A new model for maximizing value from martech

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Introduction

For a decade, companies have been identifying, selecting, and managing their marketing technology based on expedience, rather than long term sustainability. That's not surprising, given the constant change in martech. Recent research shows, two-thirds of marketers add to their martech stack at least quarterly[1], even though most rate the impact of marketing technology as minimal[2]. This has left marketers with significant investments in technology that often yield limited returns.

There's no shortage of advice on how to fix martech problems. Unfortunately, most relies on a traditional approach to martech selection and management, which is too narrowly focused and exposes companies to risks of poor adoption rates, duplicative functionality, inconsistent customer data, poor customer and employee experiences, and marginal ROI. The problems marketers face today will only increase if they do not move towards an entirely new model for selection and management of marketing technology. A model which facilitates getting the greatest return possible from martech investments.

In this paper, we offer four principles for a holistic approach to martech management and steps organizations can take to implement them.

> “Successful martech selection and management must be anchored in business strategy with a clear value proposition. It also needs to address martech's rapid expansion and the interdependence of martech with the whole enterprise. That's why we recommend a holistic model.
>
> **- Jason Galloway, KPMG**”

Current state of martech

Today, marketers tend to seek niche tools and capabilities to drive competitive advantage, make siloed purchase decisions, work with point solutions from multiple vendors, neglect user adoption & training, consider and finance martech investments through the marketing operating budget, often without building a supporting business case.

This approach often results in duplicative functionality – the overlap of software and capabilities across martech solutions – and inefficient utilization of martech capabilities. Gartner estimates that organizations use only 61 percent of the capabilities of any marketing technology platform.[3] When functionality is duplicated, customer experience and employee experience decline. Conflicting data models inhibit a 360 view of the customer. Employee training takes longer; and siloed customer data and CX tools are laborious and frustrating for marketers to work with.

On the business side, marketing organizations are often unable to effectively identify and measure KPIs, forecast costs to deal with data and processing, or calculate an ROI on a martech solution. Compliance and risk issues arise and lack of transparency is commonplace. For example, 90 percent of cloud based marketing services aren't enterprise ready, which exposes them to data breaches.[4]

Nevertheless, with this as a backdrop, some broad changes are occurring. Customers are requiring a more connected and personalized cross-channel experience. C-level executives are calling for a greater return from martech activities and investments. Martech is evolving towards cloud-based and SaaS solutions, with less customization and easier upgrades to deploy new capabilities.

> “It is imperative that you consider not only the total cost of ownership when selecting a piece of marketing technology but also the opportunity cost. You need to know what revenue or customer experience opportunities you miss out on when selecting one martech platform over another.”
>
> **- Craig Rutkowske, KPMG**

Four principles of martech sourcing and management

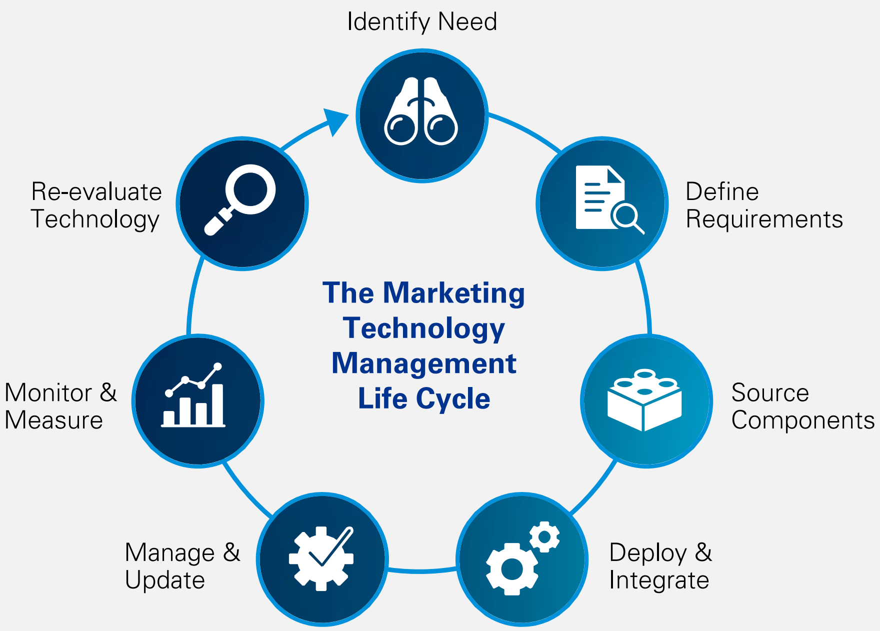
A new holistic model – founded on four principles-for sourcing and managing martech addresses the challenges of continuous technology change with the need for alignment with organizational goals.

