

ACCOUNT-BASED MARKETING FACT AND FICTION: WHAT REALLY WORKS?

May 2016

→ **Andrew Moravick**, Senior Research Associate,
Marketing Effectiveness & Strategy



Report Highlights

p2

42% of all marketers currently practice some form of Account-Based Marketing (ABM).

p6

ABM practitioners are 33% more effective at connecting marketing efforts to revenue.

p8

ABM practitioners are 54% more effective at engaging existing contacts with outbound marketing.

p10

ABM practitioners shorten the length of the buyer's journey at a 1.5 times greater rate.

What do marketers need to know to be successful with Account-Based Marketing (ABM)? As with any approach, there are pros and cons to consider, virtues to pursue, and vices to avoid. In this research report, Aberdeen will explore the strengths and weaknesses of ABM and explain how marketers can make the most of this emerging practice's basic principles.

2

42% of all marketers currently practice some form of Account-Based Marketing (ABM), making it an emerging, but not yet ubiquitous marketing initiative.

Rumors and Realities Related to Account-Based Marketing:

Talk of Account-Based Marketing (ABM) is everywhere. Nevertheless, there remains a great deal of ambiguity around what ABM actually is. For clarity in this research report, let's start by stating what we mean by Account-Based Marketing. Namely, true practitioners of ABM must:

- **Define accounts** by identifying ideal customer profiles of organizations that have purchased before or are most likely to purchase in the future.
- **Derive focused insights** by understanding the relevant needs and problems that these accounts are aiming to address.
- **Divide, contextualize, and conquer** by segmenting similar accounts for similar, yet personalized marketing campaigns or marketing/sales workflows for outreach.
- **Drive account growth** by establishing or solidifying a business relationship with one department or division of an account and then expanding that relationship to other sectors of the account.
- **Distill repeatable or refreshable action items** by measuring and reporting on effectiveness within specific accounts to optimize results.

These are the ideal tenets that comprise a complete and sophisticated ABM strategy. Admittedly, however, it may be difficult to adhere to some of these principles and execute on some of these tactics. While the marketers surveyed as part of Aberdeen's research who identified themselves as ABM

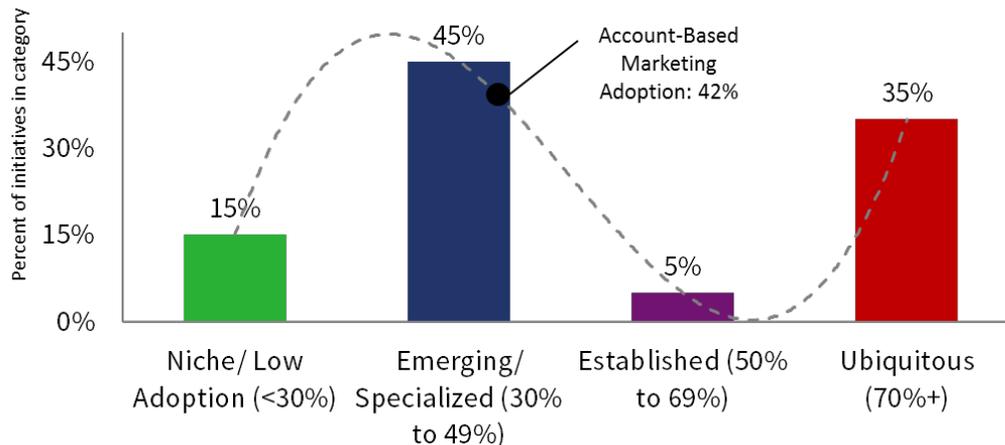
3

practitioners may pursue or aspire to the aforementioned tenets, from ABM's adoption rate alone, there's no way of telling how well or how poorly these marketers fare.

When we analyze ABM adoption in the context of other marketing initiatives, however, we can see not only where Account-Based Marketing stands, but also where it is going. In Figure 1, we see that ABM, with 42% adoption among all marketers, falls within the most common adoption rate range.

