

Digital Marketing Summary Report – 2015



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Digital Marketing Summary Report – 2015

WebStrategies Inc., Richmond, VA

This report is a compilation of research and data from a variety of digital marketing industry experts brought together to provide business owners and marketing professionals a comprehensive and succinct perspective of current digital marketing trends. The charts and graphs contained herein were not created by WebStrategies but rather brought together from a variety of sources to tell a complete story about digital marketing in 2015 and beyond.

This report covers the following topics...

- How people are consuming media and how ad budgets are allocated across media channels
- What firms are spending on marketing and how they are allocating funds across channels
- How firms are increasing Customer Lifetime Value (CLV) and measuring marketing success
- How effective are the various digital marketing channels and some associated statistics
- Recommendations and executive summaries

Media Consumption Trends and Advertising Budgets

The chart below represents a trend over the last few years in which consumers' eyes and ears are shifting from the more traditional media channels to digital. Just in the last 5 years, the share of time digital media is consumed has increased by 59% and is nearly half of all media consumption.

Share of Time Spent per Day with Major Media by US Adults, 2010-2014					
<i>% of total</i>					
	2010	2011	2012	2013	2014
Digital	29.6%	33.8%	38.5%	43.4%	47.1%
—Mobile (nonvoice)	3.7%	7.1%	13.4%	19.2%	23.3%
—Online*	22.0%	22.6%	20.7%	19.2%	18.0%
—Other	3.9%	4.1%	4.3%	5.0%	5.9%
TV	40.9%	40.4%	39.2%	37.5%	36.5%
Radio	14.9%	13.9%	13.0%	11.9%	10.9%
Print**	7.7%	6.5%	5.4%	4.4%	3.5%
—Magazines	4.6%	3.8%	3.1%	2.5%	1.9%
—Newspapers	3.1%	2.7%	2.3%	1.9%	1.6%
Other	7.0%	5.5%	4.0%	2.8%	1.9%
Total (hrs:mins)	10:46	11:18	11:49	12:03	12:14
<i>Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking online while watching TV is counted as 1 hour for TV and 1 hour for online; numbers may not add up to 100% due to rounding;</i>					
<i>*includes all internet activities on desktop and laptop computers; **offline reading only</i>					
<i>Source: eMarketer, April 2014</i>					
171915	www.eMarketer.com				



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US ad spending has changed to meet consumers' behaviors but not quite at the same pace. While digital's share of ad spend has grown by 26% just in the last 3 years, media spend on TV has remained relatively flat, supporting the ongoing strength of TV as a means to drive brand awareness, primarily targeted at the Business-to-Consumers (B2C) space.

US Total Media Ad Spending Share, by Media, 2012-2018							
<i>% of total</i>							
	2012	2013	2014	2015	2016	2017	2018
TV	39.1%	38.8%	38.1%	37.3%	36.9%	36.2%	35.7%
Digital	22.3%	25.2%	28.2%	30.9%	33.2%	35.3%	37.3%
—Mobile	2.6%	5.7%	9.8%	14.0%	18.7%	22.6%	26.4%
Print	20.7%	19.0%	17.7%	16.5%	15.5%	14.7%	14.0%
—Newspapers*	11.5%	10.2%	9.3%	8.6%	8.0%	7.5%	7.1%
—Magazines*	9.2%	8.8%	8.4%	7.9%	7.5%	7.2%	6.9%
Radio**	9.3%	8.9%	8.6%	8.2%	7.8%	7.5%	7.1%
Outdoor	4.0%	4.1%	4.0%	3.9%	3.8%	3.7%	3.6%
Directories*	4.5%	4.0%	3.5%	3.1%	2.8%	2.5%	2.3%

Most Pressing Challenges for Business

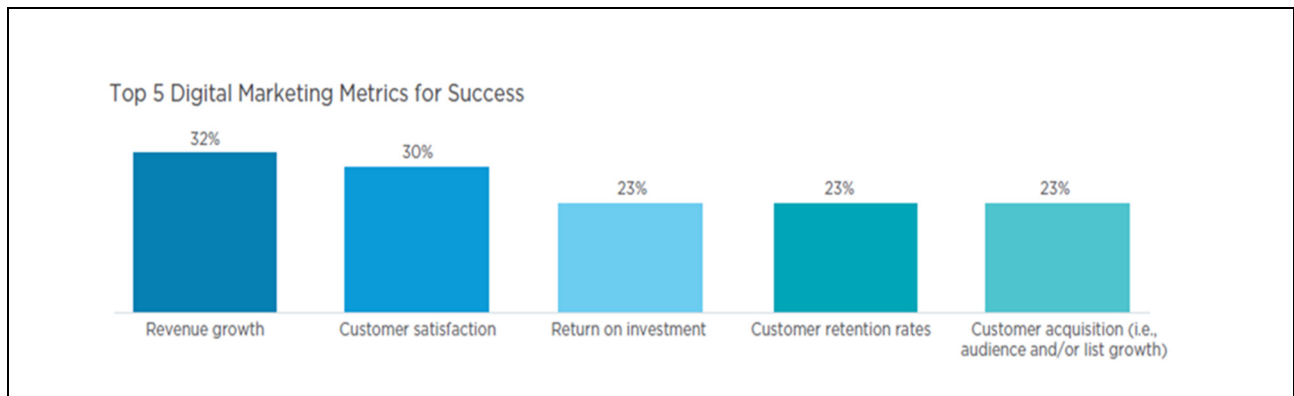
Marketers in 2015 will have a record-high number of technologies, channels, and tactics to choose from. The first step toward a solid strategy is knowing your customer – how they navigate the buying funnel in your industry and what is important to them when evaluating the products and services you sell. We call this persona marketing. Next is making sure you can measure your marketing return on investment. Finally, choosing the right marketing channels to get in front of your target customer rounds out the strategic challenge.