It facilitates rational and analytical martech decision making and draws insights from diverse stakeholders. It is accountable to the organization, ensuring that business cases for martech investment are strong and ROI is measured. Finally, it seeks to integrate solutions to reduce costs and create efficiencies.

Principle #1: Take a holistic marketing technology perspective

A holistic perspective puts a stronger focus on management across the technology lifecycle. It can help a marketing organization address the full solutions landscape, from improving usability and performance to identifying solutions that are underperforming. Marketers can look at their entire stack and understand the value it brings to the customer and the business. They can actively assess the stack on a continuous basis and retire or replace solutions that are not adding value. KPMG's Ryan Walser says that managing across the technology lifecycle is the "foundation of the holistic approach."

Managing martech starts with ensuring needs are identified. With an in-depth understanding of organizational needs you can consider existing tech before sourcing new components. If new technology is deemed necessary, a cross-functional team can be established to define requirements that take all parts of the organization into account. The original needs will serve as a guidepost on how the organization proceeds through evaluation and deployment. With the end goal of meeting the need, you can establish performance measures that can be monitored and re-evaluated on an ongoing basis to ensure you get the most value out of your investment.



Principle #2: Integrate marketing technology

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Integrating the technology stack increases operational simplicity, which can create an overall better experience internally for the organization and externally for the customer. It can reduce the cost of ownership with open API connectivity and middleware, such as integration platform as a service (iPaaS). It can also reduce costs by extending capabilities to enable the software to do more – with web hooks, for example. Middleware and open APIs support both integration and governance of Data, Workflow, and UX/UI.

Reconcile integration efforts with best of breed solutions

Marketers will continually need to reconcile integration efforts with deployment of best of breed solutions. For example, in selecting new marketing resource and campaign management tools, a global telecommunications firm opted for two best of breed solutions. Upon deployment, the company had excellent capabilities in workflow, review and campaign initiation processes. However, the company did not understand or fully consider the complexity of integrating these two best of breed solutions. In the end, campaign IDs were different in each system, requiring a manual effort to match and copy campaign IDs from one system to the other. The matching/copying process not only consumed hundreds of man hours a year but was also extremely prone to error, undermining campaign tracking and reporting.

For most companies, the goal is a simplified ecosystem combined with the benefits of specialty tools. Each of the global telecommunications company's best of breed software vendors actually had capability the other vendor provided, though not at the top of its field. A holistic approach would have considered whether customers and internal marketers could have been better served with one core application rather than two best of breed but incompatible applications.

Integrate in context

The existence of an open API doesn't necessarily mean a tool will easily integrate into your platform. An effective integration depends on understanding the context – what needs to be achieved and the amount of effort that may have to go into it. Likewise, open API can mean many things, and software vendors can have varying degrees of integration capability. It is of utmost importance to be aware of the maturity of a vendor's API integration capabilities.

As part of the evolving context, middleware solutions – as well as low code or no code solutions acting as middleware – provide new ways for a marketer to join systems or technologies more quickly and easily. The telecommunications company that ran into trouble with its workflow and campaign tools might have used middleware to plug both tools into a single interface, accessed them from one spot, and passed data back and forth, thereby obtaining all the benefits of a best-in-breed solution without integration challenges.

