The Marketing Gamble
Mitigating Marketing Risk in the IT Industry

JUNE 2004
BACKGROUND AND METHODOLOGY

The Marketing Gamble report is based on a recent survey conducted by independent IT specialist, Benchmark Research, on behalf of Octopus Communications and investigates aspects of marketing risk within IT organisations and suggests ways to mitigate that risk.

This report asks questions and creates debate about what constitutes marketing risk, how senior marketers perceive risk, how does the relationship between marketers and their suppliers impact risk and whether PR is contributing to marketing risk? Most importantly of all, Octopus determines how marketing risk can be mitigated.

The survey conducted by Benchmark Research included frank and open interviews with over sixty senior marketing and PR officers in the foremost software and services companies in the UK.

The Marketing Gamble uncovers the concerns, contradictions and struggles of today’s marketers around an issue that is increasingly under the spotlight within the IT industry. Octopus hopes this report provides food for thought and helps make your marketing less speculative and more effective.

EXECUTIVE SUMMARY

1. The IT market has spun 180° from keeping up with customer demand to having to create it. In today’s IT climate, marketing has a strong risk factor and managing it is critical
2. Many marketing campaigns today are gambles that don’t pay – they are dull, disjointed and badly targeted, yielding poor returns. Although overlooked in good times, this is no longer acceptable
3. Of all marketing functions, PR’s lack of accountability and indirect impact on sales potentially poses the highest risk for marketers. PR measurement is common but the metrics are flawed
4. Narrow implementation of PR (i.e. media relations) and its isolation from other marketing disciplines, means measurement is restricted to media coverage, resulting in unclear and unsatisfactory ROI
5. The scope for PR, however, is huge – it is often the only function where suppliers are engaged on an ongoing basis, providing opportunity to get to know the target market and to proactively pitch creative ideas that impact both the marketing and sales functions
6. By broadening PR’s remit (beyond media relations), using it internally as well as externally, and placing it at the heart of integrated campaigns will make a positive contribution to the sales pipeline
7. Creative, PR-led marketing campaigns that are customer focused and tied to a commercial strategy can mitigate marketing risk. However this has to be supported through a ‘shared risk’ supplier model, long-term relationships with strategic suppliers and ‘hands on’ senior agency experience
8. Current thinking within marketing circles across the IT sector is out of date. The market has moved on and IT marketers have to re-think their approach – PR, the most risky tool in the marketing kit is, ironically, the marketers’ best bet
“RISK? UNLESS YOU CAN GET ME SALES LEADS – DON’T BOTHER ME”

GAMBLING WITH YOUR MARKETING

Throwing the dice and keeping your fingers crossed doesn’t sound like the most confident approach to getting results but that happens more times than you may imagine within marketing departments in IT companies. The stakes, however, have never been higher and research confirms marketers are feeling the heat.

Over two thirds of those interviewed believe the risk attached to marketing in the current IT sector to be a real issue. Tighter marketing budgets and pressure to support sales means managing risk is critical but, in the rush to deliver sales leads, tactical initiatives, directed by head office, are commonly executed locally and without real thought.

As a result, many marketing campaigns in the tech sector are gambles that don’t pay; they are often dull, disjointed and badly targeted. PR activity, for example, rarely ties in with direct mail programmes or seminars, diluting the campaign’s impact and increasing the risk of failure.

Five years ago, in a buoyant market, the demand for IT was such that a lack of integration across marketing and PR campaigns was overlooked. Those days are gone. Marketing was largely about supporting demand that already existed, but now marketers must create the opportunities and simply cannot risk getting it wrong.

“THE WEAKEST LINK ISN’T PR - MY AGENCY IS EXCELLENT”

THE CASE FOR BETTER PR

PR is seen by many as the rising star in the marketing mix but, of all the marketing functions, it poses the highest risk because it is the least accountable. When you engage in telemarketing or telesales, the Key Performance Indicators (KPIs) are clear but PR’s impact on sales is less direct, making PR investment harder to account for.

The majority of IT organisations employ external PR consultants and the survey confirms that, on the whole, the client - agency relationship is very healthy. However, despite the strength of these relationships, the frequency with which agencies are changed suggests there is an issue.

The research concludes that PR is used in its narrowest sense, as a media relations tool, and in isolation from other marketing activities. What agencies are therefore capable of supplying - or being asked to supply - rarely ventures beyond this tactical discipline.
Good PR agencies proactively come up with creative ideas and translate them into media coverage but the potential they have for influencing other marketing activities is ignored.

