

WARC[^]

INSIGHTS INTO
THE MARTECH MARKET

MARTECH: 2020 AND BEYOND

OCTOBER 2019



IDEAS | PEOPLE | TRUST





01 EXECUTIVE SUMMARY

FOREWORD

For the third year running, this report demonstrates the health of the marketing technology industry, with growth in martech budgets over the past year and with further investment planned.

The continuing consumer appetite for digital technologies is driving this global growth and the market is positive for both big and small vendors of marketing tools. However, the results also point towards a need for some brands to slow down their acquisition of new tools in favour of fully integrating and utilising existing tools and the need to retain creativity in marketing strategies in the face of the volume of tech and data available.

Whilst our report finds a healthy growth of 22% across martech spend – the elephant in the room remains data and its collection and usage by both agencies and brands. Against this, there are concerns over constraints caused by marketing budgets and challenges to onboard team members that are skilled in manipulating and interrogating data for client acquisition and brand building. In other words, brands are recognising the need to invest (and most likely in-house) data functions but there's a frustration over finding talent and releasing funds. They should be worried – given the Information Commissioner's Office (ICO) has begun handing out massive fines to businesses that are failing to comply with data regulations, and failing to police the collection and usage of data.

We'd like to thank the brands and agencies across the globe that took part in our survey, and hope you find the insights within useful and informative.

Damian Ryan

Technology & Media Partner, M&A

BDO LLP

METHODOLOGY

This is the third annual survey on marketing technology conducted by WARC in association with BDO. Based on an online survey of more than 750 brands and agencies located in North America, the UK, Europe and APAC, the report aims to assess the current state and future expectations of the marketing technology (martech) industry. The survey was fielded to WARC and BDO contacts in June and July 2019, and asked questions around brands' current and future plans for martech tool use, budgets and barriers to growth. Agencies answered with their typical clients in mind.

This report also contains commentary from respondents that were interviewed by the University of Bristol to expand on their answers in the survey. Our thanks go to the following contributors:

Scott Brinker, Editor at Chiefmartec.com

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

Steve Dawson, CEO, Ratio Creative

Helen Greatrex, Research Manager, Wavemaker Manchester

Simon Kingsnorth, Chief Marketing Officer, City Relay

Carey Trevill, Co-Founder and Director, Mission Element

Mark Wainwright, Associate Director, Teneo



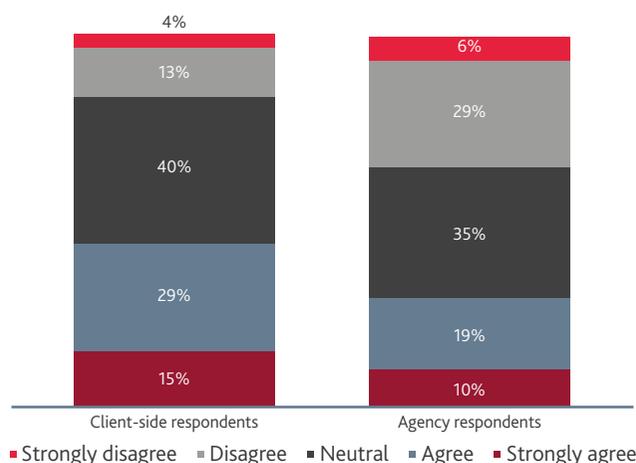
02 MARTECH BUDGETS AND MARKET SIZING

With over 7,000 tech vendors now having products on the market (according to chiefmartech.com), we asked respondents if they felt that this ecosystem had reached capacity. The results were mixed. Figure 1 shows that respondents on the client-side were more likely to agree than disagree, though the largest proportion were neutral. This perhaps indicates a lack of awareness of the full ecosystem and is reflective of other survey results that show many respondents do not fully understand the technology available to them. The agency response was the opposite: more were likely to disagree than agree in a result that is encouraging for technology vendors in the space.

Figure 2 demands caution of marketers in an industry where creativity can be the difference between a brand's success or failure. More than half of client-side respondents feel that too much focus on data and technology has caused a decline in creativity and 46% of agencies feel the same. The most successful brands are often those that combine innovation in technology with innovation in creativity, and marketers will need to bear this in mind as their technology and data options continue to expand.

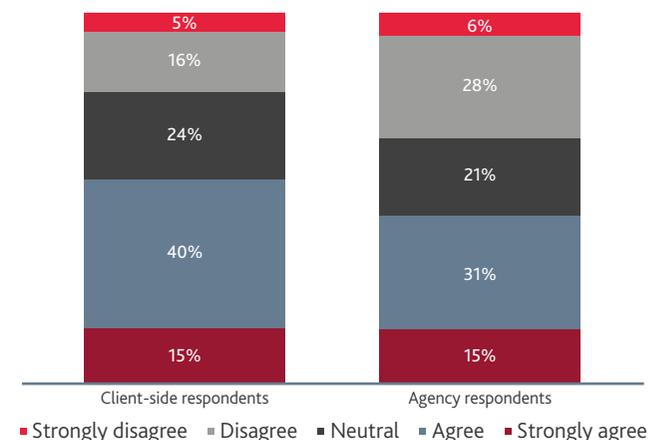
This report discusses how the proportion of marketing budgets allocated to technology is growing, where this investment is being spent and the implications for brands, agencies and tech vendors as they navigate the martech landscape.

FIGURE 1 - THE NUMBER OF TECHNOLOGY PROVIDERS IN THE MARTECH ECOSYSTEM HAS REACHED CAPACITY



Due to rounding, some figures may not sum to 100%

FIGURE 2 - TOO MUCH FOCUS ON DATA AND TECHNOLOGY HAS CAUSED A DECLINE IN CREATIVITY



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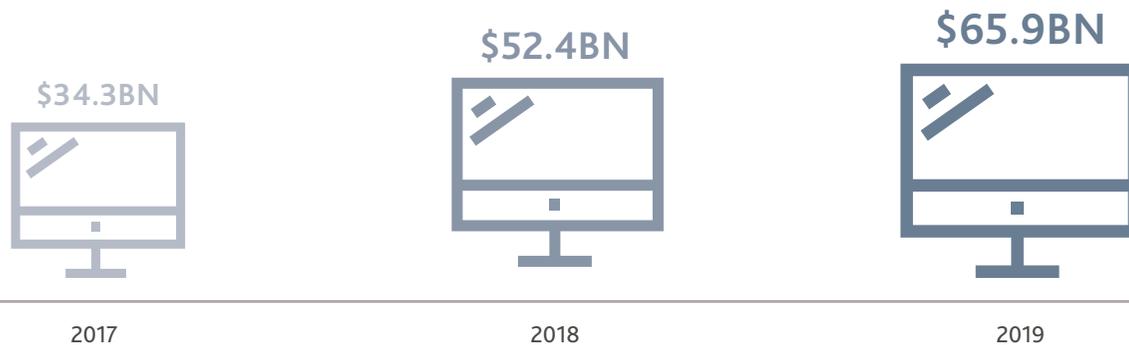
There's a lot of hunger for investors to buy into martech companies and it's quite easy to get a martech company up and running if you've got a good idea. I think that will probably calm down in time as those platforms get bought out, but I don't see the growth of the landscape slowing down because the barriers to entry are quite low.

Simon Kingsnorth, Chief Marketing Officer, City Relay

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02 MARTECH BUDGETS AND MARKET SIZING

FIGURE 3 - ESTIMATED MARKET SIZE OF THE MARTECH INDUSTRY IN NORTH AMERICA AND THE UK COMBINED



Note: Though the survey is global, for consistency with previous years the calculation of market size remains based on the response from North America and the UK.

As in previous years, this survey has enabled us to produce an estimate of the combined market size of martech in North America and the UK using adspend as a proxy for total marketing budget and budget data provided by survey respondents. The 2018 figure was \$52.4bn. This year, the same methodology produces a market sizing of \$65.9bn for 2019 (assuming our sample is representative). If the martech spend in the UK and North America is typical of key markets globally, the results point to a conceivable global market size for martech of \$121.5bn.

This newly updated figure illustrates the continuing growth of the martech market – a trend which is expected to continue as just under a third of client-side respondents in the UK and North America expect to increase their martech investment over the next year. The widely referenced **Chief Martech landscape supergraphic** reflects this investment, with the number of vendors in the diverse martech space increasing from 6,829 in 2018 to over 7,000 in 2019.

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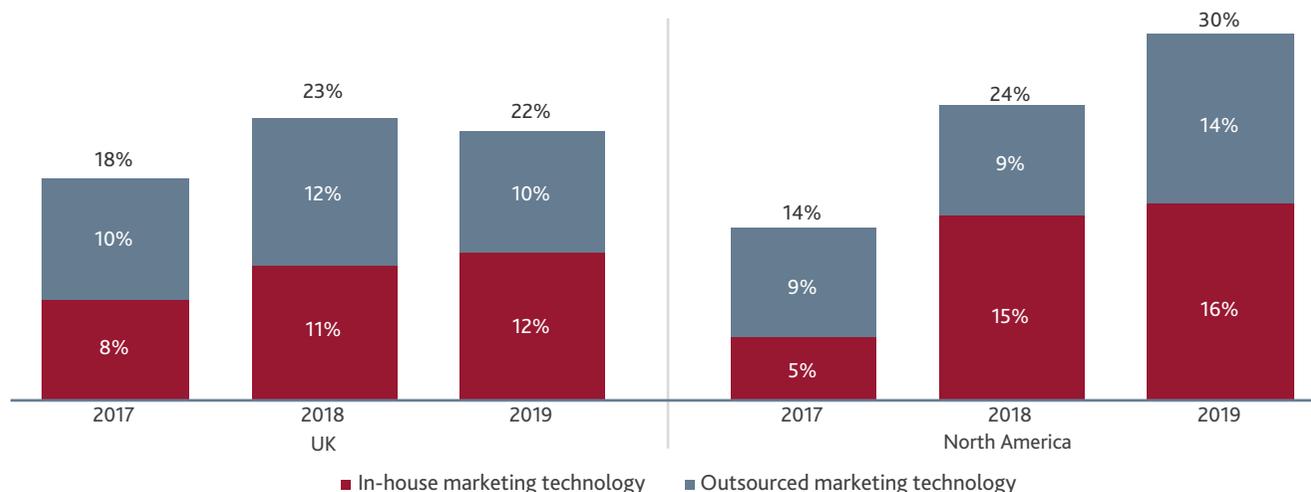
The martech industry continues to paradoxically consolidate and diversify. While the total number of martech apps in the world continues to grow, leading marketing platforms — such as Adobe, HubSpot, Oracle, and Salesforce — are increasingly orienting around ecosystems of these apps. The platform provides coherence in marketing data and workflow, while the app ecosystem provides a long tail of specialized capabilities and vertical market solutions. Consolidated platforms with diversified ecosystems have the potential to give the market the best of both worlds and help marketers harness the tremendous energy of the SaaS app explosion.