When asked about the most important challenges facing businesses today, revenue growth was #1, and it was also labeled as the most important metric to measure marketing success. Customer satisfaction came in second – see chart below. Coming in third was a tie between ROI, customer retention rates, and customer acquisition. This all suggest that businesses will be focusing on acquisition of new customers, deepening relationships with existing customers, and engaging with them for the long term.

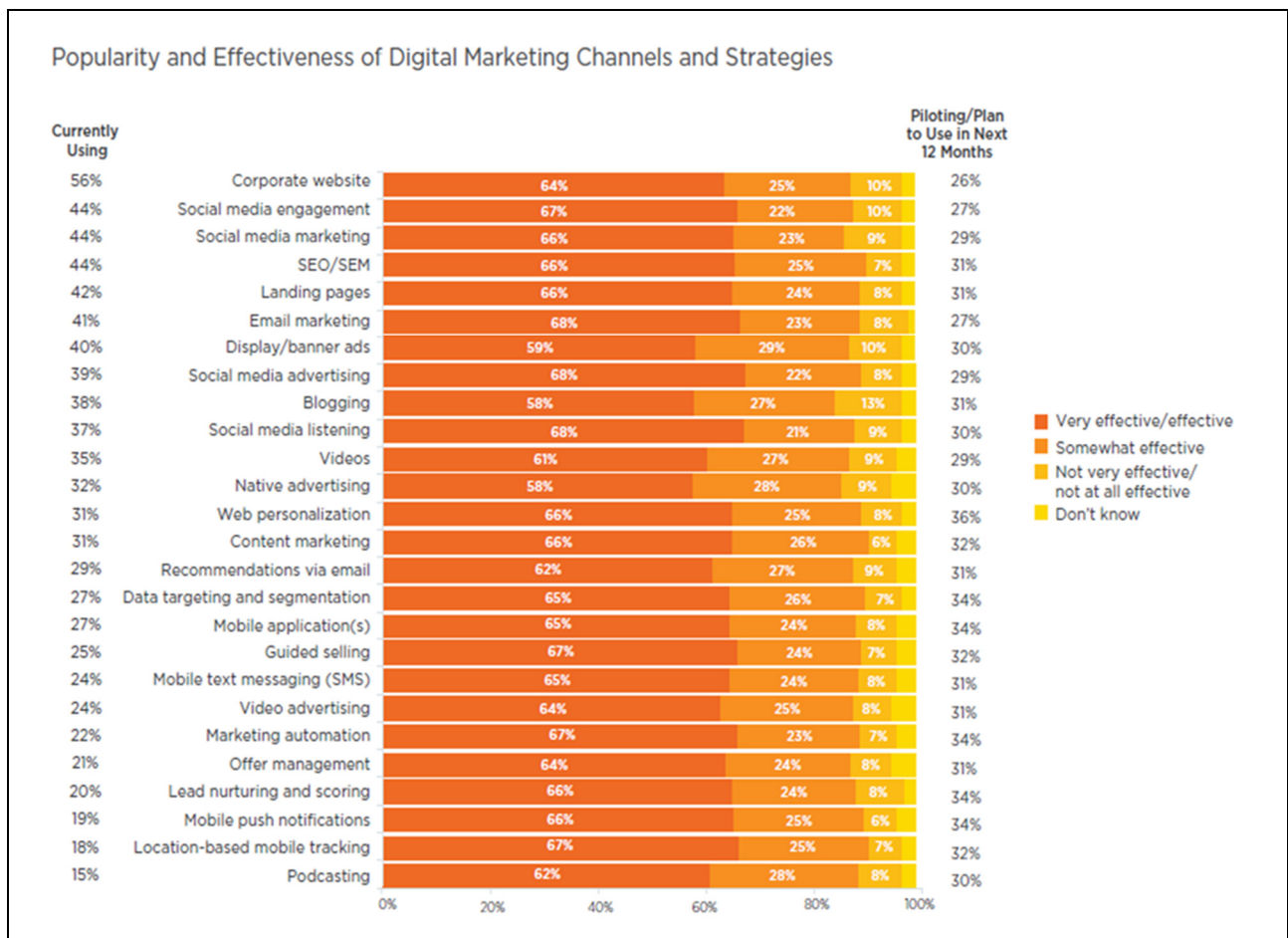
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The marketplace is full of technologies in which companies can invest, and marketers need to bridge their business goals with their customer personas in order to make the best investments. The chart below shows a list of potential channels and strategies to invest in and the percentage of marketers who currently use them. It also shows average ratings of that channel or strategy's effectiveness and whether marketers who aren't using it plan to do so in the next 12 months.

