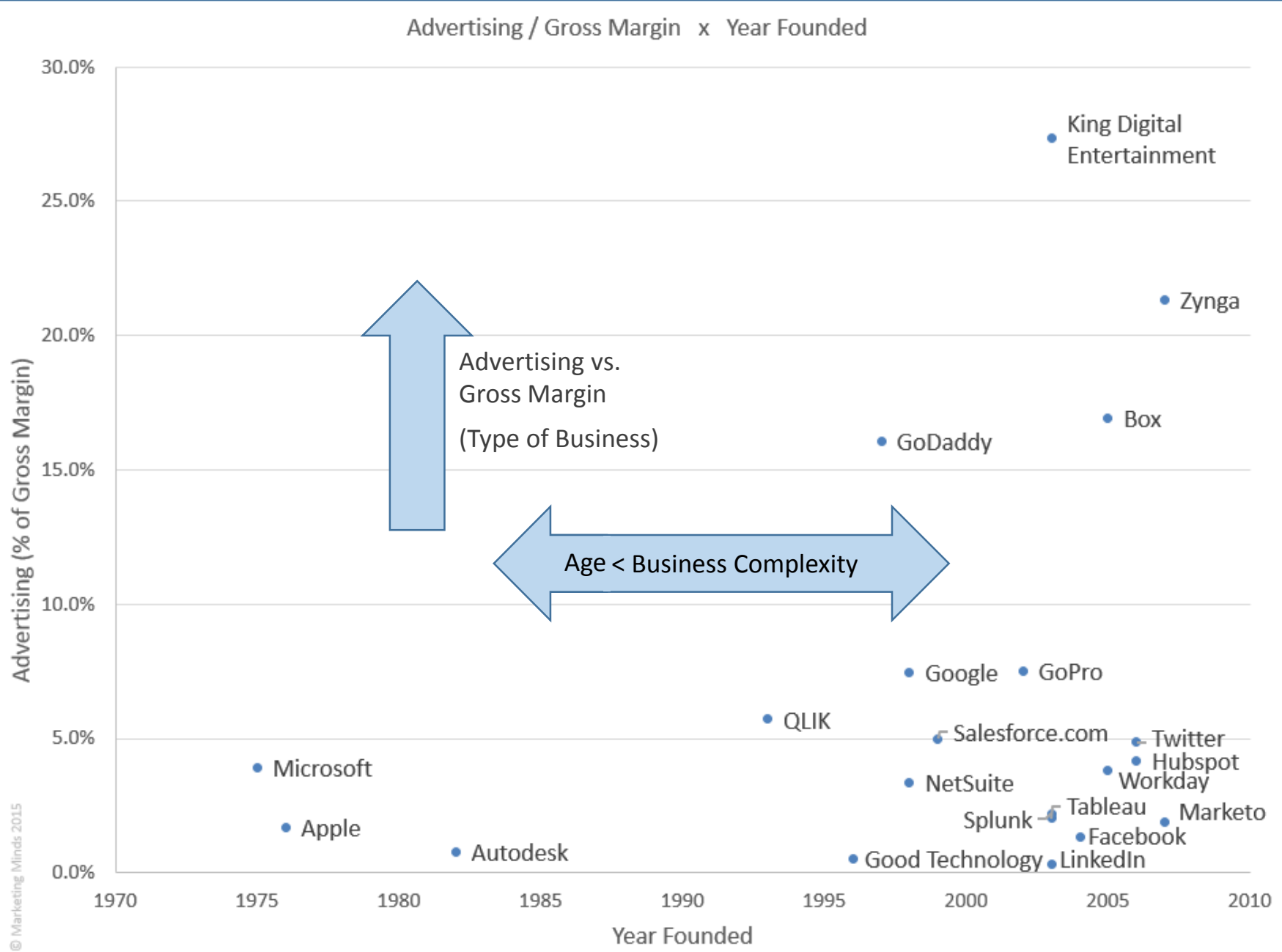
- Type of Business
- Complexity of Business

4.0%

Not including MSFT APPL GOOG FB

7.0%

All 25 companies in sample



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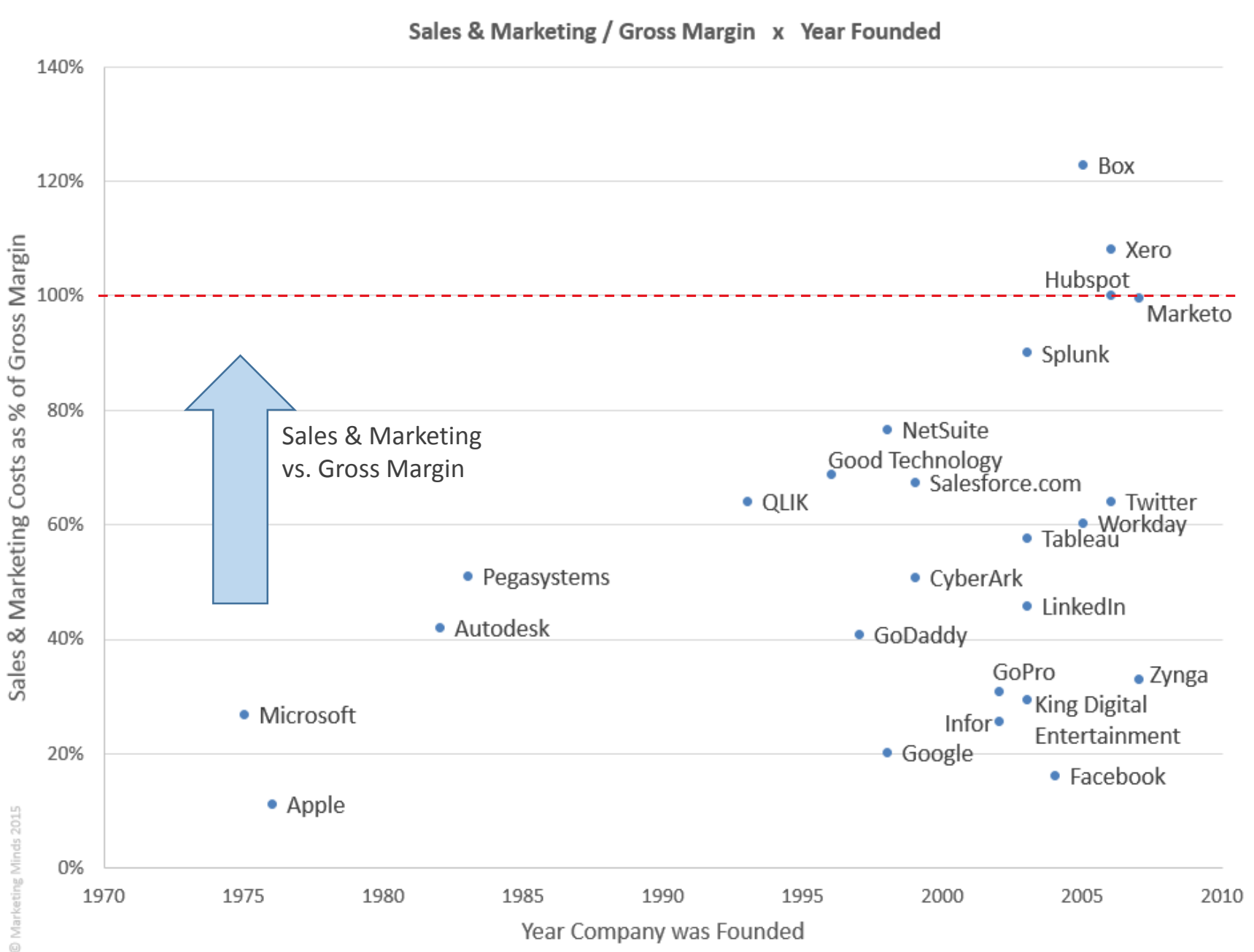
Sales & Marketing Costs