Internal communications, for example, is a key area of PR that can positively impact a business and reduce marketing risk but is an area that is largely ignored by marketers. In reality, senior executives are as likely to judge their company’s PR success on the state of coverage boards in reception as they are from a report from the marketing director.

The role of PR within the marketing mix is ever more prominent but the nature of its use and subsequent accountability cranks up PR’s contribution to marketing risk.

**“I’LL JUST CUT THE RISK USING PBR”**

**‘PAYMENT BY RESULTS’ UNRAVELLED**

Switching suppliers to a Payment By Results model (PBR) is a natural instinct when looking to cut risk and research shows that many marketers are open to this. PBR represents a clear incentive scheme for agencies and rewards them on what they deliver. As more marketers are renumerated according to their contribution to the sales pipeline, why shouldn’t they pass the risk onto their suppliers?

PBR works best when the relationship between activity and result is direct, as with telemarketing or direct mail. For marketing functions such as PR, things are less clear and this is why agencies have traditionally been sceptical about this approach.

PR measurement using volume of media coverage as the Key Performance Indicator – used in over 90% of the cases – gives a pretty meaningless ROI figure. The situation is compounded when virtually no budget is set aside to analyse the impact that media coverage has on a company.

Research confirms that although both PR and marketing managers appreciate that media coverage is not the best measure for PR success, they default to this benchmark simply out of convenience.

As a consequence, many IT companies adopt tools like the CMP Audit to measure PR achievements - but these only monitor a small selection of media, covering a specific set of audiences.

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**VIEW FROM DTI / IPR STEERING GROUP**

“The role of PR has changed. Whereas previously PR has been perceived as a tactical tool for influencing media coverage, the proliferation of communications, the need to engage with multiple stakeholders, and demands for greater corporate transparency, have placed PR at the heart of strategic management.”

*Unlocking the Potential of Public Relations Report, Dept for Trade & Industry / Inst. of Public Relations, Nov 2003*

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**PBR FACTS**

- 80% believe it is very important / critical for a PR supplier to be able to demonstrate ROI
- 67% would be interested in working to a payment by results (PBR) model but only 26% consider this to be a key requirement when making their decision
- 67% consider a results based payment agreement to be attractive but only 24% evaluated a performance measurement
- 65% don’t believe media coverage is the only KPI for a successful PR programme
- Only 13% are interested in using Advertising Value Equivalent as a performance measure but 92% use volume of media coverage to measure PR effectiveness
- 70% consider sales lead generation support from their PR supplier to be important and 47% use this as a performance measure, but only 3% believe they receive an excellent service
The challenge with applying PBR to PR activity, particularly through tools such as the CMP Audit, is that it encourages agencies to change their focus from targeting the most relevant publications to those easiest to get ‘hits’ in.

This swells coverage volumes and quantifies share of voice but may have little or no impact on creating visibility among the real target audience.

The bottom line is that common sense alone justifies the need for adopting a results-based approach to mitigate marketing risk. When it comes to PR though, this can actually increase rather than reduce the risk, if the only measure is the volume of media coverage generated.

**“OH, THE IRONY OF IT ALL”**

**PR’S LEAD IN RISK MITIGATION**

The scope for PR is huge and its contribution to mitigating marketing risk is high. PR agencies are often the only ones to be engaged on an ongoing basis, giving them a detailed knowledge of the company, its target market and the scope to proactively pitch creative ideas that could impact other marketing activities.

To get the most out of the PR function, its remit should not be restricted to media relations. PR led integrated marketing research ideas can form ongoing, sustainable marketing campaigns that are focused on target audiences; those that actually buy product. Similarly, internal communications is neglected by marketing departments and is a prime area where PR agencies can deliver value and mitigate risk.

Using PR in its broadest sense to communicate with multiple audiences and bring it closer into the marketing fold will make a huge positive impact on the level of risk marketers expose themselves to. Good PR agencies can deliver far greater benefit to marketing programmes than any other marketing suppliers through their objectivity, highly creative input and longstanding knowledge of clients’ markets.

The irony is that the very marketing function that currently represents the highest risk to programmes potentially holds the key to mitigating it.