Scott Brinker, VP Platform Ecosystem at HubSpot; Editor at chiefmartec.com; Program Chair of MarTech

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02 MARTECH BUDGETS AND MARKET SIZING

FIGURE 4 - WHAT PERCENTAGE OF YOUR OVERALL MARKETING BUDGET DO YOU TYPICALLY SPEND ON MARKETING TECHNOLOGY?



Note: The question included the following description: 'By marketing technology, we mean a tool that you use to assist with marketing workflows; customer acquisition and retention; brand and communications; content and social; or data and analytics'.

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The value agencies can add for brands is to provide them with independent, objective advice on the best tools to use. They can help brands filter through the bombardment of trial and demo requests, by knowing what's out there and worth experimenting with, and providing objective, independent advice.

Mark Wainwright, Associate Director, Teneo

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On average, brands in North America and the UK are spending 26% of their budgets on martech compared to 23% last year. That's a 13% increase in martech budgets since last year, with the survey results showing little evidence of a decline in appetite for further tech.

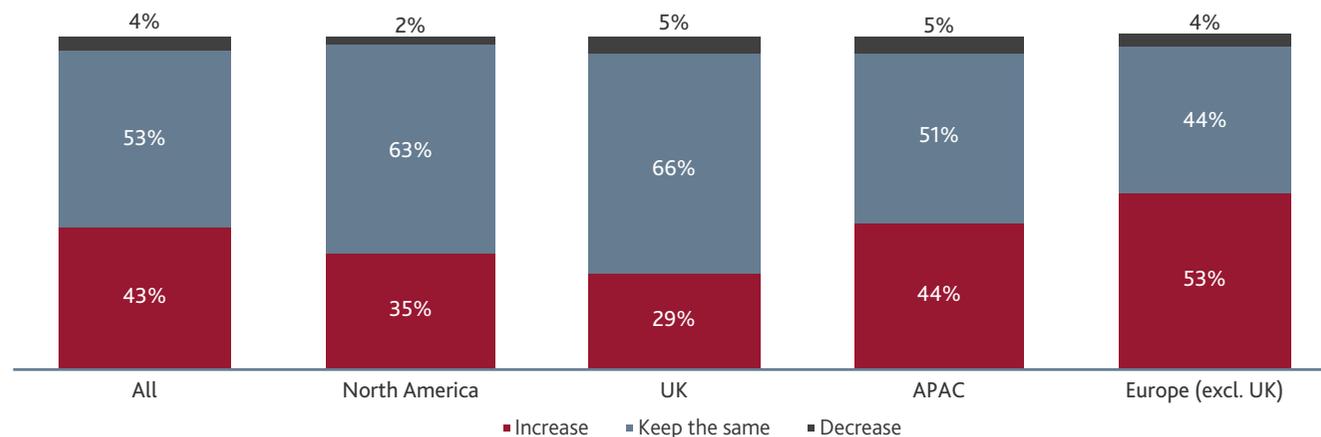
Figure 4 shows this data split by the proportion of spend on in-house and outsourced marketing technology. The results show a rapid growth rate in spend on martech in North America – the region has increased its martech spend over the last two years – while spend in the UK has remained steady.

Though there has been substantial discussion in the industry regarding the in-housing of tech and services by brands from their agency partners over the last couple of years, this year's results don't indicate a trend towards more in-housing of martech. The split between in-house and outsourced technology is around 50:50 in all regions – a ratio that offers room for growth both in the outsourced and in-house tech vendor markets.

Driven by pressure to do more with a smaller budget, in-housing has become a key concern for agencies: the Association of National Advertisers in the US found that 78% of their members had some form of in-house agency in 2018. However, with the martech industry continuing to grow and diversify, the need for agency assistance is clearly prevailing with our respondents spending an average of 48% of their budgets on outsourced tech.

02 MARTECH BUDGETS AND MARKET SIZING

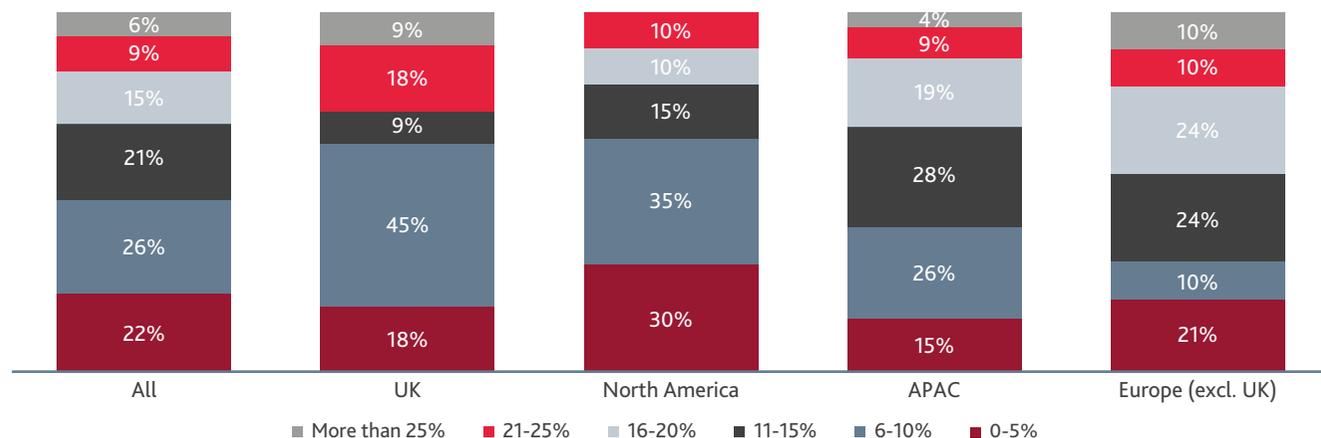
FIGURE 5 - HOW DO YOU EXPECT YOUR / YOUR TYPICAL CLIENT'S MARKETING TECHNOLOGY BUDGET TO CHANGE OVER THE NEXT 12 MONTHS?



The majority of marketers globally expect martech budgets to stay the same over the next 12 months, but only 4% expect a decrease. Figure 5 shows that more than a third of respondents in North America expect to increase their martech budgets, and in Europe this figure is more than half of marketers, at 53%. In the UK, the figure is the lowest proportion of any region: only 29% expect to increase budgets.

This could mean that the UK, as a mature market for martech, has reached a peak in terms of expectations and investment around budgets, while North America is still growing. We have also seen the impact of increased regulation such as GDPR in the UK, impacting the flow of data that powers martech tools, which may have had a knock-on effect in budget plans.

FIGURE 6 - BY HOW MUCH DO YOU EXPECT YOUR MARKETING TECHNOLOGY BUDGET TO INCREASE OVER THE NEXT 12 MONTHS?



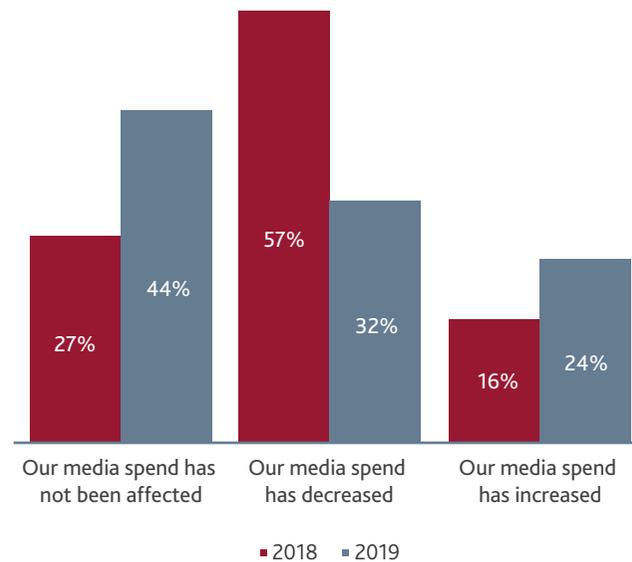
Globally, for those expecting an increase in budgets, an average increase of 12% is predicted over the next year, with 6% of brands expecting increases of more than 25% in their martech budgets. Though the UK is the region most likely to keep martech budgets the same over the next year (Figure 5), those in the UK that are increasing their budgets are most likely to increase them by more than 20% (Figure 6).

Note: Due to rounding, some charts may not sum to 100%

02 MARTECH BUDGETS AND MARKET SIZING

Marketing technology like automation software, analytics tools and emerging tech like artificial intelligence (AI) are all helping marketers to optimise their media spend, with tools like attribution software helping brands analyse which media are most effective for their strategies. In last year's survey, the majority of brands felt that increased investment in martech had caused their media spend to decrease, but this year the picture has changed. Under a third now feel the same, with the largest proportion feeling that their spend has been unaffected by martech investment.

FIGURE 7 - HOW HAS INCREASED INVESTMENT IN MARKETING TECHNOLOGY AFFECTED YOUR MEDIA SPEND?



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To get the tech you want, the data needs to be there to support it. A great business case outlines what you want to do, why you want to do it, and what capabilities and technology you need. It outlines what processes will enable you to make best use of that investment, and puts a number on it. Ultimately, the board wants to see a number and it's the job of any senior marketing leader to put that business case forward.

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

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02 MARTECH BUDGETS AND MARKET SIZING

WHAT DOES THIS MEAN FOR...



BRANDS?

With increasing budgets, and just over half of this spend going on in-house technology, brands will need to work hard on tech integration and upskilling their staff over the next year to ensure they are getting maximum effectiveness from their in-house spend. Relationships with agencies require equal effort; brands shouldn't forgo the wealth of expertise agencies have in favour of more perceived control, if they don't hold the capabilities to utilise tech in-house. Having clear objectives and metrics of effectiveness from the outset should ensure both control and effective use of outsourced tech.



TECHNOLOGY VENDORS?