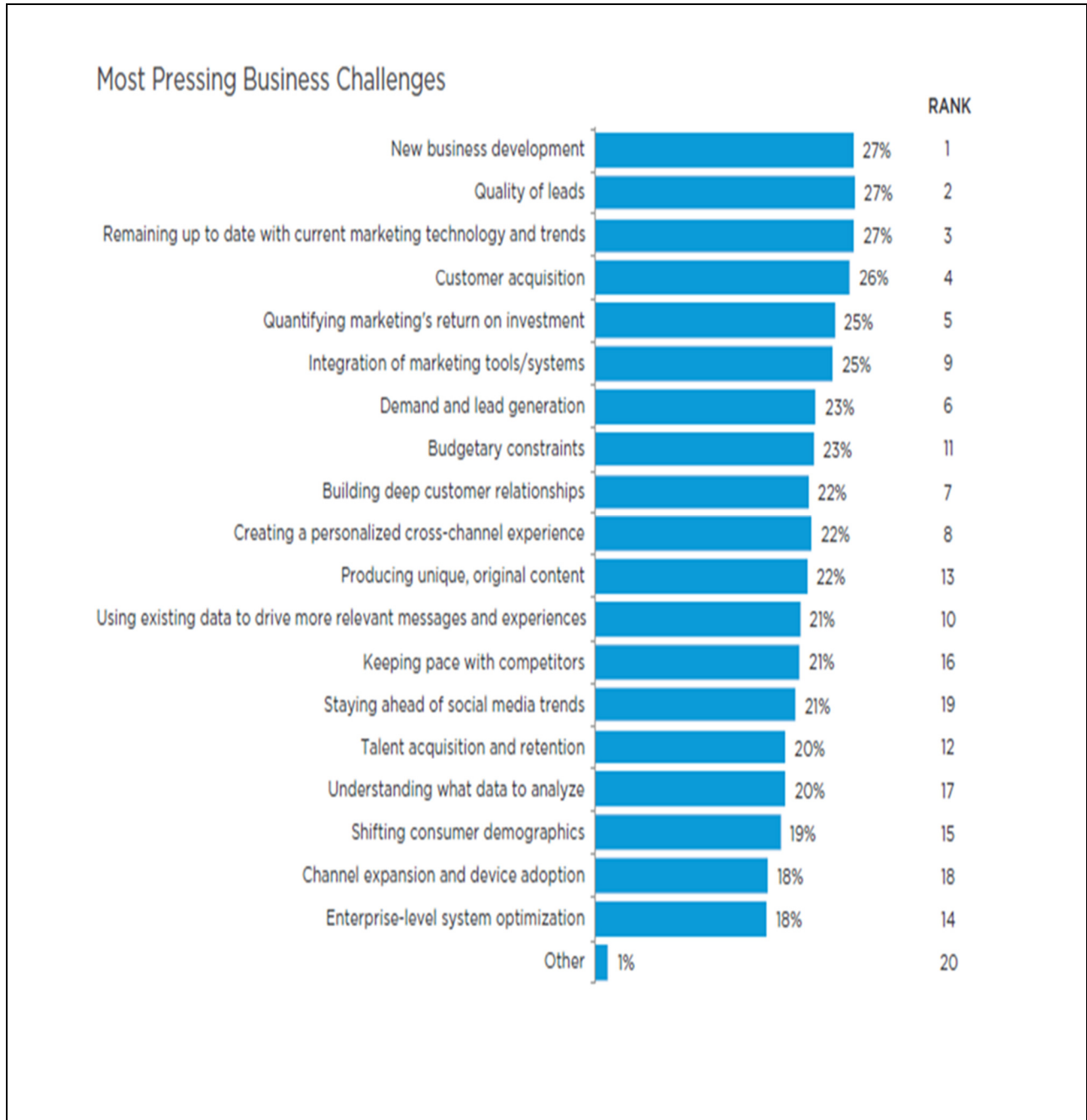


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It has become a relatively well-known fact that 70%+ of a customer's purchasing journey occurs anonymously – they are doing their research and evaluation without us knowing it. Consequently digital channels play a huge role in achieving revenue growth and retention. A recent survey asked marketers to share the top challenges they face while executing their marketing strategy. The chart below reveals their sentiments.