Investment or Business as Usual?

Possible justifications of high Sales & Marketing Cost

- Customers' Life Time Value
- Market share grab (if defendable)
- "Land & Expand" account strategy (if the cost of sales for existing customers is much lower in future years)
- Investors / stock market focused on Revenue growth.
- Merger plans
- Pre-IPO cash burn (positioning revenue growth)
- Scaling-up operations to achieve growth with higher operating margins next year. (Developing the business to operate at Scale).
- Brand-building



Source: Company Results and Stock Exchange filings: 10k, 10Q, &/or IPO Prospectus. Data is for 12 months substantially in calendar year 2014.

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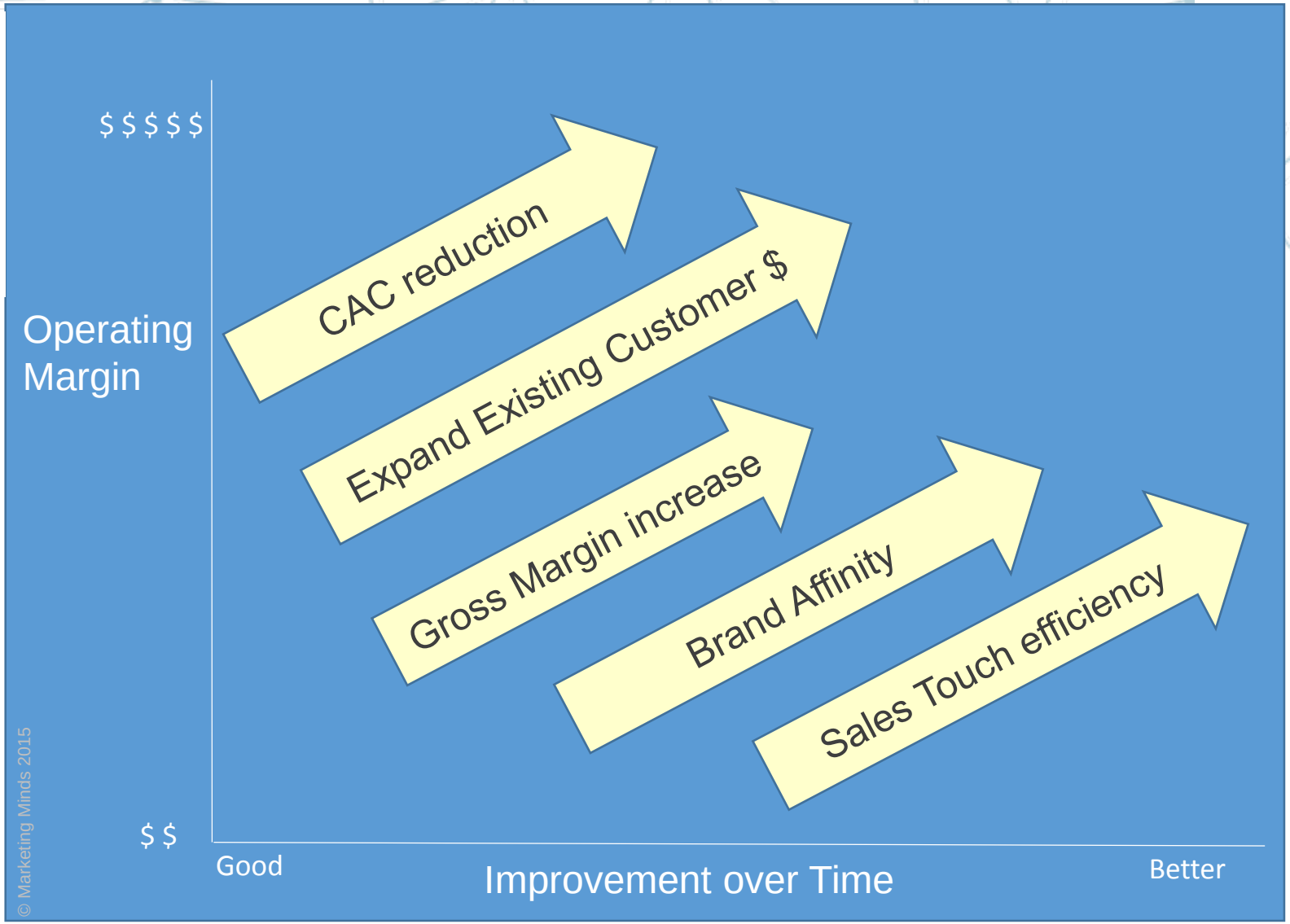
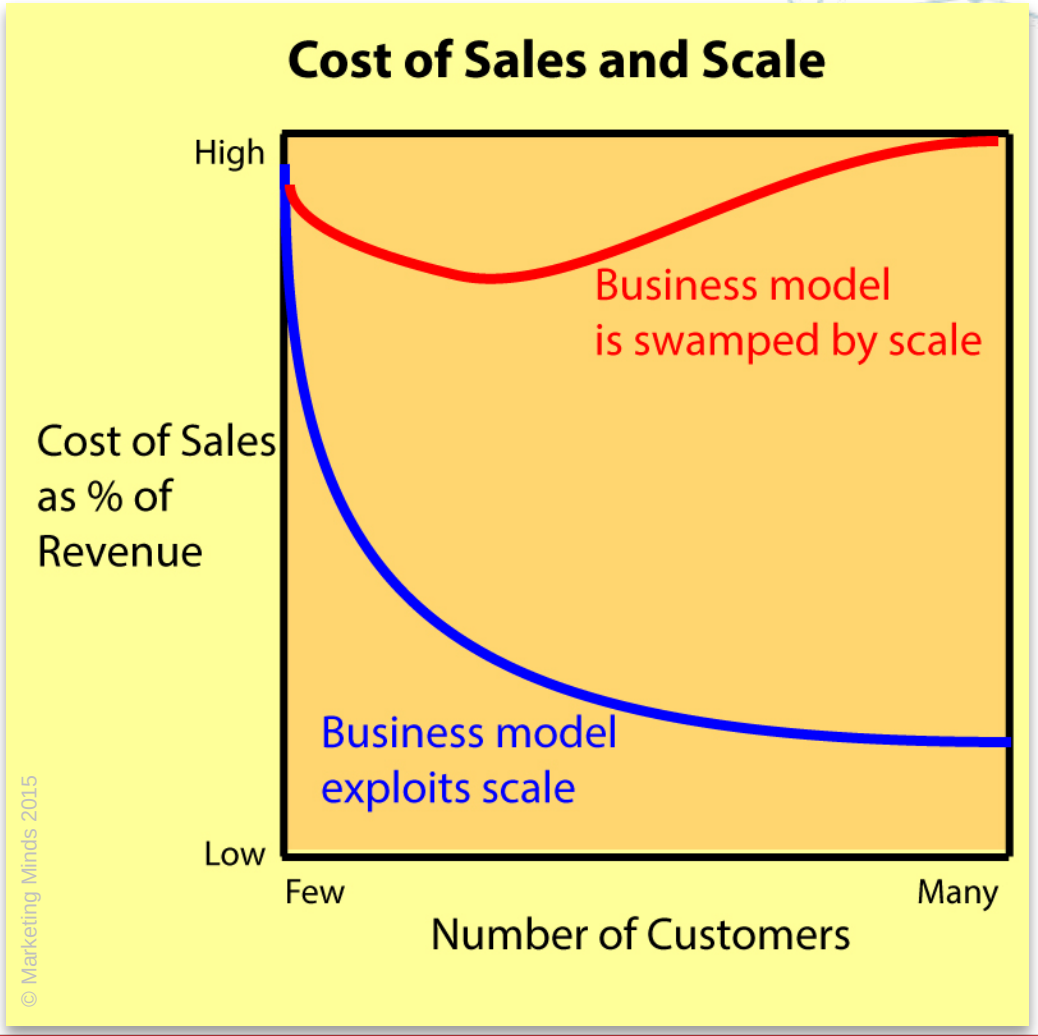
Marketing-Related

