Demand Generation vs. Marketing Automation

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Demand generation systems help marketers to identify, monitor and nurture potential customers. But so do marketing automation systems, sometimes called enterprise marketing managers or database marketing systems. Is there a real difference between the two types of products?

In a word, yes. But first, let's list some similarities:

Similarities

- both are run by marketers. That is, they are purchased and operated by marketing departments with little involvement from other groups in the organization. This distinguishes them from customer relationship management (CRM) systems that may have a marketing automation module but are primarily used by sales and customer service groups. It means that marketers' needs are the primary concern of system designers, rather than secondary to sales and service requirements.

- both do not process transactions. Systems that process orders and manage customer service are optimized for real time transactions. This requires specialized data structures and many features to ensure reliability. Demand generation and marketing automation systems are designed to send marketing messages. They may manage a small number of real-time interactions, such as on-the-fly selection of messages during Web interactions. But they primarily rely on data generated by the operational systems and then loaded into a data warehouse or marketing database. Freedom from the requirements of transaction processing means that both types of marketing systems can use data structures that are optimized for list selections and analysis.

- both manage marketing campaigns. This almost goes without saying: after all, these are systems for marketers, and campaigns are what marketers do. But it's still important because marketers are often asked to use other systems that are not organized around campaigns, such as CRM tools or generic query software. Having planning, workflow, execution and reporting all organized around campaigns makes it easy for marketers to work in a way that comes natural to them.

Differences in Scope

So how demand generation and marketing automation they differ? Primarily in scope. Let's start with some background. A complete marketing automation has five major functions:

- planning: defining business objectives, revenue targets and expense budgets, and then laying out the campaigns to meet those goals.

- project management: tracking the development of campaigns and campaign components such as marketing materials.

- content management: creation, storage and distribution of marketing materials.

- execution: set-up and delivery of marketing messages.

- analysis: identifying relationships between marketing contacts and customer behaviors such as purchases and service requests, and analyzing customers in general.

Demand generation scope is more limited:

- planning: a marketing automation system with well-developed planning features will relate the marketing campaigns to business strategies, balanced scorecard objectives and key performance indicators; integrate with corporate planning, financial and reporting systems; and manage workflow for collaborative development and approval of business plans. The planning capabilities of most demand generation systems are much more limited. Marketers can set up campaigns, but rarely capture more than summary figures for cost and revenue targets.

- project management: a serious project management system will list the tasks required to complete each project; define the responsible department and individual; track when the task is due and actually completed; capture costs for internal staff and external resources; and provide reports and alerts on project status. It may also include collaboration and workflow features to share information and collect approvals. These features exist in varying degrees among marketing automation systems, but are almost entirely absent in today's demand generation products.

- content management: this includes specialized content management systems to service Web sites; authoring systems to create documents, Web pages, videos, print advertisements and other types of materials; and marketing resource management systems to distribute and control access to completed materials. Most marketing automation systems provide only marketing resource management. The underlying assumption is that materials will be created outside the marketing department, and Web content will be handled by corporate Web systems. Demand generation systems often include all three components, at least for emails, Web forms and landing pages. This is because the demand generation system will deliver the emails and Web pages itself, making it both easier and more valuable to integrate the content management functions. Incorporating these functions substantially increases marketers' abilities to execute their campaigns without external assistance, a primary goal of demand generation vendors.

- execution: this includes campaign set-up and delivery. Set-up can include campaigns in any medium since the only actual requirement is defining a name for reporting purposes. (In practice, it usually includes other data such as cost budgets, result goals and tracking codes.) But delivery must be limited to messages the marketing system can deliver. These usually include emails sent by the system, Web pages that it hosts, and little else. For other media, the marketing system will either produce a list for a direct mail house or call center, or simply track activities such as trade shows and advertising placements. Email and Web execution are two areas where demand generation systems often exceed the capabilities of marketing automation products. But marketing automation systems are generally more mature in their support for other media. Still, but the basic functions for those media—generating lists and tracking campaign descriptions—are within the capabilities of either type of system.

- analysis: both types of marketing systems offer basic reporting. Demand generation systems tend to rely on their own reporting tools, in part because they are managing many clients' data and it's risky to give third-party software access to those databases. Marketing automation vendors also provide many prebuilt standard reports, but are more likely to support external reporting software. Analytical capabilities vary widely among demand generation products, but in general they are less sophisticated than marketing automation systems. This partly because the marketing automation systems apply more advanced approaches to tasks such as response attribution (determining which promotions get credit for which revenues), and partly because they integrate third-party products for statistical analysis, data visualization and predictive modeling.

In a nutshell: compared with marketing automation systems, demand generation vendors provide

- almost no planning or project management,
- somewhat less powerful analytics, and
- more extensive content management and execution for email and Web marketing.

Differences in Purpose

There is, however, a more fundamental difference. Traditional marketing automation systems manage the entire customer life cycle: from acquisition programs to find new leads and make the first sale, through maintenance programs to repeat and expanded purchases, to retention and reactivation programs to prevent customers from leaving. By definition, demand generation programs are concerned only with lead acquisition and nurturing before the first purchase.

What this really means is that marketing automation and demand generation systems are built for two different situations. Demand generation is for companies where the job of marketing is to generate qualified leads and turn them over to sales. After that, the customer relationship is managed by sales and operations groups, presumably through a CRM system. Marketing automation is for companies where marketing manages the entire customer life cycle.

It so happens that demand generation users are often business-to-business marketers. This is because B2B firms are likely to give sales the responsibility for on-going customer relationships, while most consumer marketers often cannot afford a similar investment in individual buyers. But demand generation systems are also used by consumer marketers, especially at small companies which do manage customer relationships personally. So the real distinction is not business vs. consumer marketing, but lead vs. life cycle management.