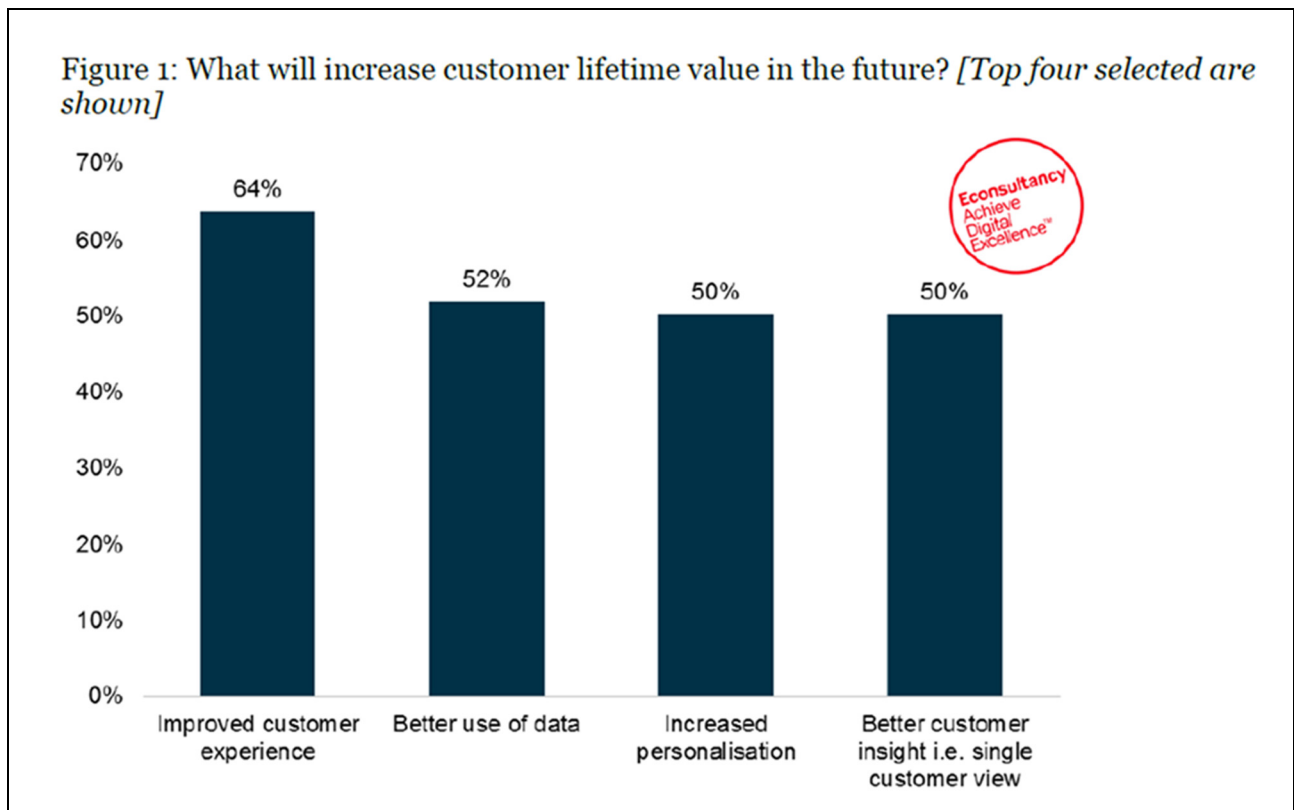


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With goals focused on revenue growth and customer retention, much attention is being given to increasing Customer Lifetime Value (CLV). When c-suite participants were asked what will increase CLV into the future, improved customer service rose above all else – naturally. However, what is more interesting are the trends around personalization, customer insights and using data to reach customer segments with the right messaging. This supports the previous comments about persona marketing and ensuring your messaging is resonating with your target market.



What Firms are spending on Marketing?

How much should your firm budget for marketing expense for 2015 and beyond? How should you allocate your marketing budget to online/digital vs. offline, and how should your digital budget be allocated across the various digital channels?

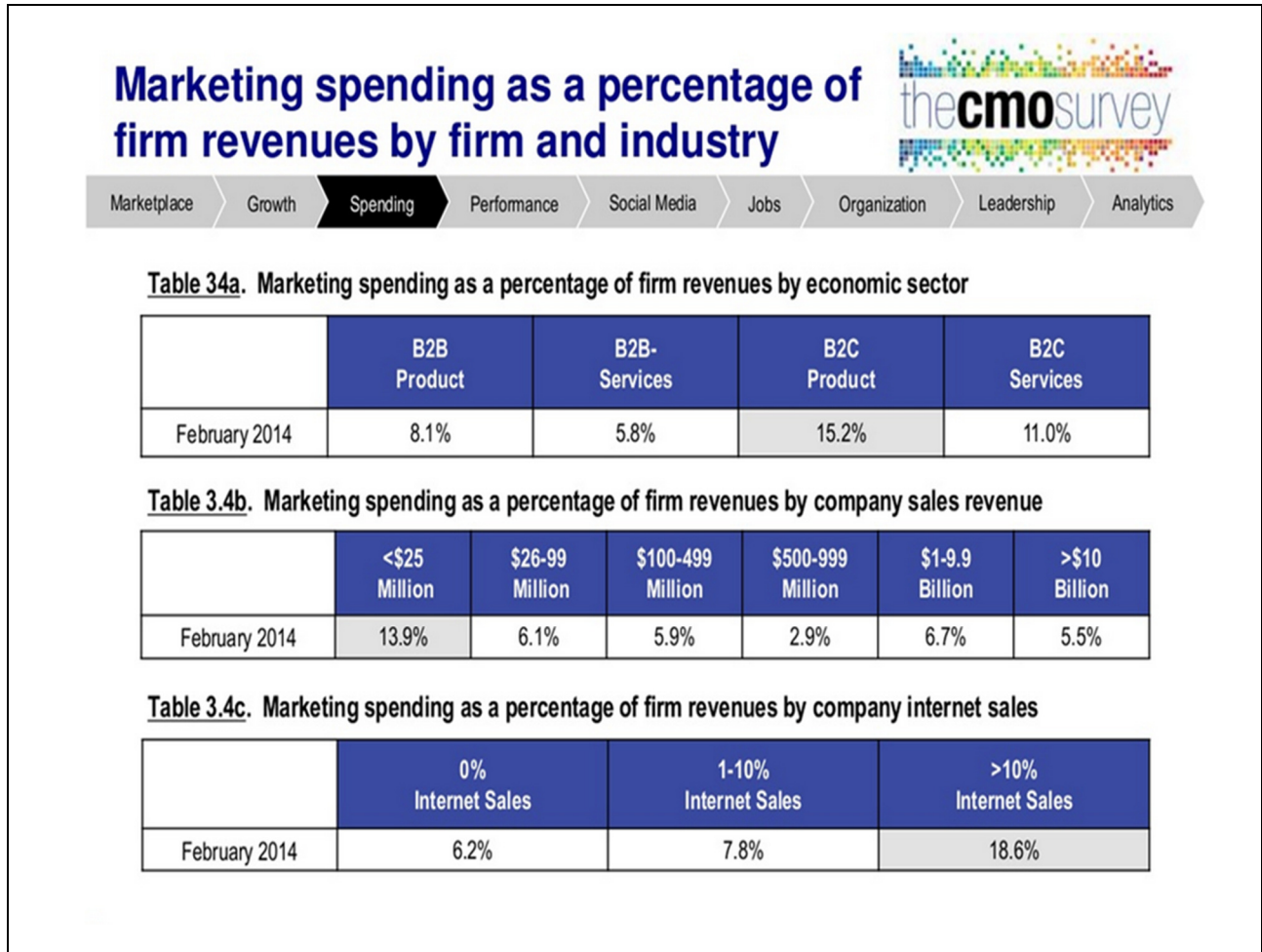
The most recent Chief Marketing Officer survey (CMO – CMOSurvey.org) offers some answers. In the chart below you'll see how marketing professionals responded to this question. It is important to note that these percentages represent the total marketing investment, not just advertising or media spend. They include things like marketing staffs, customer relationship management, investments paid to agencies and other outside suppliers, advertising costs, media spend, etc.