Drivers of Profit Growth



CAC = Customer Acquisition Cost

Scaling-Up: The Good and The Bad



2. Sales and Marketing Paradox:

They're one, but different.

Go-to-Market Choices

Sales & Marketing can perform many of the same tasks.

Big differences in:

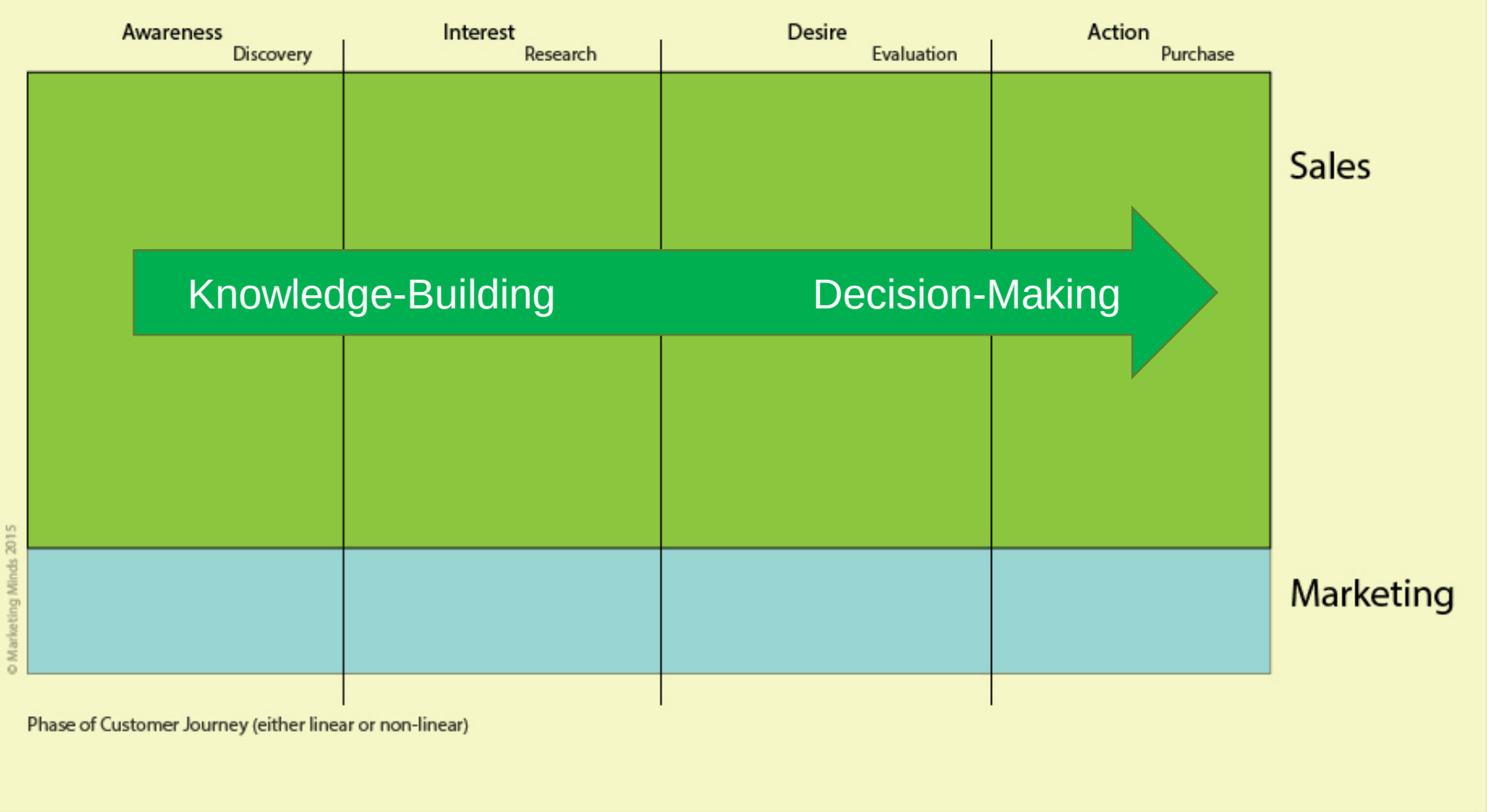
- Cost-efficiency
- Type of Sale (Transactional or Solutions)
- Importance of each sale (Deal size & Customer size).