Technical Differences

These two types of marketing require different types of systems. We've already looked at the general differences in scope. Here are some of the more technical differences that accompany them:

- simpler data structure. Most demand generation systems use just two primary tables: leads and activity history. These are sometimes supplemented by a separate account (company) level. Some vendors allow the structure to be expanded, but even they start out with the basics. By contrast, the marketing database underlying a typical marketing automation system will almost always include customers, communications, responses, purchase transactions and often other transactions such as customer service activities. Many use dozens or hundreds of data sources. Most of this data is accrued after the lead becomes a customer, so it simply isn't available when the demand generation system is doing its primary work. When demand generation systems do work with customers, they rely on the CRM system to provide the additional data when needed.

- hosted systems. The major demand generation vendors are all hosted services, meaning all clients share a system running on the vendor's servers. In contrast, marketing automation vendors offer a mix of hosted and on-premise configurations. The hosted approach is especially suited to demand generation systems because their simple data structures are easily standardized across clients. The marketing databases used in marketing automation systems are highly customized for each implementation, making deployment on shared systems more difficult. In addition, marketing departments responsible only for lead generation usually have fewer resources than marketers who manage the full customer life cycle. Since hosted deployment is generally quicker, easier and cheaper (at least in the short run) than on-premise deployment, it is especially attractive to marketers with the limited resources.

- integrated marketing execution: demand generation systems have more complete email and Web execution functions than most marketing automation products. Again, this probably reflects the limited resources and more isolated role of marketers who focus on lead generation. Marketers with a larger role in the business are more likely to have extensive email and Web capabilities already available. These marketers will also require tighter integration between marketing contacts and operational activities than a largely self-contained demand generation system can provide.

- limited segmentation in outbound campaigns. Marketing automation systems support outbound campaigns that deliver different messages to different customer segments. Segmentations with hundreds or even thousands of cells are common. Demand generation systems typically are not organized to have different cells within a single campaign. They may deliver different messages to different prospects through content customization, but this rarely involves more than a handful of variations.

- complex nurturing campaigns. The ability to send a predefined sequence of messages, sometimes known as "drip marketing," is a core feature of demand generation systems. It is used to educate and strengthen relationships with leads who are not yet ready to make a purchase, and gives continuing opportunities to gauge their current level of interest. Demand generation systems include sophisticated features to monitor behavior of leads within these campaigns and to adjust messages or even switch to new campaigns as appropriate. Marketing automation systems often lack such features or provide only simple versions of them. Even when complex campaigns they are available in a marketing automatio system, setting them up often requires a highly skilled user.

- track anonymous visitors: demand generation systems use cookies and page tags to track the behavior of anonymous Web site visitors. Many systems will identify the visitor's company based on their computer's Internet Protocol (IP) address. The demand generation systems will later connect this information with the record created when the lead is identified by filling out a form or some other action. Marketing automation systems rarely concern themselves with anonymous visitors. As with email and Web execution, they expect their users to rely instead on external systems—in this case, specialized Web analytics software. (Exception: again as with email and Web execution, some marketing automation vendors have incorporated Web analytics into their products as a way of providing a more complete solution to their clients.)

- detailed behavior capture: demand generation systems capture email and Web behaviors in much more detail than typical marketing automation systems. This is because the demand generation systems capture this data directly, while the marketing automation systems rely on summary data provided by email and Web analytics products.

- real-time data capture: demand generation systems post email and Web responses directly to their databases in real time. Marketing automation systems typically import response information from external systems such as email sending, Web analytics, or call centers.

- behavior-based alerts: demand generation systems have specialized functions to monitor lead behavior and to issue real-time or near-real-time alerts when user-specified conditions are met. Marketing automation systems often have very limited alerting capabilities, largely because they do not capture behavior in real time or as much detail. Some marketing automation products do offer sophisticated "event detection," which allows users to define complex patterns involving multiple interactions. These are often more subtle than the behavior-based alerts available in demand generation systems, even though they are still not based on real-time inputs. For example, a marketing automation "event" may be a change in the customers' transaction frequency over time, while a demand generation "event" is more likely to be a specified number of interactions during a period.

- lead scoring: demand generation systems include specialized features to classify leads based on numeric scores or ranks such as "hot", "warm" and "cold", and to react to score changes by changing lead treatments and/or sending the lead to sales. The scoring formulas may be very detailed because they can draw on the detailed behavior data captured by the demand generation system. Many marketing automation systems could perform similar calculations (apart from the lack of detailed, real-time response data), but lack features designed specifically to generate scores or react to them. Such features make score deployment and use much easier than applying generic capabilities.

- CRM integration. One clear difference is that demand generation systems capture leads for themselves and feed them to CRM, while marketing automation systems import leads from CRM or other sources. Other differences are more subtle, since both types of marketing system exchange data with CRM. However, demand generation systems rely more heavily on CRM as a repository for information that marketing automation would store for itself, such as sales history. Data exchange with CRM is more frequent for demand generation systems—often every few minutes, as opposed to daily or less for marketing automation. Integration set-up and support are much more automated in demand generation systems: in some cases, demand generation integrations can be set up in minutes, while a typical marketing automation integration with CRM often takes weeks or months.

Summary

Both demand generation and marketing automation vendors share the same ambition: to be a complete operational system for marketing departments. However, they serve different groups: demand generation systems serve marketers focused primarily on lead generation, while marketing automation systems serve marketers responsible for the entire customer life cycle. Each group has different needs, and differences in the systems reflect them.

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