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It is also important to note that these figures represent averages. Marketers will need to further assess the competitive nature of their marketplace and how aggressive are their growth plans. Naturally, in a highly competitive marketplace, marketing investments will likely be heavier than what is shown above. On the contrary, firms with low expectations for growth may invest less in marketing than what is shown in the chart.

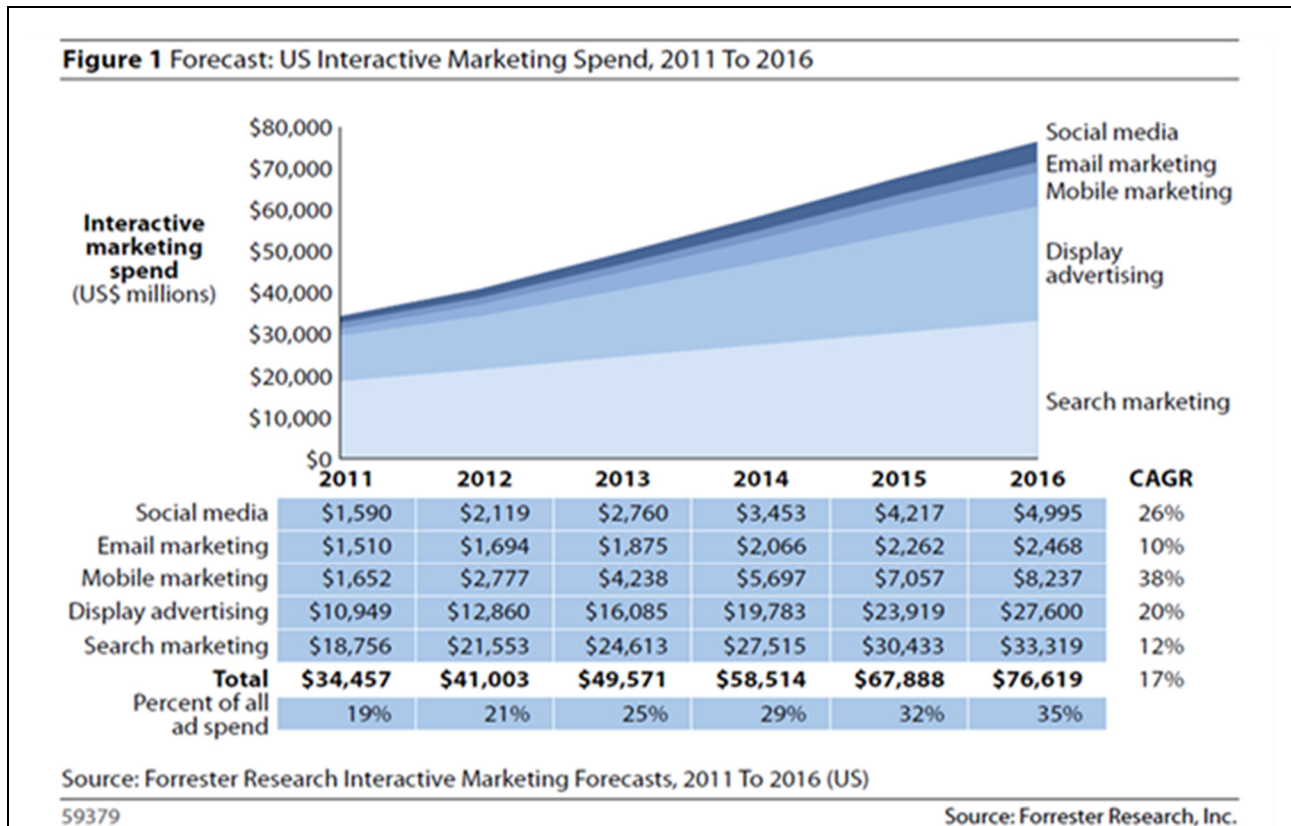


The next question is how are marketing budgets allocated across channels – offline and online, and how to spread the online investment across the various online/digital channels. In the chart below you'll see the estimated allocation of marketing funds offline vs. online and across the digital channels.