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**‘BEYOND MEDIA’ FACTS**

- Although 83% are worried that their marketing campaigns and messages are not interesting enough, only 10% think that their PR suppliers are excellent at being able to think laterally.
- Although 60% believe that PR efforts are largely invisible within their organisation and 70% fear incorrect internal expectations pose a threat to marketing success, only 17% consider it very important for PR suppliers to be able to offer non-media relations services (such as internal communications support).
- 60% confess that internal communication is not as well supported as external PR.
- Internal communication is the least attractive additional service (47%) that PR firms can offer but 70% believe that lack of perceived value of PR within the organisation jeopardises external PR success.
- 50% believe PR is seen as a black art by people outside the PR function.
- 60% believe that PR efforts are largely invisible within their organisation.
“IT’S ALL COMING TOGETHER”

CONCLUSION

The nature of marketing is such that there will always be a risk attached, but that does not mean you have to gamble with your budget. Risks can be minimised by re-examining the approach you take to get results and how you engage suppliers to achieve them.

In a changing IT market, clutching to the same approach as five years ago will potentially result in inefficient campaigns. IT marketing budgets are not as generous as they were so there is an added pressure to get the most out of them. New times require new thinking and lessons can be learned from other industries, such as consumer marketing practices which have had to become more sophisticated, creative and customer driven.

Although there is no single route to mitigating risk, developing integrated marketing campaigns where PR creativity fuels the marketing fire is a first step.

Pulling together activities such as PR, direct mail, advertising and event management, and extending the creative spark from PR across the entire marketing mix will create greater impact and ultimately yield a better response.

This all sounds simple but in the pursuit of getting results quickly, the implementation of tactical initiatives are taking precedent over integrated marketing campaigns.

That said, simply having campaign themes and executing tactically around them is not enough. Campaigns need to be tied to a commercial strategy and focused on what customers want to hear instead of what IT vendors want to say to them. Any risks marketers are subjected to should also be shared with suppliers as far as possible.

Marketers and public relations professionals should better exploit the often unique contribution that good PR agencies can make to organisations and should use high value tools such as PR more effectively. Although media coverage is the cornerstone of any PR programme, PR can make a much greater contribution to both sales and marketing activity than simply column inches.

The way most companies use PR at the moment makes it a high-risk marketing tool. However, used properly and more extensively, PR holds the key to lowering the marketing risk in a tough business environment.

The odds against winning when it comes to gambling with your marketing spend are getting higher. It is time to re-think what you are going to do about it.
1. **Integrate marketing campaigns more effectively**
   It sounds obvious but marketing messages often vary from one activity to another. Even using a central theme and single set of messages for all marketing activity will increase impact and minimise risk.

2. **Make your marketing customer focused**
   Know your market and invest in localising sales and marketing messages so what you say is what prospects want to hear – not what you think sounds good. Implementing corporate marketing programmes blindly is a high-risk strategy.

3. **Link campaigns to commercial objectives**
   No marketer seriously aims to be at odds with their sales strategy but blindly implementing global campaigns locally can drive a wedge between local commercial goals and the marketing driving it. Think about local drivers before you execute.

4. **Use PR to drive marketing campaigns**
   Challenge your PR agency to think beyond media relations and deliver creative ideas that aren’t limited to impressing journalists. Look for agencies that have more than one dimension and have a proven record at successfully driving marketing campaigns.

5. **Apportion budget for ongoing and structured internal communications**
   Internal communications won’t happen by itself. Acknowledge your limited resource to build a sustained programme and use your PR agency to take care of the basics. Even a small slice of a retainer to do your own PR can make a big difference.

6. **Insist on a ‘shared risk’ supplier model**
   Use PBR where possible and for PR agencies try a more holistic approach such as Payment By Impact (PBI) where targets are not restricted to media coverage volumes and are more in line with your MBOs.

7. **Ensure suppliers commit to senior ‘hands on’ resource**
   Since the service you receive from an agency is only as good as the account team you work with, demand to work with experienced consultants on a day-to-day basis and not junior staff. There’s no substitute for their knowledge of what will work and what won’t.

8. **Look to build long-term supplier relationships**
   Investing time and resource in getting suppliers under the skin of your business will deliver better consultancy and results, as the relationship grows. Chopping and changing suppliers if they are performing well will just increase risks.

9. **Ensure supplier contracts are flexible so you can move on quickly if things don’t work out**
   There’s no justification to be locked into long-term contracts in this day and age. Insist on rolling contracts and be ruthless with suppliers who fail to deliver. Treat good suppliers well and nurture those relations but get rid of the bad ones!