The majority of brands and agencies still feel there is room for growth in the martech space, and are increasing their budgets to reflect that fact. This is positive news for vendors, who are able to sell to both agencies and brands. The opportunity for vendors lies in ensuring their technology and messaging can facilitate creativity, whilst being mindful of the concerns that both brands and agencies continue to have on issues like big data and data privacy.



AGENCIES?

Agencies should note that the trend towards in-housing does not seem to be gaining momentum among our respondents. This is an opportunity for agencies to win back those clients that are considering in-housing, but may benefit more from the expertise agencies can offer. Regardless of momentum, in-housing is happening, and agencies need to sell their value in creativity, objectivity and a wider perspective of branding and culture. As always, partnerships with transparent, clear objectives continue to be key to success when taking on outsourced functions.



MEDIA OWNERS?

This year's results are positive for media owners. Since last year, the proportion saying media spend has decreased as a result of martech investment has reduced, and a quarter now say their media spend has increased. The importance of data and transparency will be key for media owners going forward if they are to prove their effectiveness and relevance to brands in the context of increasing use of technology platforms.

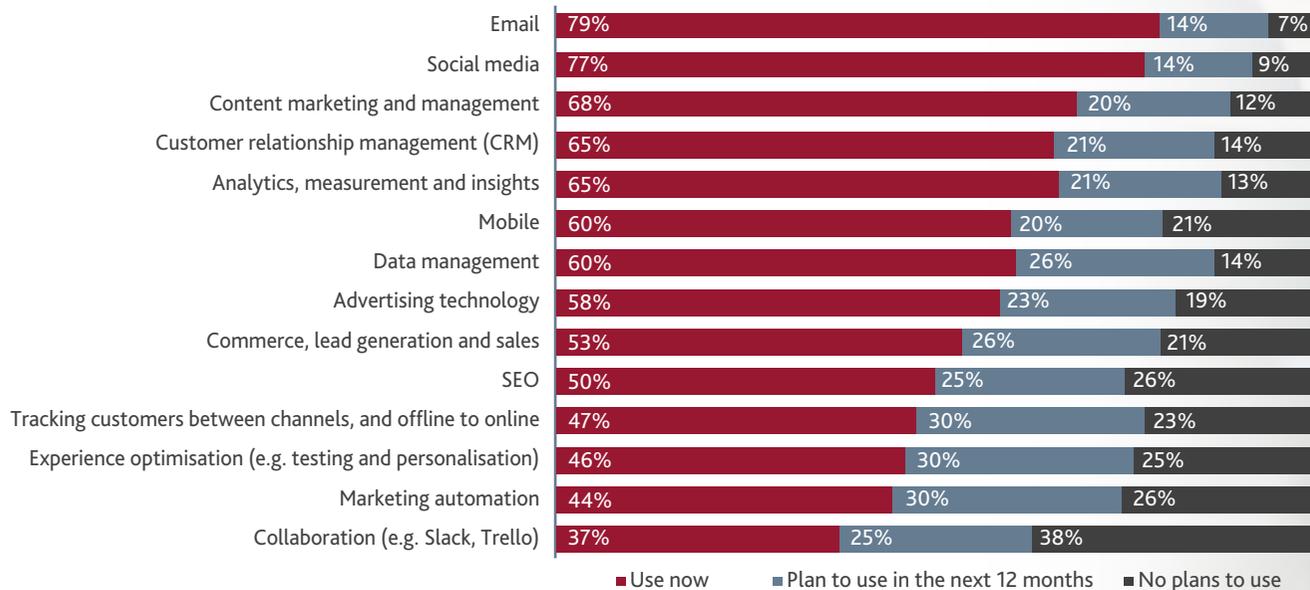


03 CURRENT USE AND CAPABILITIES

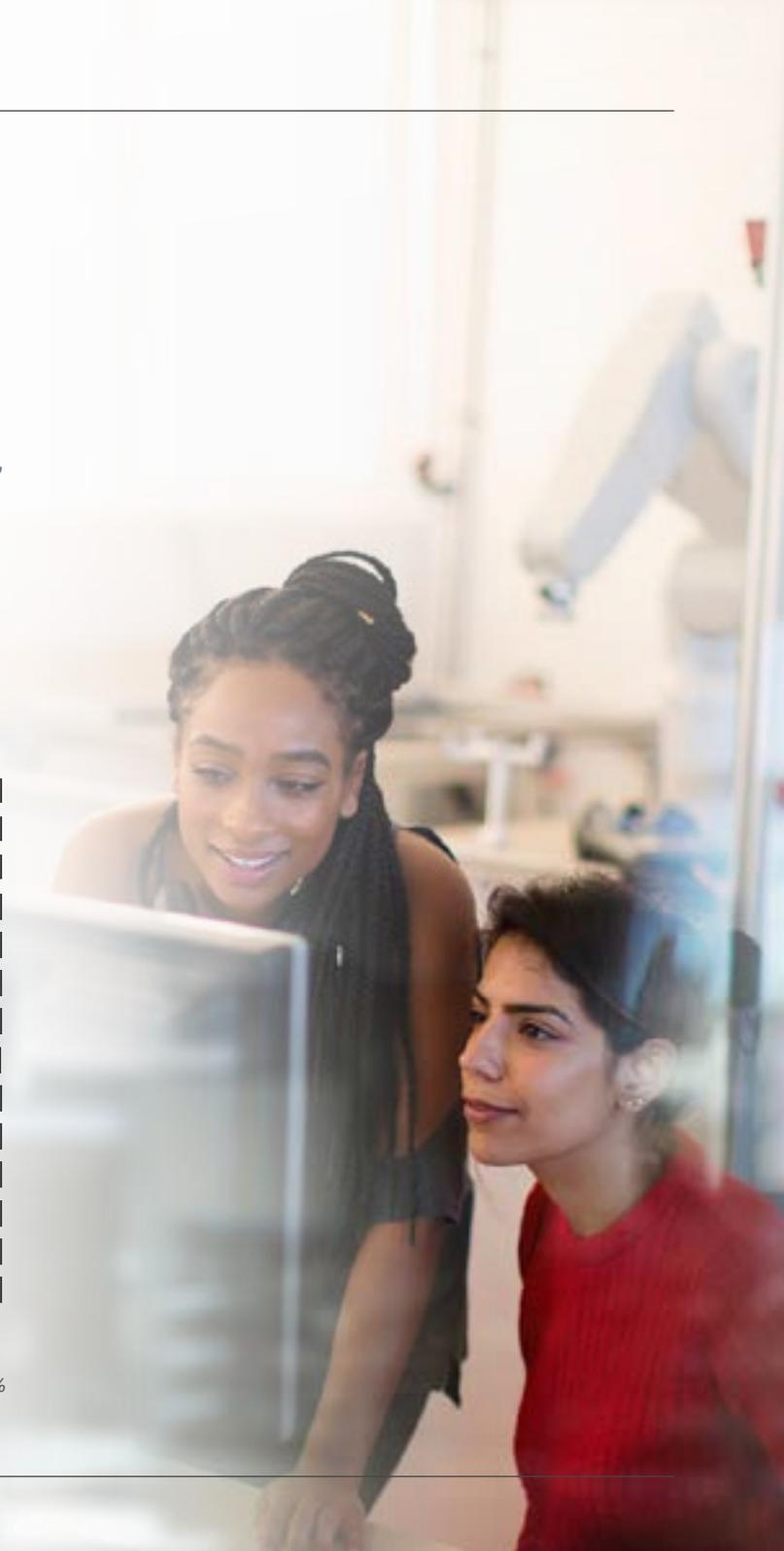
Established disciplines are where the majority of respondents find use for martech tools. More than three quarters of brands use martech to assist them with email and social media, and more than two thirds for content, CRM and analytics.

As brands continue to focus on experiences over specific media, tech that helps marketers to track and optimise journeys are on the rise. Martech use is most commonly planned for experience optimisation and tracking, though less than half of brands globally claim to be currently using tech in those disciplines.

FIGURE 8 - IN WHICH OF THE FOLLOWING MARKETING DISCIPLINES DO YOU CURRENTLY OR PLAN TO USE A MARKETING TECHNOLOGY TOOL? BRAND RESPONDENTS



Due to rounding, some figures may not sum to 100%



03 CURRENT USE AND CAPABILITIES

The dynamic nature of the martech industry and the ever-increasing number of vendors, combined with increasing skills and understanding around the breadth of potential that martech has in assisting marketers, is reflected in the variation in Figure 9. Though the proportion of respondents with the poorest capabilities has decreased, the proportion losing out in terms of access or utilisation is on the rise. The overall picture is a market that has not yet reached maturity; only 24% of global marketers, 27% of UK marketers and 15% of North American marketers think they have what they need.

Figure 10 supports the rise in investment in martech in the North America region, where the lowest proportion of respondents feel they have all the tools they need, and 17% feel they don't even fully utilise what they do have. This perception of a need for more tools has clearly driven a higher level of current investment in martech in the region versus others over the last year as they try to boost capabilities.



There are so many martech tools out there that can do amazing work, but I think there is a distinct lack of understanding at the moment of what is going to benefit that brand over both the short and the long term.