	Sales	Marketing
Educate the Market	++	++++
Brand Build	+	++++
Discover new prospects	++	++++
Generate Leads	+++	+++
Help prospects reach decisions	++++	++++
One-one Customer engagement	++++	++
Identify Customer decision-makers	+++	++
Maintain mind-share in Decision phase	++++	+++
Negotiate and offer concessions	++++	
Offer incentives and discounts	++++	++++
Take Customer Orders (Purchases)	++++	++++
Upsell	++++	++++
Loyalty / Maintain Relationship	++++	++++

Type 1.

Sales-Driven Business

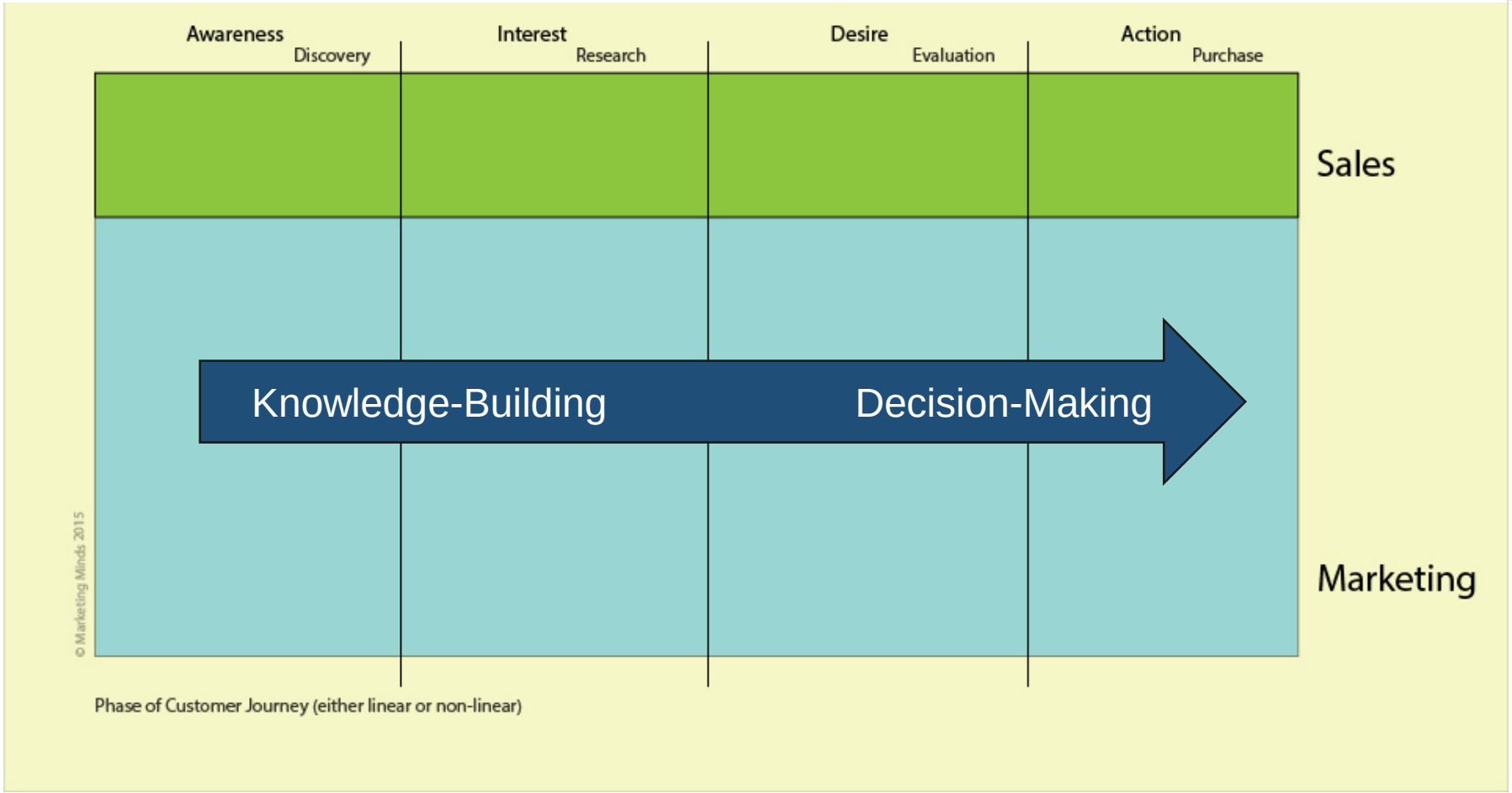
Customers interact with Sales much more than with Marketing at all Stages



Type 2.