Marketers are essentially just starting to figure out all that's required for effective ABM.

Figure 1: ABM Adoption is on Par with Most Other Marketing Initiatives, But Will It Stay There?



n= 223
Source: Aberdeen Group, April 2016

What Figure 1 tells us is that ABM's adoption is comparable to other emerging initiatives like video marketing (41% adoption) and specialized initiatives like business development/ telemarketing (42%). These initiatives have proven their value, but they have yet to take hold among the majority of marketers.

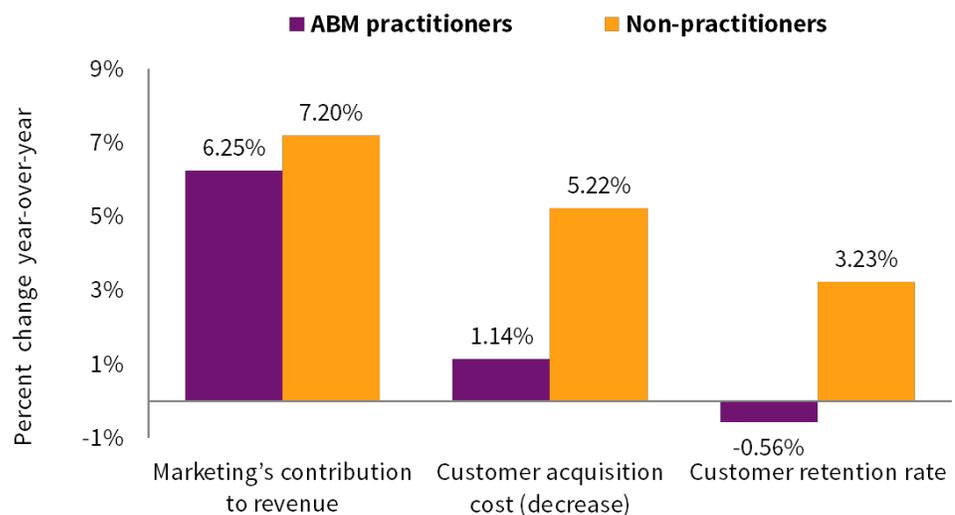
4

ABM practitioners have yet to close the 15% gap by which they trail non-practitioners in growing their contribution to revenue (6.25% vs. 7.20%).

When marketing initiatives do turn the corner in popularity, though, Figure 1 also suggests that adoption rates rise quickly. While the pattern of ubiquity may be slightly skewed by well-founded marketing initiatives like outbound marketing (71%), we also see more recent efforts like inbound marketing (71%) and content marketing (83%) taking hold quickly.

Overall for ABM, this suggests the marketing approach is still in what could be considered a trial period. This is a fair hint that ABM practitioners have not yet perfected the tenets noted at the beginning of this report. Marketers are essentially just starting to figure out everything that's required for effective ABM. For marketers interested in — or in the early phases of — implementing Account-Based Marketing, however, this also means that getting ABM right can serve as a real opportunity for competitive advantage.

Figure 2: When Best-Laid Marketing Plans Go Awry – The Shortcomings of Early-Stage ABM



n= 223
Source: Aberdeen Group, March 2016

5

Indeed, as Figure 2 emphasizes, ABM, in its early state of adoption, is far from perfect. While these findings do serve as level-setting benchmarks for present ABM performance, they also seem to contradict perceived strengths of ABM. However, these marketers may have been experiencing poor performance prior to adopting ABM in marketing's contribution to revenue, customer acquisition costs, and customer retention rates. Thus, their ABM implementations have not yet reached a comprehensive enough level to turn the tide — e.g. Rome wasn't built in a day.

The decision to identify, understand, and more effectively convert specific accounts with high revenue-yield potential is a logical reaction to try to raise marketing's contribution to revenue. A more strategic focus on specific customer accounts is a sensible step in trying to reduce customer acquisition costs. The ability to more effectively retain customers is also improved by measuring and optimizing performance of specific customer accounts.