Carey Trevill, Co-Founder and Director, Mission Element



FIGURE 9 - THINKING ABOUT THE MARKETING TECHNOLOGY CAPABILITIES WITHIN YOUR COMPANY, WHAT BEST DESCRIBES YOUR CAPABILITIES? GLOBAL TREND

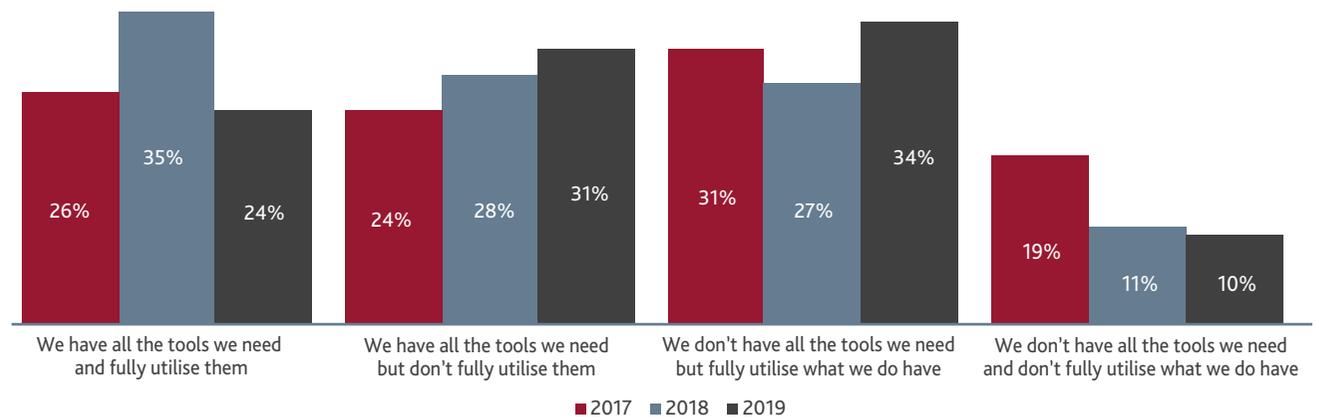
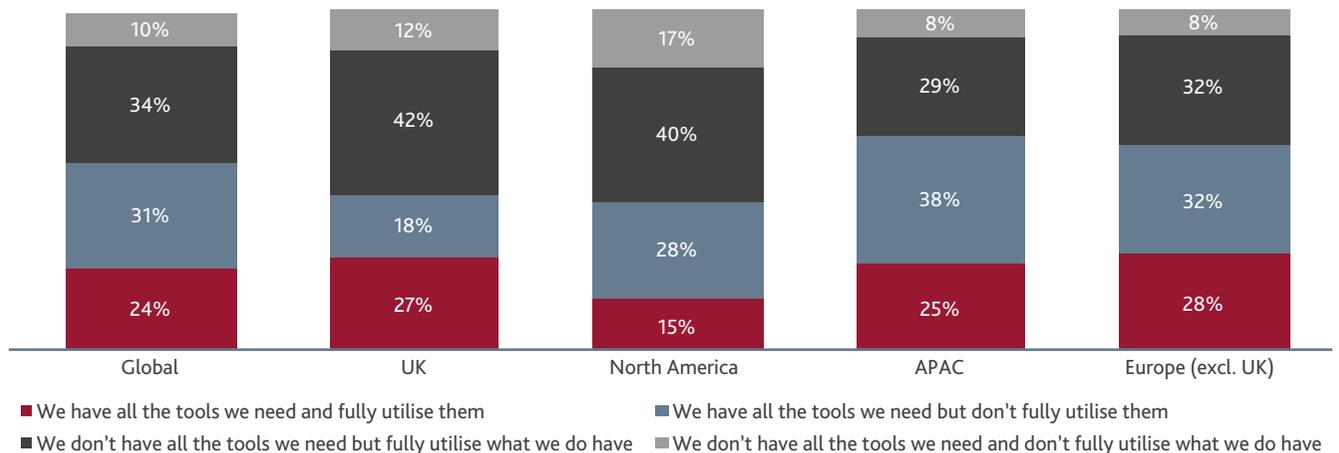
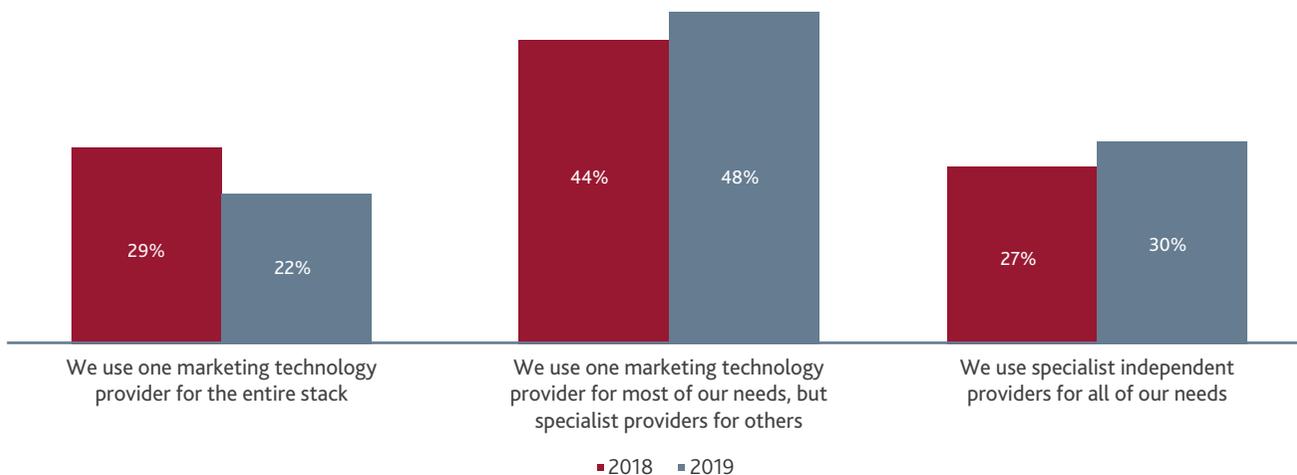


FIGURE 10 - THINKING ABOUT THE MARKETING TECHNOLOGY CAPABILITIES WITHIN YOUR COMPANY, WHAT BEST DESCRIBES YOUR CAPABILITIES? REGIONAL DATA - 2019



03 CURRENT USE AND CAPABILITIES

FIGURE 11 - THINKING ABOUT THE MARKETING TECHNOLOGY TOOLS YOU CURRENTLY USE, WHICH STATEMENT BEST DESCRIBES YOUR ACCESS TO THEM?



Vendors focused on a single stack solution also seem to be facing an uphill struggle. Since last year there has been a 24% reduction in marketers who use one tech provider for the entire stack (Figure 11).

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If the technology just creates different platforms to log into then it might be doing some good, but it's also creating a huge amount of work. Pulling it all together in a way that's meaningful is the only way it's going to make a positive impact on strategy.

Simon Kingsnorth, Chief Marketing Officer, City Relay

A lot of martech installations are too sophisticated for the rest of the tools they integrate with. It's like buying Ferrari technology and then leaving the Ferrari on bricks at the side of the road. That practical view of not only how to best use martech but then actually start to use it is lacking in some brands.

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

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03 CURRENT USE AND CAPABILITIES

WHAT DOES THIS MEAN FOR...



BRANDS?

Brands need to be wary of prioritising the onboarding of new tools in favour of fully utilising older ones. To ensure the return on investment of martech, brands need to focus on the full integration of existing tech, ensuring buy-in and support for upskilling staff. Brands should also consider external advice when it comes to selecting the right tools for their needs, even for in-house used. Faced with thousands of vendors and often a significant investment, taking time to consult on tech selection is crucial.



TECHNOLOGY VENDORS?

With room in the market for further growth in specialist tools, technology vendors, like agencies, need to help their clients to maximise use of the tools they are selling, to prevent disillusionment in under-use and therefore a lack of results.



AGENCIES?

With expertise in how best to target and engage target audiences, agencies have unique knowledge from a range of brands and an understanding of which technologies are best placed. Agencies should apply this knowledge in assisting brands to select and integrate the right technologies – even if they are not managing them on behalf of clients. As in-housing is still prevalent, agencies need to add value in an advisory role, and help brands to fully utilise the tech they currently have.



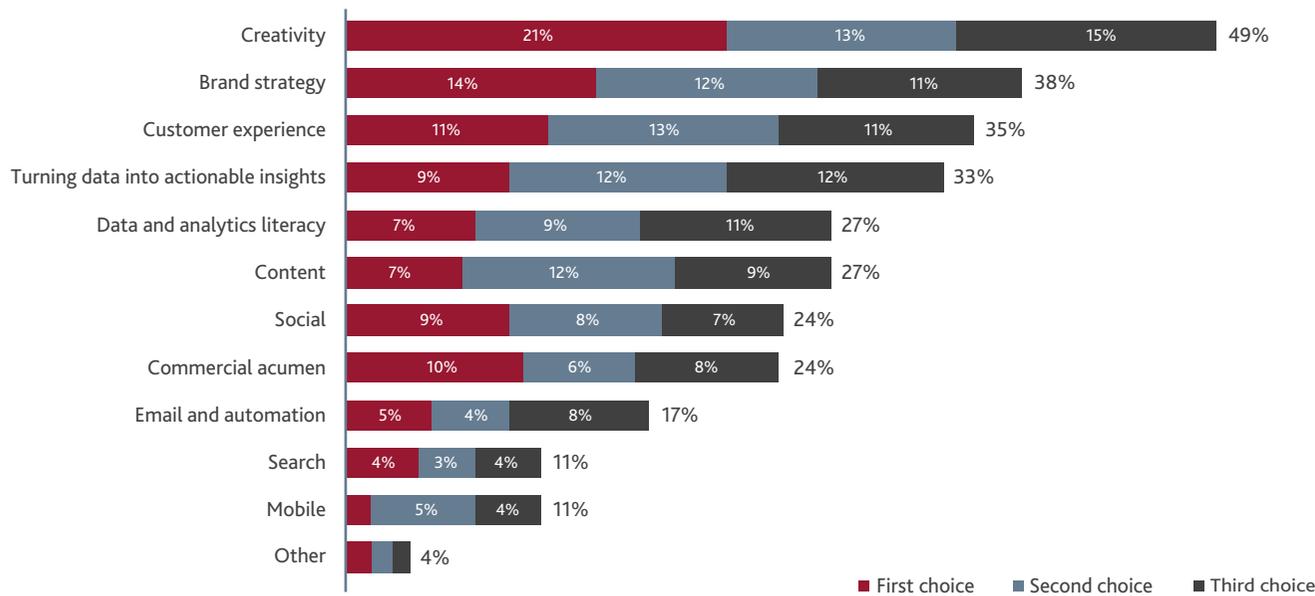
MEDIA OWNERS?

Martech is increasing the measurability of the huge range of media channels and formats available. For media owners, innovation is also enabling them to be creative with content types, increasing the scope of monetisation possible and in turn their offering to advertisers. With increased measurability of campaigns, in addition to increased scrutiny over ad placement, comes a greater need for media owners to have strict controls over where ads and content are appearing.



04 SKILLS

FIGURE 12 - RANK THE TOP THREE MOST IMPORTANT SKILLS IN ORDER OF PRIORITY WHEN HIRING INTO THE MARKETING FUNCTION AT YOUR COMPANY. BRAND RESPONDENTS



A key driver of the need for outsourcing marketing technology functions to agencies is a lack of expertise on the brand side, particularly in an era of rapidly diversifying technology and media options. As a result, skills are a much discussed topic, whether in terms of upskilling internally or hiring discipline specialists, and opinions on which skills should be the priority differ among businesses.