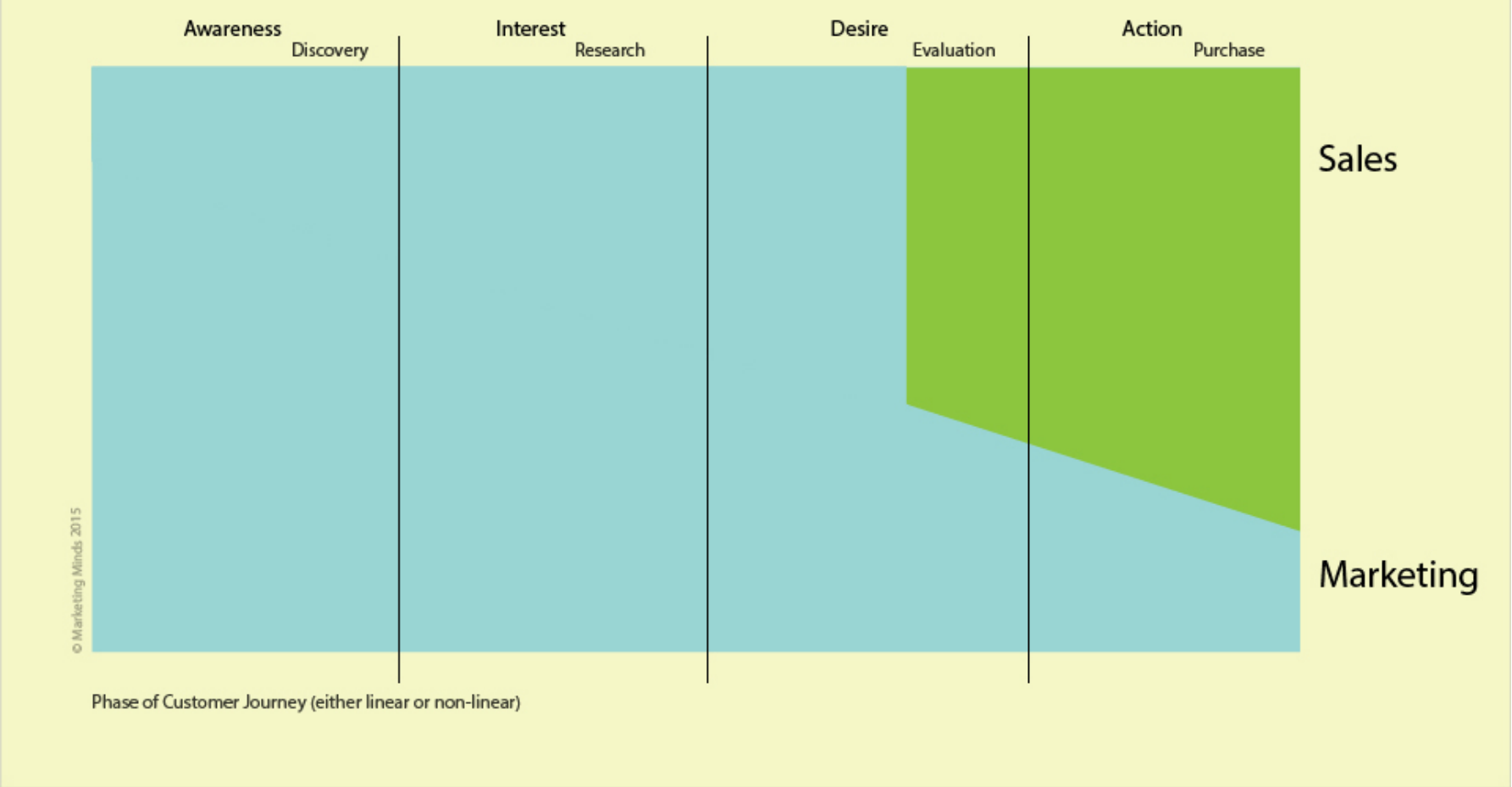
Marketing-Driven Business

Most customers interact and buy via Marketing.
Sales engages with distribution channel and/or high-value customers only.



Type 3. Marketing Builds Relationship, Sales Closes

Marketing carries the whole engagement up to final decision-making stages



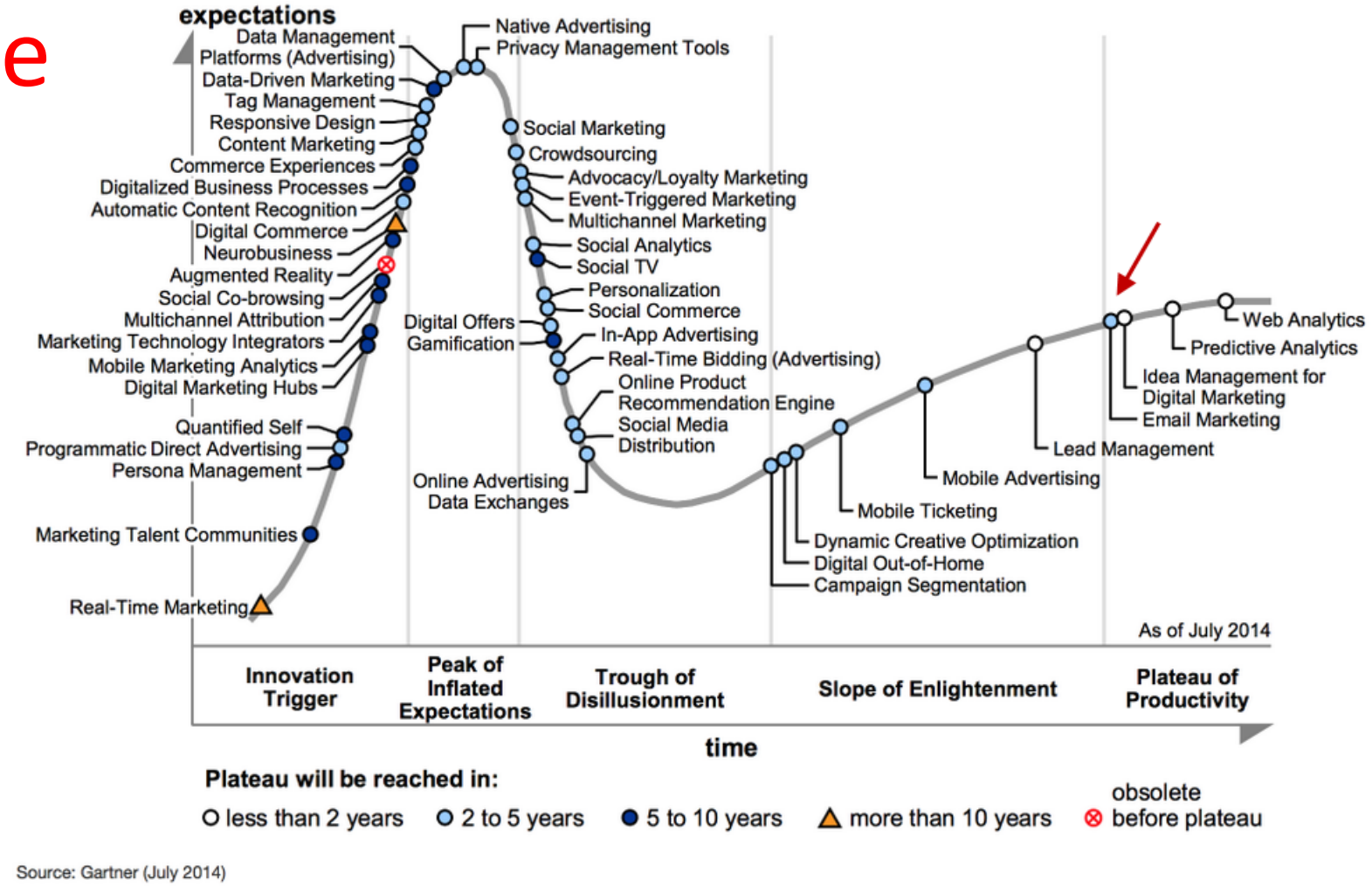
Direct Sales - Scales Less Well Than Marketing But is **Much Better at Some Things:**