What the data does tell us for certain is that these dynamics have yet to shift. ABM practitioners have yet to close the 15% gap by which they trail non-practitioners in growing their contribution to revenue (6.25% vs. 7.20%). ABM practitioners also have a 3.6-fold margin to close for decreasing customer acquisition costs (1.14% vs. 5.22%) and a 6.8-fold gulf to span in customer retention rate improvement (-0.56% vs. 3.23%) to be on par with non-practitioners. This doesn't mean that ABM is an ineffective initiative for bridging these gaps. Instead, the data merely emphasizes that early-stage ABM practitioners have not yet perfected the initiative's utility.

Moreover, it's also important to note that the misappropriation of elements of ABM may actually exacerbate the diminished performance

**ABM practitioners
are 33% more
effective at
measurably
connecting
marketing efforts
to revenue.**

6

results shown in Figure 2. For example, if an organization has an ineffective approach to targeting and segmenting potential customers, there is already a clear contributing factor for undesirably high customer acquisition costs. If this organization's marketing efforts aren't targeting the right buyer, there will be a fair amount of hit-and-miss marketing expenses. If an ABM approach is employed by this organization in such a scenario, the haphazard behavior may actually become amplified. Marketers at this organization might become inclined to drop everything on a dime to go after assumed target accounts, and thus incur even greater acquisition expenses from the increased efforts — even more so if the accounts don't actually get closed.

Thus, for marketers to be effective with Account-Based Marketing, they must **understand and then unlearn the marketing practices that have led to diminished performance in the past**. As complicated as ABM may seem as a marketing initiative, in its simplest form, it boils down to a marketing organization's focus. If an organization is zeroed-in on the right analytics, areas, and attributes for best-fit accounts, ABM will enhance the impact of that effective perspective. If that focus is off the mark, on the other hand, the vision of ABM success will become increasingly more obscured.

The Upside of ABM and How to Harness It

As ABM is all about focus and there are notable advantages in marketing competencies that rely on having such a clear focus. This is where the potential for ABM to turn the adoption corner to reach a pervasive level is at its highest. In Figure 3, when Aberdeen asked marketers to rate themselves on a 1 to 5 scale for effectiveness (1 being “completely ineffective,” 4 being “effective,” and 5 being “very effective”) a common pattern emerged. In competencies where marketing must be extremely focused, precise, and generally on-point, ABM practitioners significantly reported more consistent levels of effectiveness compared to non-practitioners.

7

Particularly of note, ABM practitioners are 33% more effective at measurably connecting marketing efforts to revenue, compared to non-practitioners (53% vs. 40%). This is significant, of course, because while ABM practitioners are currently trailing non-practitioners in contribution to revenue as shown in Figure 2, Figure 3's findings tell us that ABM practitioners believe themselves to be more effective at understanding the drivers of revenue for their organization. Essentially, this means that ABM requires practitioners to enrich their understanding of their contributions to revenue, and thus, over time, improve this metric. That is, as long as these marketers put this knowledge to proper use — a kind of sophistication that only comes with time.

Figure 3: ABM Does Correlate with Improved Marketing Competencies



n= 223
Source: Aberdeen Group, March 2016

Related Research:
The CMO's Agenda, 2016: Facing the Facts on What's Effective and What Needs Fixing, (February 2016)

8

Related Research:***Account-Based Marketing: Tactics & Technology Converge in 2016, (February 2016)***

Figure 3 also reveals how ABM can actually enhance the effectiveness of other marketing initiatives as well. As the tenets of ABM require a focused approach on the most relevant, best-fit accounts, for example, the practice of outbound marketing becomes much more precise and impactful. ABM practitioners report being 54% more effective at engaging existing contacts with outbound marketing, compared to non-practitioners (63% vs. 41%). Outbound under ABM avoids “spray and pray” execution, and instead, involves “target and engage” accuracy. In the case of inbound marketing, where ABM practitioners consider themselves 36% more effective than non-practitioners (53% vs. 39%), ABM leads to a more focused approach. Instead of trying to pull in any buyers known or unknown with wide-casting inbound efforts, ABM/inbound efforts focus on targeting specific accounts, and thus separate the wheat from the chaff early on in the process.