The most common priority for brands is clear; creativity was selected by 49% of brands, and as the top priority by 21%. In contrast, only a quarter of agency respondents feel creativity should be the focus, prioritising instead strategy and data.

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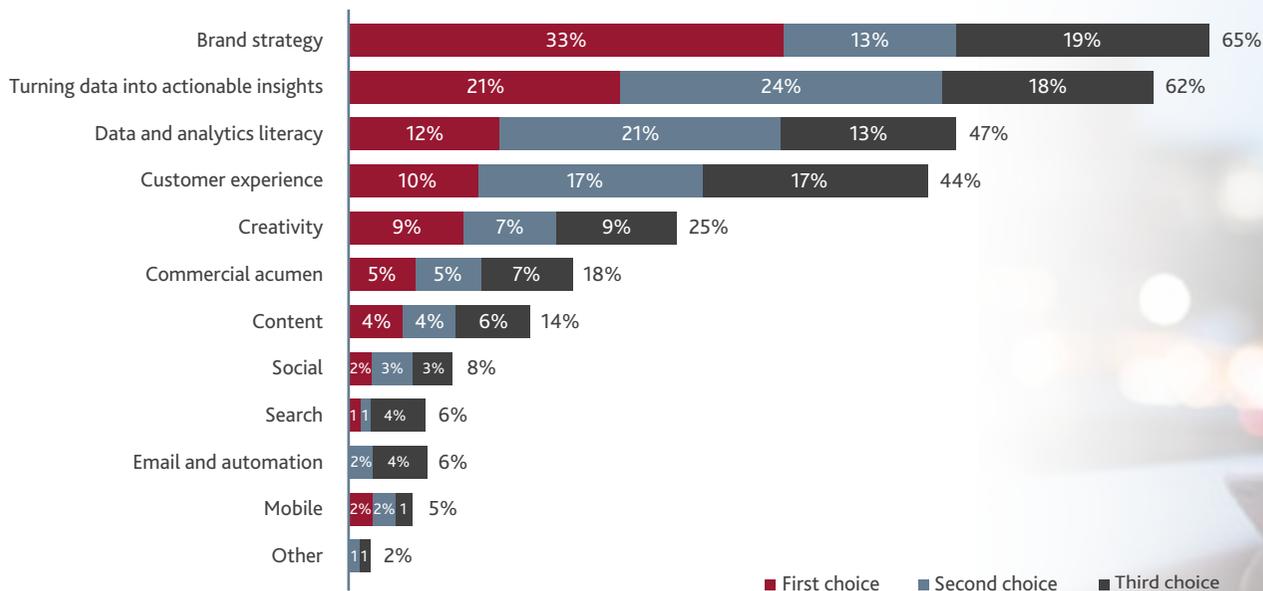
Whatever pieces of tech you're using, you should have as broad and as deep a knowledge as possible of those tools, because if you don't you're going to get left behind. For agencies, you won't be giving the client the right advice, and for clients, if you're not using tools to their full ability then you're missing a trick in responses.

Mark Wainwright, Associate Director, Teneo

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04 SKILLS

FIGURE 13 - RANK THE TOP THREE SKILLS THAT YOU THINK SHOULD BE YOUR CLIENTS' PRIORITY WHEN HIRING INTO THE MARKETING FUNCTION. AGENCY RESPONDENTS



The creativity versus data debate is fierce within the marketing industry, particularly within agencies where data is seen as both a help and a hindrance to the discipline of planning. However, agencies are clear in their view that brands need to upskill to capitalise on martech investment and that this investment should be in strategy and data skills above creativity (Figure 13).

A striking 68% of brands and 83% of agencies have seen an increased need for data skills associated with the use of marketing technology – a need reflected more in the agency order of skills priority than the brands. Indeed, globally, a total of 59% of brands agree that they have the skills they need to capitalise on martech and 21% strongly agreed.

The picture does vary by region. Figure 15 shows that marketers in APAC are significantly more likely to feel that their brand has the internal skills and talent it needs to capitalise on martech investment: 68% versus only 40% in North America. There is clearly a high appetite for martech in North America – this survey paints a picture of perceived low capabilities but a drive to invest and upskill within brands to counter this.

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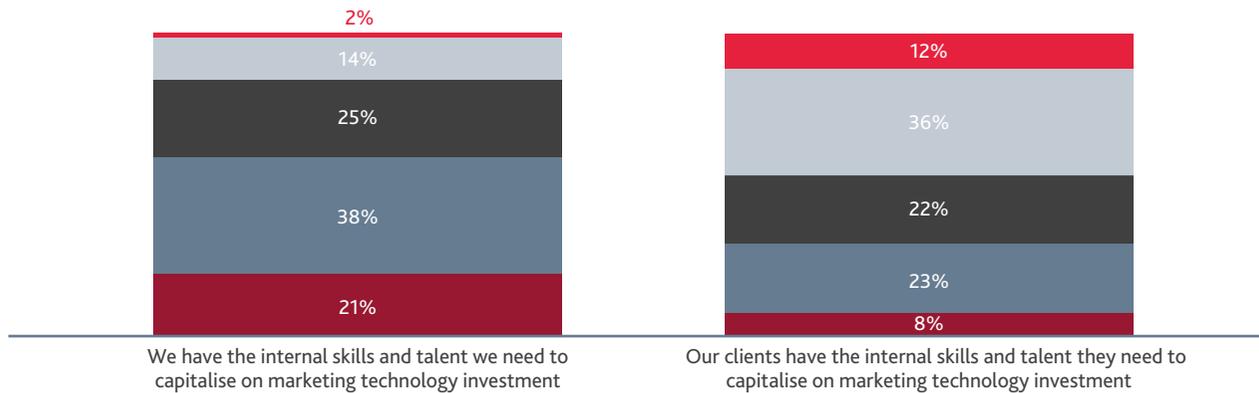
Data is important, but you can't have data without strategy skills. I do think a lot of strategists at the minute don't work with enough data, or produce insight derived from data. But at the same time, just blindly following data will only provide a limited win.

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

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04 SKILLS

FIGURE 14 - TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS?

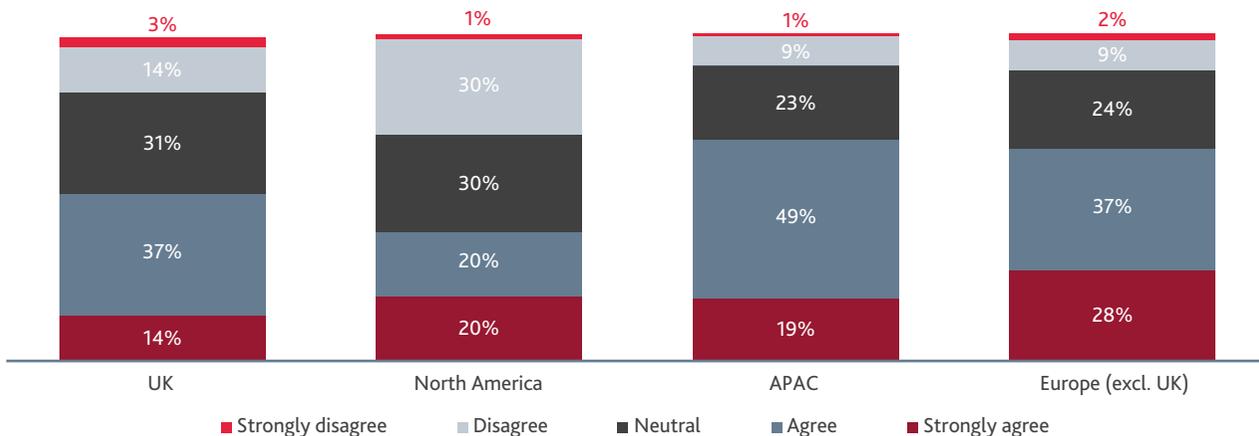


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Data and analytical skills should be a priority because if you are not able to analyse the data and the information in front of you for your client's benefit, then you can be as creative until the cows come home, but you need a mix of all those skills to be able to understand why a particular creative idea is going to work.

Carey Trevill, Co-Founder and Director, Mission Element

FIGURE 15 - WE HAVE THE INTERNAL SKILLS AND TALENT WE NEED TO CAPITALISE ON MARKETING TECHNOLOGY INVESTMENT



Data skills are so important, because if the right message is being sent to the right audience, it has a better chance of being effective. But if strategic skills are lacking, it's efficiency over effectiveness and that only works for short-term success. Data is not 'the new oil'. Data is very good as long as it's updated and cleansed. But equally important is strategy.

Steve Dawson, CEO, Ratio Creative

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04 SKILLS

WHAT DOES THIS MEAN FOR...



BRANDS?

The volume of data available to marketers, that increases as martech tools are added to their tech stack, has the potential to be overwhelming for brands if the data infrastructure and skills are not in place to manage it. Brands need to be mindful to pick and choose the data that is useful to them and ensure that they balance data crunching with creativity in both their technology investment choices, and their overall marketing strategy.



TECHNOLOGY VENDORS?

Tech vendors have an opportunity to add value by offering additional training and strong account management to ensure they secure repeat investment through the effective use of their tools.



AGENCIES?

Agencies don't feel that their clients have the internal skills they need to capitalise on martech investment – this could be an area that they can offer advice and help to clients, to provide added value and optimise both the relationship with the client and the martech tools being used. In perceiving that their clients are underskilled, agencies are in a good position to be able to assist their clients in navigating the tech landscape and choosing the right tools that can be supported internally with the talent already in place.