- Finding the Buyers in Complex Accounts.
- Accelerating the Purchase Decision and Close.
- Addressing risks and concerns for the customer.
- Negotiating Price and Concessions.
- Finding subsequent opportunities.
- Explaining, educating, and reassuring.
- Dealing with Egos & Politics.
- Finding Personal Wins for Buyers.
- Being Trusted Advisor & *Confidant.*
- Orchestrating service. Making the Vendor work for the customer.
- Simplifying. Making it easy to buy from the vendor.
- Blocking competitors from gaining relationship and mind-share.
- Anticipating needs, and pro-active advice.
- Learning about new Use Cases.

3. Marketing has its own Hype-Cycle.

Marketing Hype-Cycle



Source: Gartner (July 2014)

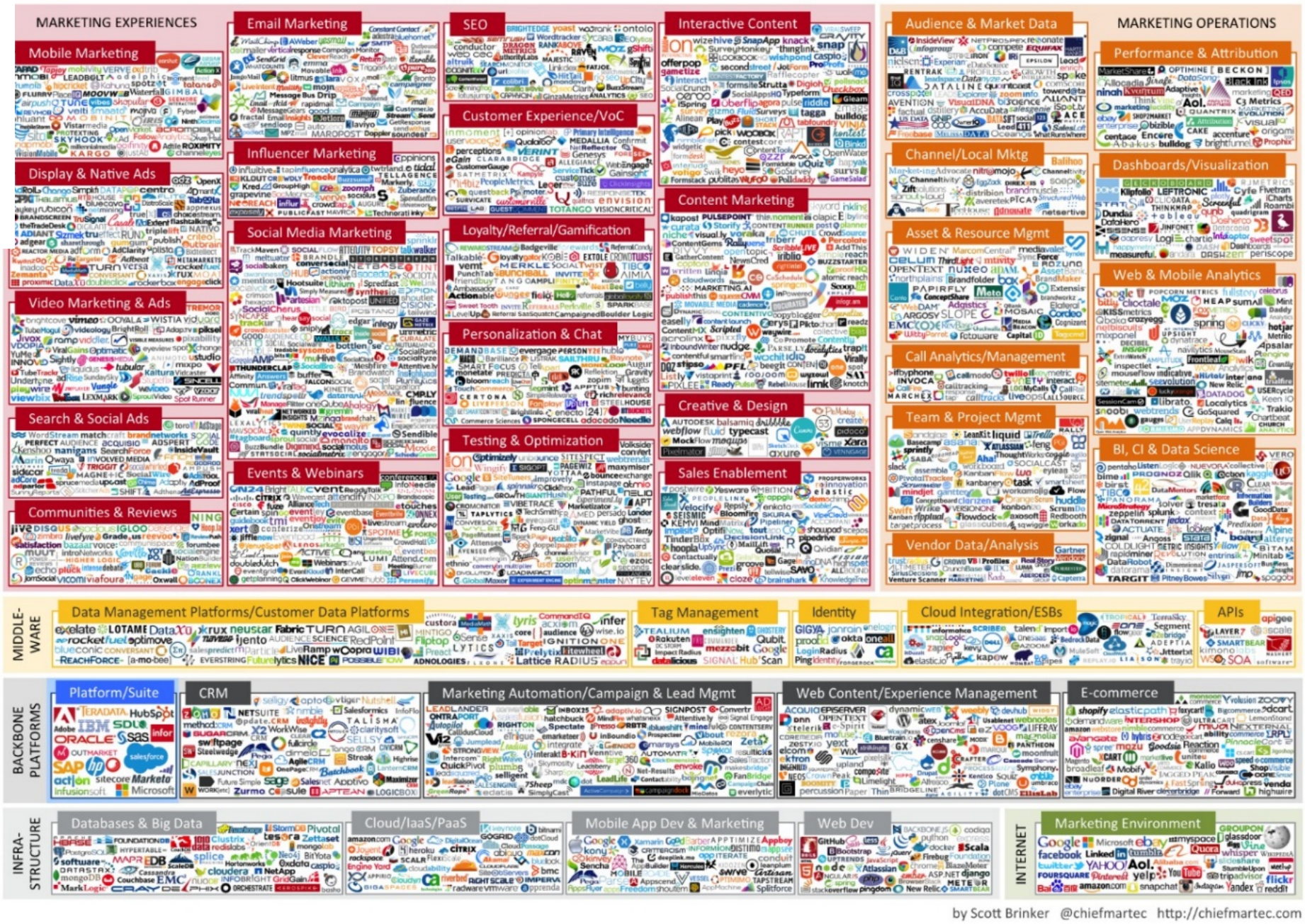
Typical Market Events during the hype cycle.
Timelines show activity for Aggressive adopters (A), Moderate (B) and Conservative (C) businesses
Image: Gartner.