Also worth noting is ABM’s impact in the realm of lead management. Aberdeen’s report, [*The CMO’s Agenda, 2016: Facing the Facts on What’s Effective and What Needs Fixing*](#) (February 2016), shows that only 38% of all marketers consider themselves effective at managing, scoring, and prioritizing leads based on behavioral and demographic data. With Figure 3 showing that 54% of ABM practitioners report being effective at this lead management competency, we see where ABM can truly make a difference in practice today.

Indeed, in other marketing and business ventures, Account-Based Marketing is already producing positive changes. In Figure 4, we see where ABM practitioners are getting things right, and setting themselves up for future success.

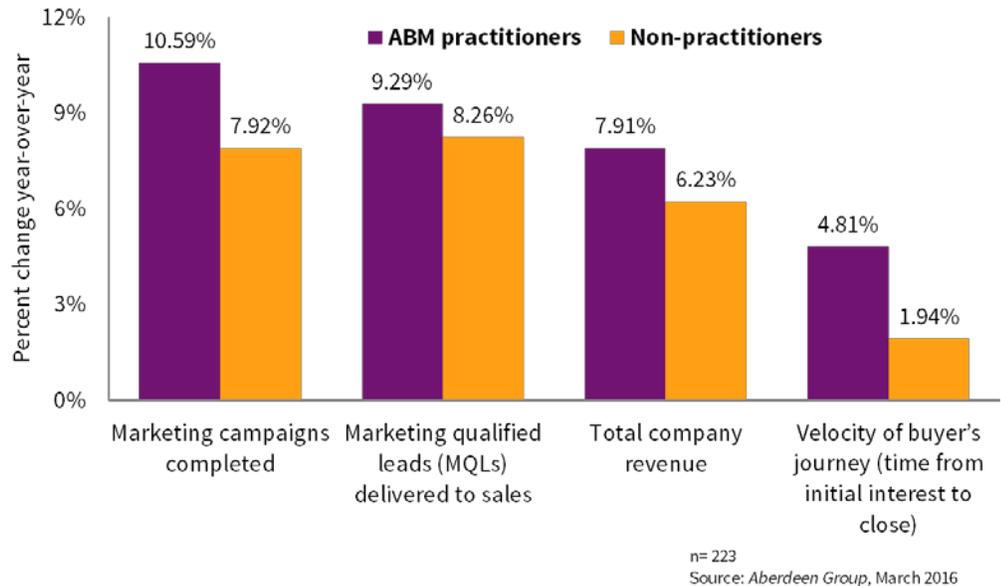
The first metric meriting attention — the increase in marketing campaigns completed year-over-year — may seem trivial. After

9

all, it's just your typical, old-school, activity-based marketing gauge, right? Yet, this is exactly what any early-stage strategy or initiative implementation should consist of: generating as much analyzable data as possible. A heightened campaign volume can mean a larger sample size to pull from for tactical metrics like email open rates, click-through rates, and form submission rates, and strategic metrics like lead-to-revenue cycle stage-by-stage conversion performance.

Again, Account-Based Marketing is not simply marketing to specific accounts; it's understanding and optimizing what actually works for specific accounts. The fact that ABM practitioners increase their completed campaign volume at a 34% higher rate than non-practitioners year-over-year (10.59% vs. 7.92%) means that these marketers are increasing the potential accuracy and depth of the decisions they make moving forward.