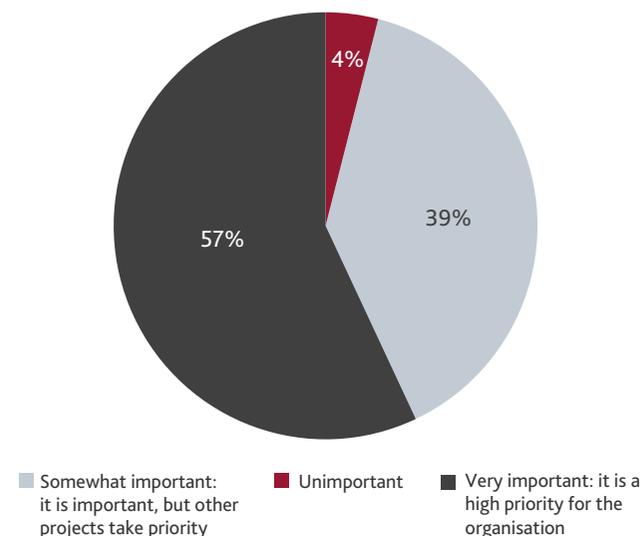
05 MARTECH AND THE CUSTOMER EXPERIENCE

Customer experience (CX) has become a strategic priority for businesses that now have to compete hard for customers' attention in an omni-channel world.

CX is the complete set of connections and interactions that a customer has with a brand, both offline and online, and is important to 96% of the brands we surveyed (Figure 16). Despite this importance, a consistent theme when speaking to brands and agencies about CX is the gap between the online and offline experience for consumers.

A WARC best practice paper around creating effective CX strategies highlights the need for proactive and reactive design that sees the customer and commercial performance as one – a strategy that requires integration of both customer data, and the technology it powers.

FIGURE 16 - HOW IMPORTANT IS CUSTOMER EXPERIENCE OPTIMISATION FOR YOUR COMPANY?



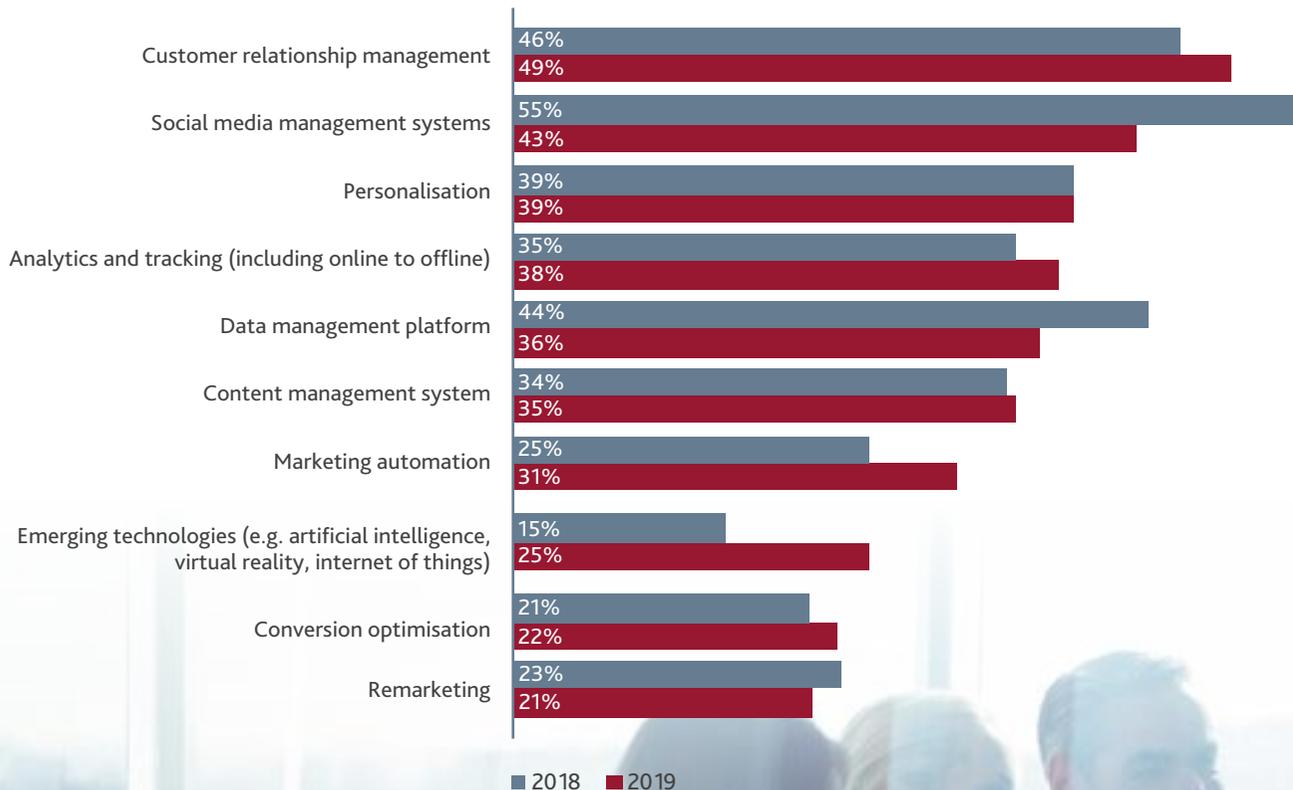
Less than 50% of the client-side respondents to this survey are using martech to track customers between channels including offline to online (Figure 8), but 73% feel they have the technology in place to optimise the customer experience across most if not all channels and touchpoints. Figure 17 shows the CX-related technologies that brand respondents currently have in place. Customer relationship management (CRM) technologies have overtaken social media management systems (SMMS) as the most-used tech, rising for a third consecutive year to 49% of respondents.

Marketing automation technologies, though still only used by a minority of brands, have seen an uptick in use over the last year, with almost a third now using automation to optimise the customer experience. Automation is discussed as one of the biggest opportunities for the future of brands in chapter 5, so we expect to see this trend of increasing use continue over the next year.



05 MARTECH AND THE CUSTOMER EXPERIENCE

**FIGURE 17 - WHICH OF THE FOLLOWING TECHNOLOGIES ARE YOU USING TO OPTIMISE THE CUSTOMER EXPERIENCE?
BRAND RESPONDENTS**



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Personalisation remains a big trend. There is continued improvement of targeting, taking data privacy into consideration, but I think that can still get an awful lot better. There are a lot of targeting capabilities out there for advertising and communications but there are still improvements to be made and martech continues to play a role in that.

Simon Kingsnorth, Chief Marketing Officer, City Relay

Agencies should act as macro level brand guardians and help clients to really articulate what kind of brand experience they want to create, and therefore what kind of CX this tech needs to support, to help them choose the right tech for their needs.

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

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05 MARTECH AND THE CUSTOMER EXPERIENCE

WHAT DOES THIS MEAN FOR...



BRANDS?

Experience continues to dominate the marketing agenda, with brands that are focusing on CX often gaining a distinct advantage over their competition. Martech can be pivotal in implementing great experiences, but an overload of poorly integrated tech can be detrimental to this goal. Key to great experiences is the linking of customer data across channels – which relies on linking data across tech platforms. This should be a focus of brands over the next year.



AGENCIES?

Agencies need to emphasise the importance of integrating the technologies their clients use to optimise the experience their customers have across all touchpoints. Agencies have an important role to play in consulting with brands on their choices and ensuring any technologies that they manage can directly integrate into the rest of the brand's martech stack.



TECHNOLOGY VENDORS?

A good CX often relies on connected platforms, so customers can be tracked throughout their journey. Vendors that provide linked technologies, or tools that can be seamlessly integrated into stacks, are likely to garner the most competitive advantage in an environment of CX focus.



MEDIA OWNERS?

Customers expect seamless customer experiences and now want these experiences to offer something more – to be exciting or different. Media owners can work with brands to offer multi-format placements that enhance the experience, making brands stand out in a time of intense competition.



06 A SPOTLIGHT ON THE UK

The response of marketers in the UK was distinct in many areas of the survey versus other regions and the global results.

Though investment in martech is increasing globally, spend in the UK has actually decreased by 1%, from 23% last year to 22% this year, according to our survey results. In addition, the UK has the lowest proportion of client-side marketers of any region expecting their budget allocation to increase:



However, agencies in the UK are more optimistic as to coming investment – **61% of agency respondents expect their clients' martech budgets to increase.**

In addition, though budgets are not increasing at the rate of other regions, the UK is the most positive region in terms of martech's impact on creativity:



of brand side marketers agree that too much focus on data and tech has caused a **decline in creativity.**

The UK was also unique in the discipline most paired with a martech tool. Globally, the highest proportion of respondents selected email, but in the UK, marketers are most likely to use martech for social media:



The location of this tech is mixed – just over half prefer to purchase technology for use in-house, but where it is outsourced to agencies, it is most likely to be in analytics, measurement and insights.

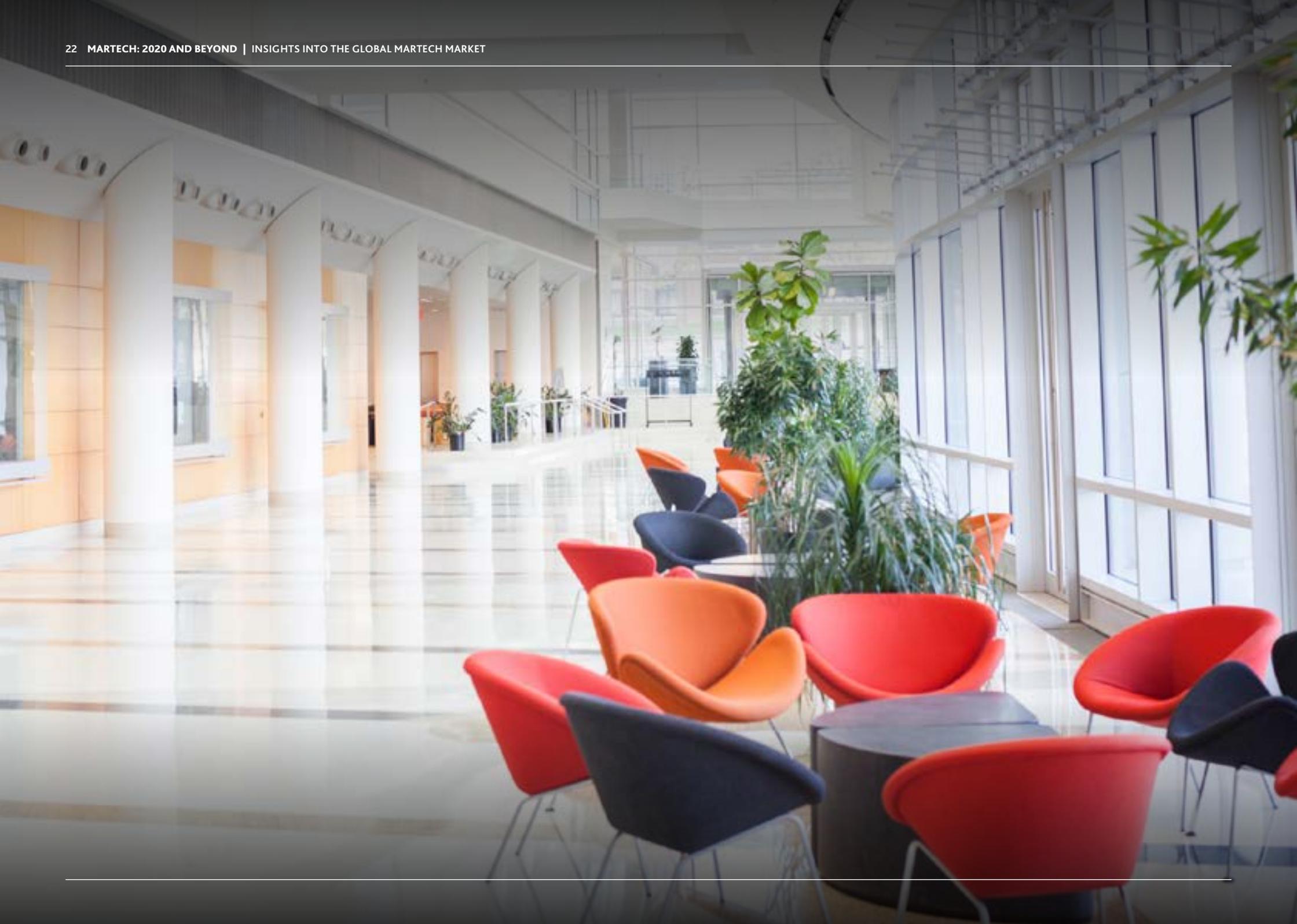
Client-side respondents in the UK are most likely to disagree that their tech is integrated across channels – unsurprising given that **brands in the UK are most likely to use specialist providers for all their needs (41%),** which can lead to an integration headache as tools are added. However, teams in the UK are more integrated than is typical globally.