Marketing Technology Blizzard

No shortage of tools to help with marketing.

Knowing what you are trying to do is the most important thing.

(Not the technology.)



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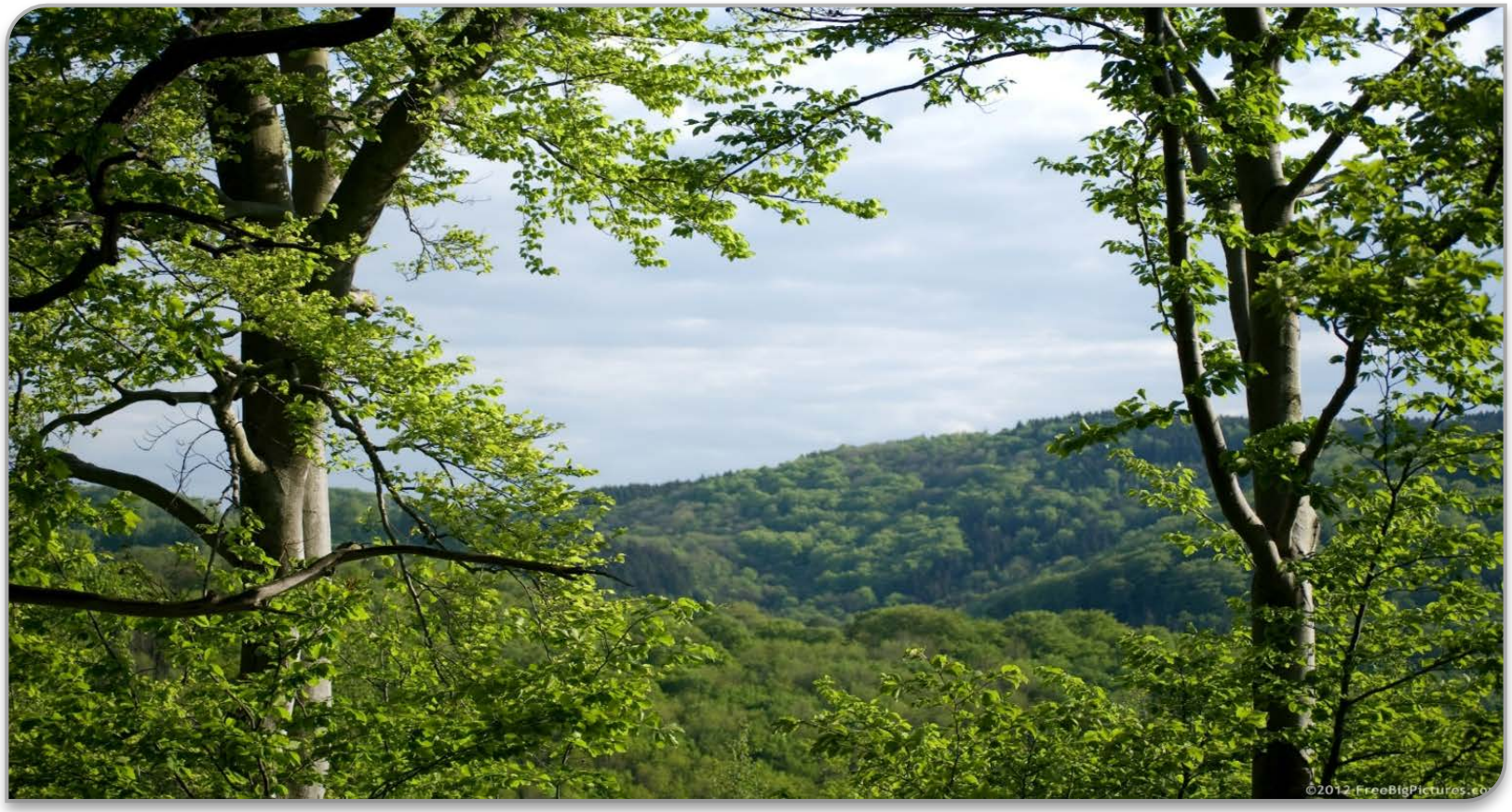
Keep Focused on the Big Picture



4. Marketing is an ART as well as a Science.

Science and Art

"A focus on ROI though marketing data and "science" is good, but getting the story right is vital.

Otherwise you are just being very efficient at being irrelevant."

Google SVP
McKinsey Quarterly, Feb 2015



5. Know WHY Customers will Buy from you.

Attention Spans are Dropping

12 seconds in 2008

8 seconds in 2014



9 Seconds

Source: Microsoft attention spans, Spring 2015 | @msadvertisingca #msftattnspans
http://advertising.microsoft.com/en/cl/31966/how-does-digital-affect-canadian-attention-spans

Noise is Increasing

Average Person engages with **872** Brands per week

All Wanting a Relationship !



Get the message straight

Clarity across Marketing and (particularly) Sales People is Vital

The product is the enabler, not the reason.