As integration opportunities continue to evolve, marketers will do well to focus on being very clear about what they're buying, what they want it to do, and how they want it to interact with the rest of the technology stack. That's how marketers can ask the right questions about integration, whatever the context.

Get the data right

Even if integration facilitates data access, if it's not connected, contextual, accurate, or timely, it's not going to give you the insights you need.

For example, a global electronics and high tech firm had allowed countries and product lines to grow independently, resulting in a proliferation of marketing platforms and solutions. What brought this proliferation to a crisis point was not the extensive duplication and waste of functionality, but the request for consistent reporting across the regions and product lines by the new global CMO. With so many different marketing systems, each with different data models, the marketers were unable to produce consistent, apples to-apples data across the globe, and attempts to manually standardize and normalize the raw data were very difficult to achieve. To obtain a single source of the truth for marketing data required the firm to undertake a multi-year, global effort to replace existing systems with a new single platform and data model. The effort was productive but extensive, as the firm had waited 20 years to reconcile its martech stack.

Four principles of martech sourcing and management (cont.)

Principle #3: Establish new metrics

Today, metrics associated with martech selection and management are often minimal and very high-level. When KPIs exist, they often measure platform technical performance rather than martech's contribution to business goals and strategy. A new set of comprehensive KPIs, which measure business impact as well as platform efficiency and effectiveness, is needed. Specific KPIs will depend on the marketing technology solution and its objectives, but all martech KPIs should include performance, activity, outcome and impact measures.

- Performance measures-such as uptime, outages, page load time, query response time, etc.-show system responsiveness and reliability.
- Activity metrics, such as resource utilization, indicate whether marketers and customers are engaging with the technology as intended.
- Outcome metrics indicate whether the technology is supporting the appropriate response in the marketplace, such as successful customer interactions or a satisfactory customer experience.
- Impact metrics indicate whether the technology-supported experience is being converted into financial business value, such as revenue lift.

When you identify new metrics, you invest significant time and effort in selecting the data, creating the KPI, and getting the KPI in front of marketers. A KPI can help drive a particular type of behavior, so it's important to validate that you are actually measuring the type of performance or outcomes you're looking for.

Manage solutions actively

Metrics enable active management of global platform impact. For example, effectively understanding which technologies are driving marketing efforts can result in reducing waste, such as duplicative or unused technology. Duplicative and unused technology not only increases expenses, but companies also incur "technical debt" for their ownership, which is more difficult to measure.

According to KPMG's Ryan Doubet, "Technical debt includes all the peripheral time and costs that come along with a solution, such as vendor communication/coordination. Establishing new metrics can enable better management of the technology currently in place reducing peripheral costs." If a martech platform is not driving business impact, it should be re-evaluated to determine if the shortfall is based on user skills, adoption or if the technology is not aligned to core business strategies.

Principle #4: Establish cross-functional selection teams

Martech selection is complex and requires support and expertise beyond marketing organizations. Gartner's CMO Spend Survey 2019-2020 finds that IT is now a leading supporter of marketing and its technology initiatives, working collaboratively with marketing to evaluate, select and purchase new marketing technology.[5] However, only 36 percent of firms use broader cross-functional teams for the identification, evaluation, selection, purchase and management of marketing technology, according to IBM research.[6]

Cross-functional teams are crucial in the process of design, selection, and implementation of software. Not involving the right stakeholders, such as IT or Procurement, to support in making informed decisions on software, can expose an organization to unnecessary risk and lead to lack of credibility for executive support and approval.

Cross-functional selection teams, with all stakeholders represented, makes a holistic approach to marketing technology possible. The cross-functional team can help ensure new technology is aligned with business strategy and critical adoption, skill and data issues are addressed to increase its likelihood of succeeding. It can support viewing and managing the martech stack as a portfolio. Optimizing future marketing technology decisions requires a cross-functional team comprised of core and associated constituencies (cross-functional teams may include outside agencies as well).