Perhaps reflecting the lower anticipated investment in martech in the coming year than in other regions, use of emerging technology is lower in the UK than the global average but the same types of technology are being used:



Interactive technologies, including IoT and wearables are also seen as one of the biggest opportunities for marketers in the UK, selected ahead of all but automation by the largest proportion of respondents.





07 A SPOTLIGHT ON NORTH AMERICA

Marketers in North America are the most enthusiastic about marketing technology, with a higher rate of budget growth over the last year and a higher proportion expecting further growth, than in other regions.

Brand side marketers in North America are also least likely to agree that the number of technology providers in the martech ecosystem has **reached capacity (26%)**, and most likely to disagree that too much focus on data and technology has caused a **decline in creativity (29%)**.

Martech is used for email by:

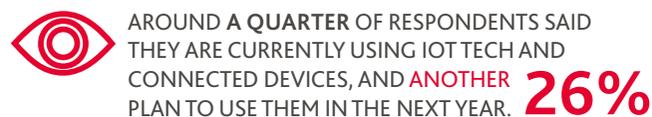


That's against **global use of 79% and 77% respectively**, reflecting the high usage of martech in the region. This is set to continue: our survey found that **North American marketers are least likely** to feel they have all the tools they need or to fully utilise those they do have.

The rate of investment in martech in North America means that some brands are struggling to keep up in terms of the skills and talent required to effectively capitalise on this investment. Marketers in North America are twice as likely as those globally to feel that they don't have the internal skills they need:



Though the use of mainstream technologies such as those for email and social media are higher in North America than is typical globally, use of emerging technologies is slightly lower.



Across all regions, using marketing automation to increase efficiency is seen as the biggest opportunity by brands over the next three years. **28% of brands in North America selected this option**, followed by 20% who see the most opportunity in consolidating data for a single customer view. This latter opportunity is where the largest proportion (30%) of agencies see the most potential.

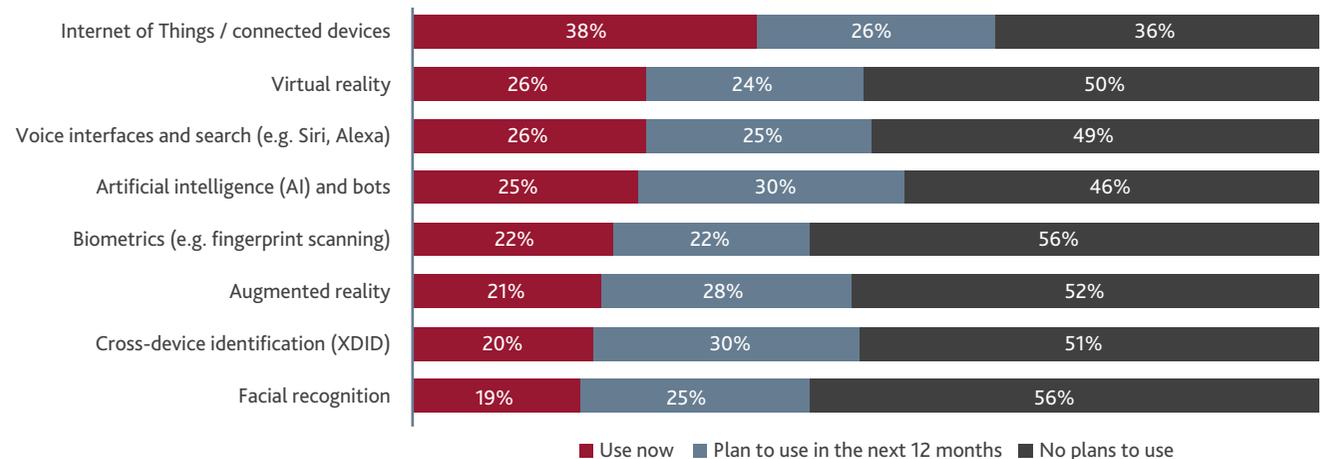


08 THE FUTURE

The internet of things (IoT) is a growing set of technologies based on devices that can share data via an internet connection. It now impacts the daily life of the vast majority of people in the developed world. **WARC research** has shown that IoT technologies are a top priority for businesses and separate research by the **International Data Corporation** predicts that IoT spend will reach \$745bn in 2019.

However, use of the technology in marketing is still nascent. Less than 40% of responding brands are using IoT or connected devices now and a further 36% have no plans to use the tech in the next 12 months. The biggest group of respondents identified artificial intelligence (AI) and cross-device identification (XDID), as an example of emerging technologies. Technologies related to AI and XDID aid marketers in their focus on customer experience. With journeys now extending across a myriad of touchpoints, linking these together, and to individual consumers, is becoming crucial to delivering consistently great experiences regardless of device or channel. Biometrics and facial recognition, though sparking the imagination, are little used outside of mobile telecoms and are least-planned by our respondents.

FIGURE 18 - ARE YOU USING OR PLANNING TO USE ANY OF THE FOLLOWING EMERGING TECHNOLOGIES IN YOUR MARKETING STRATEGY IN THE NEXT 12 MONTHS?



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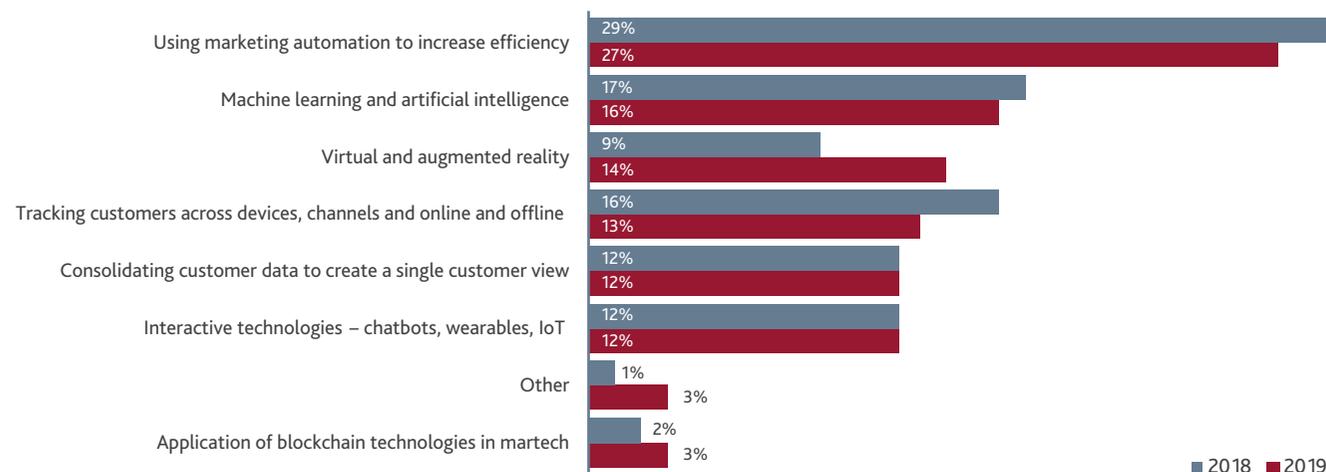
Your agency should proactively be your eyes and ears in the market. When you're focused on the client, your agency needs to be telling you about tech that's just launched and what possibilities it could have for your business. They should be doing the research for you to help you understand the steps you need to take to implement a new technology and what the best tech is.

Simon Kingsnorth, Chief Marketing Officer, City Relay

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08 THE FUTURE

FIGURE 19 - LOOKING FORWARD, WHAT DO YOU THINK WILL PRESENT THE MOST EXCITING OPPORTUNITY FOR YOUR ORGANISATION IN THREE YEARS' TIME? BRAND RESPONDENTS



When asked in which marketing disciplines they currently use a marketing tool (Figure 8) only 44% said automation – one of the least used areas of martech. Though with 30% planning to adopt marketing automation tech in the next 12 months, it is evidently an evolving area of the market and continues to be the most exciting future opportunity for the largest proportion of client-side marketers (27%) as shown in Figure 19. According to research consultancy **Forrester**, global marketing automation spend will reach \$25 billion by 2023 and it is automation in conjunction with artificial intelligence that will drive progress in marketing.

Despite spend on marketing technology increasing, budgets remain a constraining factor to growth in its use for 50% of brands. The wealth of technology available presents a myriad of choices for marketers, who have to decide where to place budget; a decision that carries risk when it comes to nascent technologies. This perception of risk is reflected in the second most selected barrier: a lack of understanding of the technology available, chosen by 29% of respondents (Figure 20).