Example:

Sales person daily interaction with customers & prospects

- 4 conversations
- 8 emails (solicitations or follow-ups)
- 3 texts
- 4 online chat sessions
- 1 presentation
- 2 social post/shares (business related)

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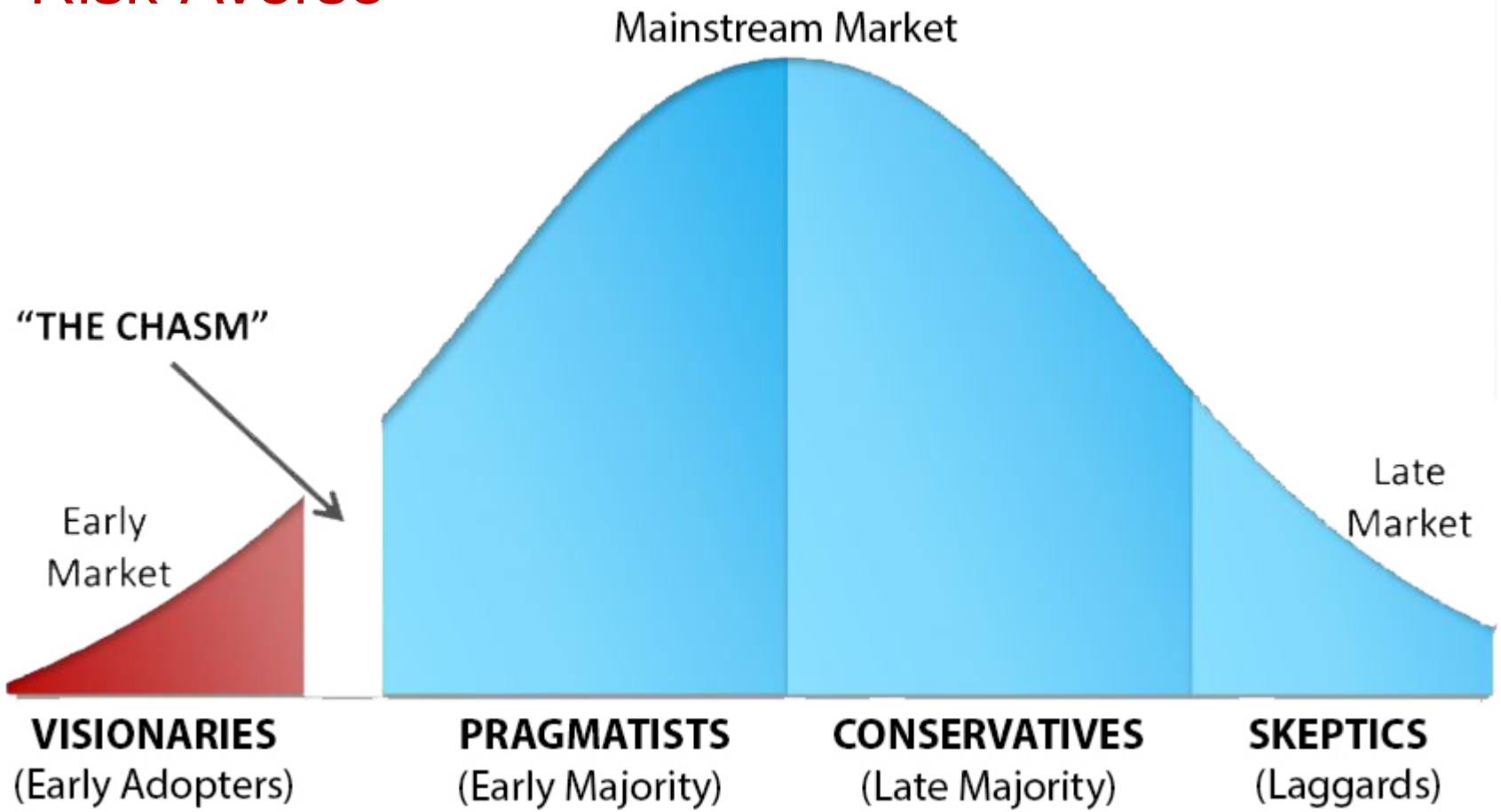
Minimum of 110 brand messages per week / sales rep

6. Initial Customers are Different

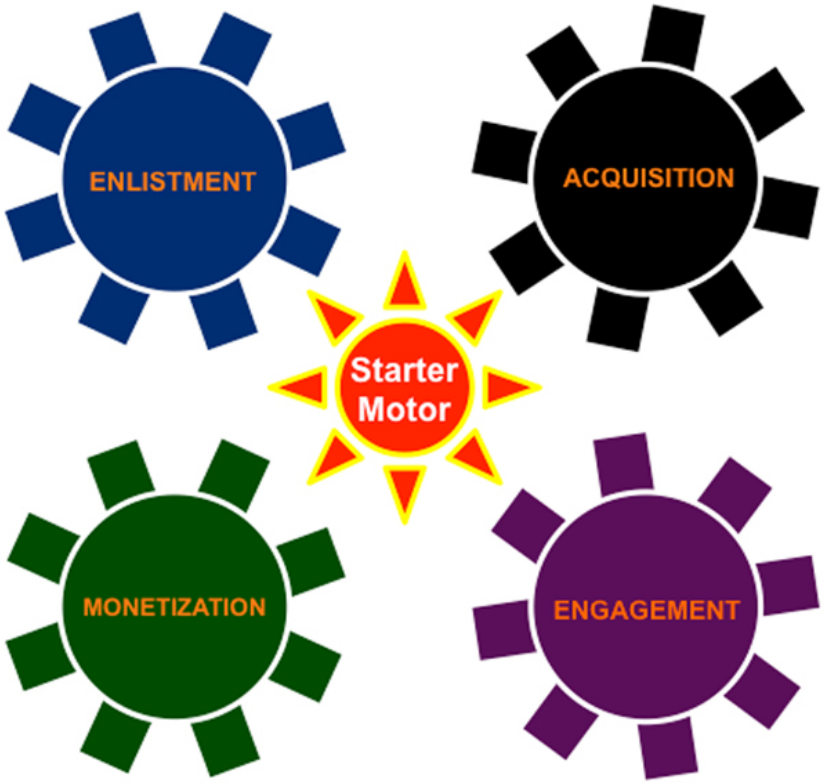
Most Customers are Risk-Averse



Ref: Crossing the Chasm by Geoffrey Moore

Early Customers need to Ignite Web-based Consumer Businesses

- Create an **initial experience** that is very compelling and differentiated. (Usually including freemium).
- **Evolve and add to your offering** as you grow and users become more diverse.
- **Hyper-engage** with influencers who help because they identify with your product.
- Introduce **monetization gradually**, and ramp-up after each slow-down.



Ref: Four Gears (in Crossing the Chasm) by Geoffrey Moore

7. Is your Market Educated?

3 Drivers of Market Development

Need recognition

Solution Attraction

Brand Affinity



If there's

Just One Thing

Talk **less** about the technology

and

more about solving the problem.



THANK YOU!

For more information please visit

www.marketingminds.com.au

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