But how do you engage the right players while also keeping the team lean and agile? You must clearly identify the primary and secondary stakeholders to involve in the process. Then it is critical to align on a RACI model for efficient decision making. This will ensure you have the right people at the table but can also show progress and move quickly.

Function	Primary Role
Primary	
Marketing	— Required features and functionality — Role in CX or process optimization — System administration — Business use case development — Cost/benefit case development
Procurement	— Vendor viability — Contract compliance — Cost competitiveness — Vendor performance evaluation — Purchase process and effectiveness
IT	— Ongoing monitoring and maintenance of infrastructure — Data and system integration — Data security and management — Engagement with Marketing to create cohesive vision of martech — Support in managing tech stack and ensure requirements are met
FInance	— Review of business case — Identifying break-even and ROI simulations
Secondary	
Legal	— Compliance with regulations and firm/industry standards and policies
Analytics	— Evaluation of embedded models efficacy and transparency
Customer Service/and or Sales	— Evaluation of impact on customer service and/or sales
Executives	— Leadership buy-in — Ensuring alignment with corporate strategy

Getting started

To ensure competitiveness, a better return on investment, and quality customer experiences, it is critical organizations move towards a new process for selecting and managing marketing technology.

We advocate making iterative waves of changes to move towards a holistic approach to marketing technology lifecycle management. Moving forward effectively will require the establishment of a cross-functional team and the following actions:

Establish a vision: Identify the strategic goals for marketing and be clear on what your organization wants to support over the next 3-5 years. Defining the key performance indicators used to measure success is an integral part of this vision.

Assess your existing martech: Document and understand your existing technical capabilities, architecture and key gaps. This will serve as the baseline for developing go forward recommendations.

Develop a strategic plan to reach desired outcomes: Develop a comprehensive multiyear roadmap that defines key capability and integration enhancements while balancing the impact of these enhancements with your organization's business goals, appetite and ability for change and its ROI requirements.

How KPMG can help

KPMG's Martech Advisory team can help you build robust martech capabilities and solutions and address gaps in process, data, technology, organizational coordination and skills. Our holistic solutions address the entire martech management value chain, and we anchor our recommendations in quantifiable financial measures.

In parallel with knowledgeable resources, KPMG brings assets and accelerators to each engagement to improve speed to value:

— Extensive view of technology landscape and which vendors are the best for your unique situation.

— Robust business models to quantify the return on investment from changes to your marketing technology stack.

— Inventory of martech benchmarks and leading practices.

— A multi-functional framework to identify, evaluate, select, deploy, manage, and monitor marketing technology to optimize return on investment.

Our team has collaborated with organizations across industries to help them enable their strategic vision. We help our clients optimize for today while positioning themselves for tomorrow.

If you are interested in more effective marketing technology, KPMG is interested in working with you. Let's start the conversation.

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[1] Two-Thirds of Marketers Say They're Adding to Their MarTech Stack At Least Quarterly, Marketing charts, April 9, 2019

[2] "The CMO Survey", Duke University, August 2019

[3] "Gartner CMO Spend Survey 2018-2019", 2018

[4] Cloud Report, Netscope, August 2019

[5] Louis Columbus, 10 Charts That Will Change Your Perspective of Marketing Technology, Forbes, December 8, 2019

[6] "The Marketing Tech Buying Process – A Look at How Companies Purchase Technology Today," IBM, 2019.

Contributors

Jason Galloway
Managing Director | Marketing Consulting, Practice Lead
KPMG US Customer Advisory
jasongalloway@kpmg.com
+1 314-244-4102

Ryan Doubet
Managing Director | Marketing Consulting, Technology
KPMG US Customer Advisory
rdoubet@kpmg.com
+1 612-305-5000

Craig Rutkowske
Director | Marketing Consulting, Technology
KPMG US Customer Advisory
crutkowske@kpmg.com
+1 312 665 1694

Ryan Walser
Director | Marketing Consulting, Technology
KPMG US Customer Advisory
rwalser@kpmg.com
+1 703-286-8528

kpmg.com/socialmedia

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