The fact that this proportion has not decreased since last year illustrates the constant change in the industry and reinforces the need for specialist martech skills to ensure effective budget allocation. Agencies see the need for further understanding more acutely – 56% of agency respondents feel that a lack of understanding is the biggest barrier to further investment in their clients.

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It's really important for marketers to understand AI. It's an incredibly flexible tool that very few people in marketing really understand. It has the flexibility to do so many things but at the moment is still at a stage where it's a bit of a buzzword.

Simon Kingsnorth, Chief Marketing Officer, City Relay

Martech offers most impact to strategy when it can make sense of masses of unstructured data. So much insight in marketing is still based on what a few people think and their perspective, rather than necessarily a robust dataset that would help challenge conventional thinking.

Danyl Bosomworth, Director of Marketing Innovation, The Home Agency

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08 THE FUTURE

FIGURE 20 - WHAT DO YOU SEE AS THE MAIN BARRIERS TO MARKETING TECHNOLOGY INVESTMENT AND USE IN YOUR COMPANY? BRAND RESPONDENTS

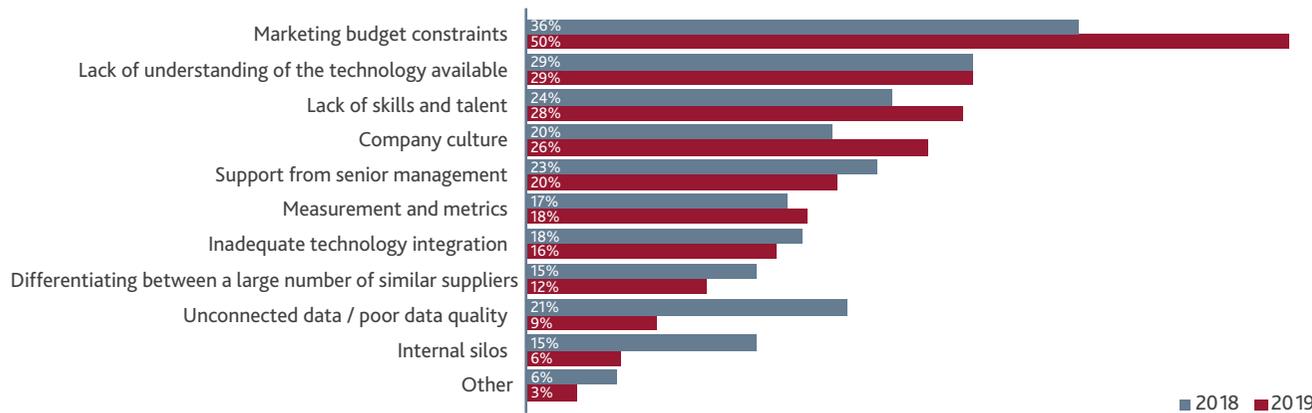
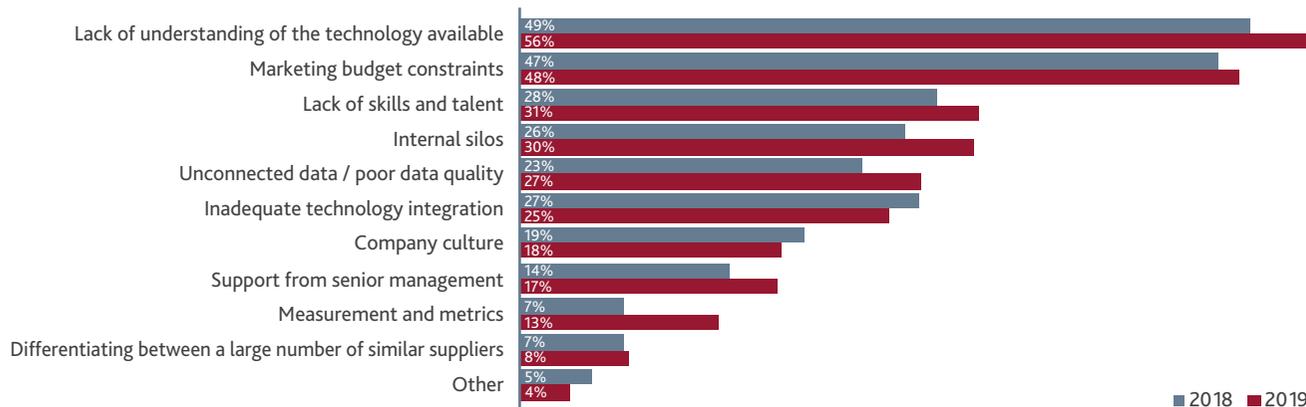


FIGURE 21 - IN YOUR EXPERIENCE, WHAT DO YOU SEE AS THE MAIN BARRIERS TO MARKETING TECHNOLOGY INVESTMENT AND USE BY YOUR CLIENTS? AGENCY RESPONDENTS



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Limited budgets mean you have to choose sometimes. You can't have everything you want, and that's where strategy is important. A lot of people, especially in larger organisations, will jump towards a tech solution without having thought about strategy first. The technology needs to be the enabler to the strategy.

Simon Kingsnorth, Chief Marketing Officer, City Relay

There is a big lack of investment in soft skills and training because a lot of our younger entrants into the creative market don't stick at their roles for any long period of time, or they are doing a number of different things, with business interest outside of their main career.

Carey Trevill, Co-Founder and Director, Mission Element

An agency's role is to ensure clients have the best tools for their needs, because the market changes so rapidly. There's such a choice, agencies have to make sure our clients have the one that's most relevant to their needs.

Helen Greatrex, Research Manager, Wavemaker

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08 THE FUTURE

WHAT DOES THIS MEAN FOR...



BRANDS?

The martech market continues to expand at a significant rate. Brands need to be wary of getting caught up in the rush of emerging martech options and keep their objectives in mind when exploring where to focus investment over the next few years. With budget being the biggest constraint, any investment needs to be measurable to prove its effectiveness and to secure future investment.



TECHNOLOGY VENDORS?

Global investment in marketing technology is still healthy and consumer adoption of new technologies and channels shows equal growth. Vendors need to highlight the measurability of their product, demonstrate how it can integrate into existing stacks and upskill their clients in its use.



AGENCIES?

With stacks continually increasing in complexity, agencies need to be fully aware of their clients' plans for expanding their roster of martech providers and be able to provide consultancy on this investment. Emerging technologies are tempting for brands who want to be ahead of the curve and agencies will play a role in helping their clients decide whether to take the plunge or to focus on fully utilising existing tech investments.



08 THE FUTURE

OUR VIEW AT BDO

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MARTECH BUDGETS AND SIZING

Seven years ago there were only 100 or so vendors. Now there's more than 7000. Many of these companies are raising funds right now and not all of them will be successful. We expect to see further consolidation as martech companies seek greater economies of scale.

Looking at the US and UK combined the martech market has almost doubled in two years. That's because brands are following their audience like never before.

HAS INCREASED MARTECH SPEND AFFECTED MEDIA SPEND?

Better news for media owners but it's still going digital. In 2020 digital spend will surpass all other media worldwide for the first time and of course the big winners are Google, Facebook and now Amazon too.

CURRENT USE AND CAPABILITIES

It's time to establish a global martech centre of excellence where brands can really learn the full extent of martech power in a vendor-agnostic environment. Brands don't just need the comfort of independent advice they also need to learn how to drive these things!

Damian Ryan, Technology & Media Partner, M&A, BDO LLP

SINGLE STACK

There won't be a single winner or even a small group of winners – martech won't go the same way as digital media because innovation is constant. The challenge for martech is to build adoption and win hearts and minds – not easy when most marketers still don't understand the breadth of this market.

SKILLS

Agencies find themselves at the crossroads again. Will they focus on consultancy or production or keep trying to be all things to all people? Either way we expect an uplift in mergers and acquisitions particularly in the area of data.

MIND THE GAP CX

The holy grail is the single customer view - who are they, where are they, what are they doing right now, are they online, on the phone, driving, watching telly ...how can my brand be relevant, helpful, worthwhile and trusted? Gosh we're only at square one really.

THE FUTURE

The greatest challenge for the martech sector is trust. Brands need 100% confidence that their customers data is safe and compliant. Media owners, agencies and vendors must work together to try and repair some of the damage and stay on the right side of regulation.

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09 KEY TAKEAWAYS



MARKET SIZING

North America continues to drive significant growth in the martech industry

Since our 2018 report, investment in martech has seen year-on-year growth of 22%, with the combined UK and North American market now worth \$65.9bn, and an estimated market size of \$121.5bn globally.

Appetite for martech appears to be healthiest in North America – growth in the market sizing value over the past year has been driven by the North American region, where marketers now spend 30% of their budgets on martech – 25% up on last year.



DATA

The balancing act of data and creativity

Creativity is one of the most important skills when hiring into the marketing function for 50% of client-side respondents, and more than a fifth placed it as their top priority. However, agencies continue to emphasise the need for improved data skills associated with the use of marketing technology, ranking data literacy above creativity when hiring into the marketing function.

The net result is a need to use data to guide creative strategy, and not become bogged down in the numbers. Effectiveness needs to be the objective, rather than the short-term efficiency that can be achieved through a focus purely on data.



CAPABILITIES

Developing market for CX optimisation tools

Established disciplines are where the majority of respondents find use for martech tools. Spend continues to be focused on email and social tools, but as the number of martech vendors has increased, there has been a growth in the proportion of respondents feeling that they don't have all the tools they need – 76% globally feel the need to add further tools to their stack.

As brands continue to focus on customer experiences over specific media, tech that helps marketers with experience optimisation and tracking are developing areas in the martech space. More than half of all respondents said that CX optimisation was a high priority for their organisation.



THE FUTURE

Budget constraints and a lack of understanding are limiting growth

Exactly half of global respondents this year placed marketing budget constraints as the main barrier to investment, up from 36% last year.

Budgets will always be a limiter in an ever-evolving landscape where the volume of choice in martech providers can be overwhelming. This volume, and the nascent nature of the technology is resulting in a barrier of entry equal to budgets: a lack of understanding of the technology available.

The internet of things is now impacting the daily life of the majority of the developed world, and though not yet mainstream in marketing globally, will be the most-used emerging technology over the next 12 months, while AI and cross-device identification technologies are being planned for by almost a third.

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