Figure 4: Positive Change is in the Air for Account-Based Marketing



Related Research:

The State of Marketing Technology 2016: Controlling the Chaos, (December 2015)

Figure 4 also shows us that lead generation mirrors campaign production among ABM practitioners, with the ABM cohort delivering 12% more MQLs to sales year-over-year, compared to non-practitioners (9.29% vs. 8.26%). Again, this helps to produce more data for distilling what makes a good lead and a good account and what doesn't.

Where ABM practitioners most distinguish themselves from non-practitioners also involves focus. By focusing on and catering to specific, best-fit target accounts, ABM practitioners are able to shorten, year-over-year, the length of the buyers' journeys by 1.5 times the year-over-year rate of non-practitioners. This essentially means that ABM practitioners more quickly move buyers from initial interest to close compared to non-practitioners.

Considering how Figure 2 showed that ABM practitioners fall short

11

in their overall contribution to revenue by percentage, the more rapid rate of closing accounts shown by this cohort can still lead to improved business performance. In fact, this is how, despite lower revenue contribution, ABM practitioners are still able to support 27% higher average revenue growth among their organizations, compared to non-practitioners (7.91% vs. 6.23%).

Key Takeaways

Account-Based Marketing is by no means perfect. However, when implemented within the right conditions and maintained under the right expectations, ABM can become a fruitful strategic marketing initiative. Be realistic about what you can and can't do with ABM and drive real, impactful results. Remember:

→ **Account-Based Marketing is still emerging as a practice.**

42% of all marketers currently practice some form of ABM. The advantage of ABM is not simply in getting started, but in getting ABM right from the start.

→ **Allocate a reasonable time-span to ramp up ABM performance.**

Today's early ABM practitioners still trail non-practitioners in contribution to revenue, customer acquisition costs, and customer retention rates. Take the time to establish relevant benchmarks for performance first, plot success against those metrics, and prepare to change marketing behaviors if performance doesn't improve. Ripping out any marketing approach too soon, and without a data-backed context, can lead to a rotating door of interchanging initiatives.

12

- **Amplify ABM's impact by using it to enhance marketing's focus.** ABM's big advantage lies in allowing marketers a singular point of view focused on catering to and converting specific accounts. As a result of this heightened focus, practitioners report being 33% more effective at measurably connecting marketing efforts to revenue (53% vs. 40%), and 54% more effective at engaging existing contacts with outbound marketing (63% vs. 41%), compared to non-practitioners. To set fair expectations while pursuing attainable ABM benefits, start by looking to improve such tactical competencies, then move to strategic efforts, which will in turn yield improved business performance.
- **Adapt ABM implementations to fit specific marketing and business needs.** ABM practitioners see 27% higher average revenue growth among their organizations, not so much by directly increasing marketing's contribution to revenue (which is a noted shortcoming), but by shortening the length of buyers' journeys (which is a significant strength). ABM is not a concrete, black or white, do or do not marketing initiative; it is an approach that must be tested and aligned to serve the right needs. That may mean having a specific ABM division of marketing that works in tandem with other departments, or that might mean becoming an entirely account-based marketing team, if needed. Like pairing the best marketing tactics to appeal to best-fit accounts in ABM, marketers must also account for what's best for their organizations in using ABM at-large.

13

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*The CMO's Agenda, 2016: Facing the Facts on What's Effective and What Needs Fixing;*](#) February 2016

[*Managing Marketing Automation Expectations: How to Win with the Right Approach;*](#) January 2016

[*The Data on Data-Driven Marketing: Where Data & Analytics Make A Difference;*](#) January 2016

[*The State of Marketing Technology: Controlling the Chaos;*](#) December 2015

[*Marrying SEO & Content Marketing: The Power Couple You Can't Ignore;*](#) November 2015

[*The Best-in-Class Content Marketing Website: Finding the Right Mix;*](#) September 2015

Author: Andrew Moravick, Senior Research Associate, Marketing Effectiveness & Strategy (Andrew.Moravick@Aberdeen.com)

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Boston, MA.

This document is the result of primary research performed by Aberdeen Group and represents the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group.