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Some highlights for 2015 are as follows...

- In 2015, nearly one-third of all marketing spend will be allocated to online/digital channels
- Search engine marketing (SEO & SEM) will continue to capture the largest share of online spend at 45% or about 14% of the firm's total marketing budget
- Online display advertising (banner ads, re-marketing & re-targeting) will capture the next biggest share of online spend at 35% of total online spend and 11% of the total marketing budget. This channel also represents one of the fastest growing segments of digital marketing.
- Social media investments are estimated at 6% of total online spend and a bit less than 2% of the total marketing budget, although this segment is growing rapidly.
- Mobile, the fastest growing digital marketing channel, will garner about 10% of the total digital marketing budget and slightly less than 3% of the total marketing budget.

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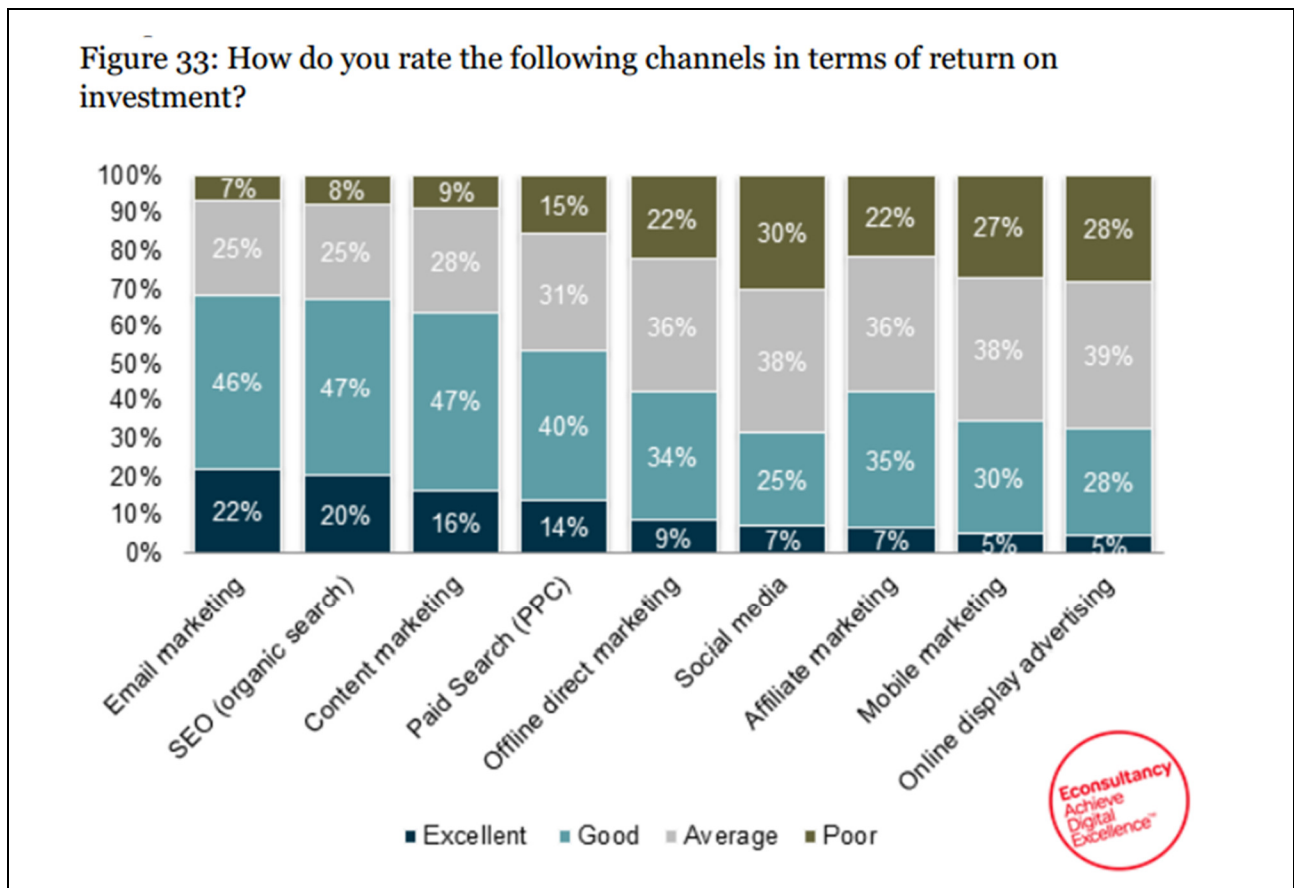
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How Effective are the Various Digital Marketing Channels

There's a plethora of ways to invest in digital marketing, and marketers need to be precise about how they invest their precious funds. The chart on page 4 provides a fairly comprehensive view how marketers view the effectiveness of the various digital marketing channels. This section will take a closer look at trends among the more popular channels.

The chart below takes another look at how marketers have evaluated the various digital channels in terms of creating a return-on-investment.



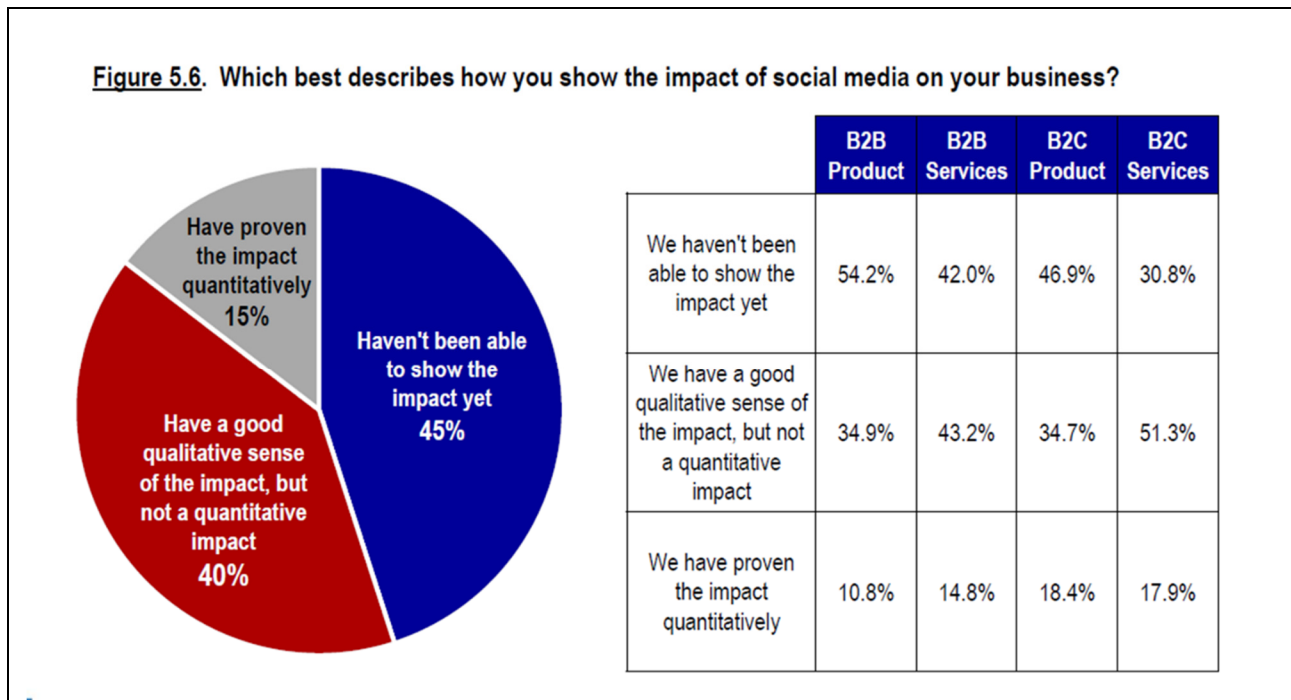
Social Media

The chart on page 4 showed that social media is considered an effective channel. This channel has clearly been one of the most talked about in recent years. However, in light of its popularity, social media remains challenging to measure, and thus is rated lower for return-on-investment. The chart below gives a deeper look at how businesses have described social media's impact.

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Search Engine Marketing (SEM including Organic SEO and Paid Search)

The chart on page 4, which shows how digital marketing funds are expected to be allocated across channels, underscores the popularity and strength of search engine marketing (SEM). This is not really surprising when you realize search engines are aligned with buyer behaviors toward the bottom end of the buying funnel. What better place to show up than when a qualified customer does a Google search for your product or service?

Does paid search, commonly referred to as pay-per-click (PPC) really work? Many people claim they never click on a paid listing in the search engines. There have been countless studies on this topic and the general consensus is that about 10% of all clicks are on paid listings. This varies greatly by industry. That number seems low but when you apply it to 3.5 billion searches per day, a stat reported by Google, there's a lot of people clicking on paid listings.

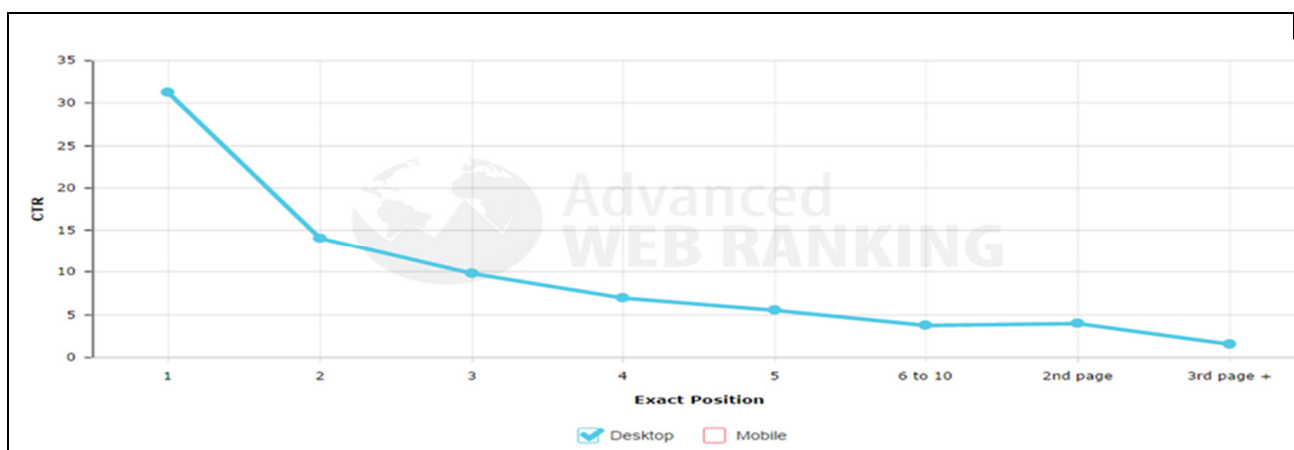
As further support of paid search, Google recently added a yellow "Ad" label next to paid listings. Even so, recent studies have shown that 37% of searchers still don't realize these are paid listings.

Where you show up in the search engines has a huge impact on how many visitors you get to your website. The chart below shows what percent of searchers click on a listing based on where a listing ranks in the search engine. This metric is referred to as click-through rate (CTR).

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Position	1	2	3	4	5	6 to 10	2nd page	3rd page+
CTR	31.24	14.04	9.85	6.97	5.50	3.73	3.99	1.60

Online Display

Online display advertising contains banner ads, video ads, banner ads that you see following you around on the internet, and a variety of other advertising spots online. Online display advertising is projected to grow by 20% over the next few years and is second only to search engine marketing in terms of marketing investment.

Why? Because people are shifting how they consume media – see chart on page 1, which illustrates how the various advertising/marketing channels have increased and decreased share of consumer time...

- Online +59%
- Television -11%
- Radio -27%
- Print -55%

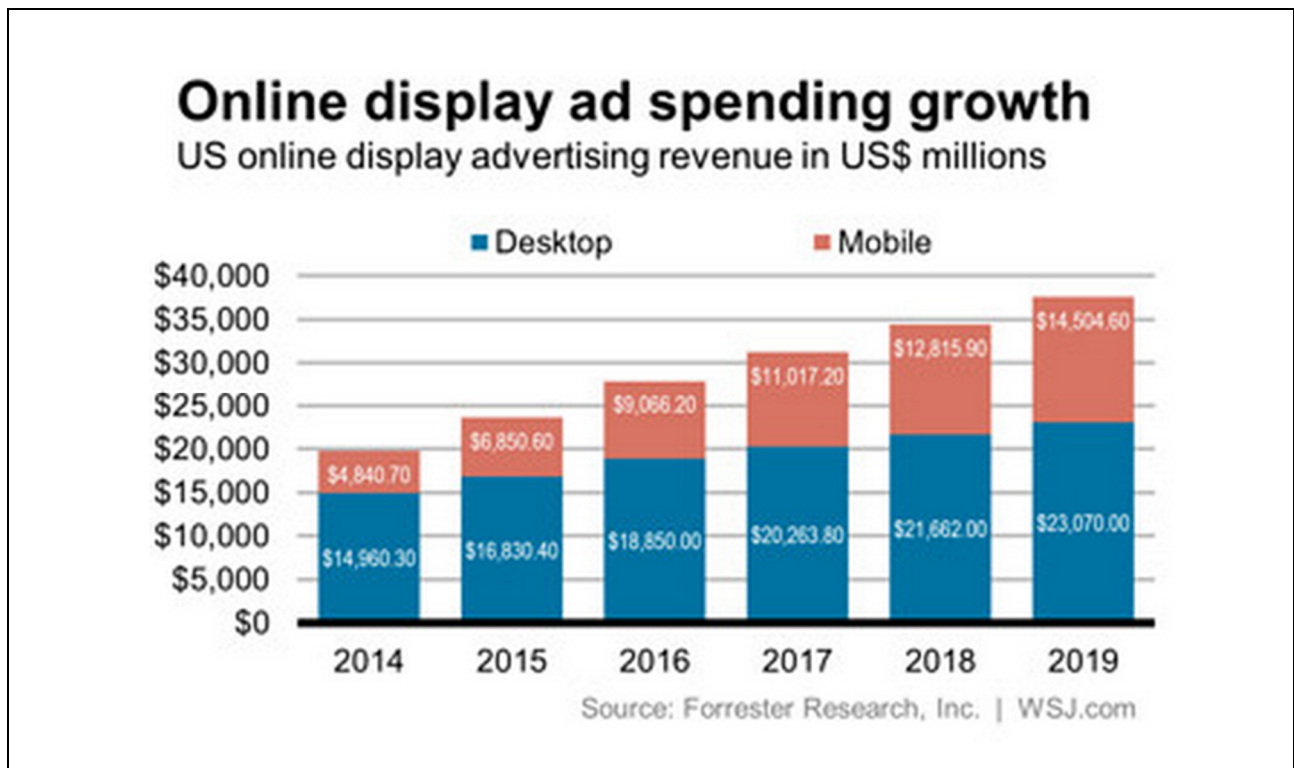
For the radio and print industry, these numbers are staggering and are the main reason why newspapers, radio stations and other offline providers of advertising services have jumped into the digital media space.

Online display advertising represents a very powerful tool with many ways to target the demographics and psychographics of your target customer. The chart below shows another set of projections relative to investments in online display advertising.

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Email Marketing

Reported for years as generating the best ROI among the various digital channels (see chart on page 8), email marketing is a powerhouse. It has emerged as one of the most effective ways for moving customers through the buying funnel to the point of engagement or sale. In the B2B space with longer sales cycles and higher average dollar sales, lead nurturing by way of email marketing has spawned the marketing automation industry.

Marketing automation platforms like Hubspot, Pardot, Marketo and others represent very promising opportunities for marketers. Most of the marketing automation platforms include...

- Information about who is coming to your website and revisiting it
- Automated scoring algorithms that enable marketers and sales professionals to reach out at just the right time to get meaningful engagement with the buyer
- Automated emails that lead a buyer through the buying funnel to the point of sale

Email marketing, along with marketing automation tools, represent a marketing channel that works and is very cost effective.

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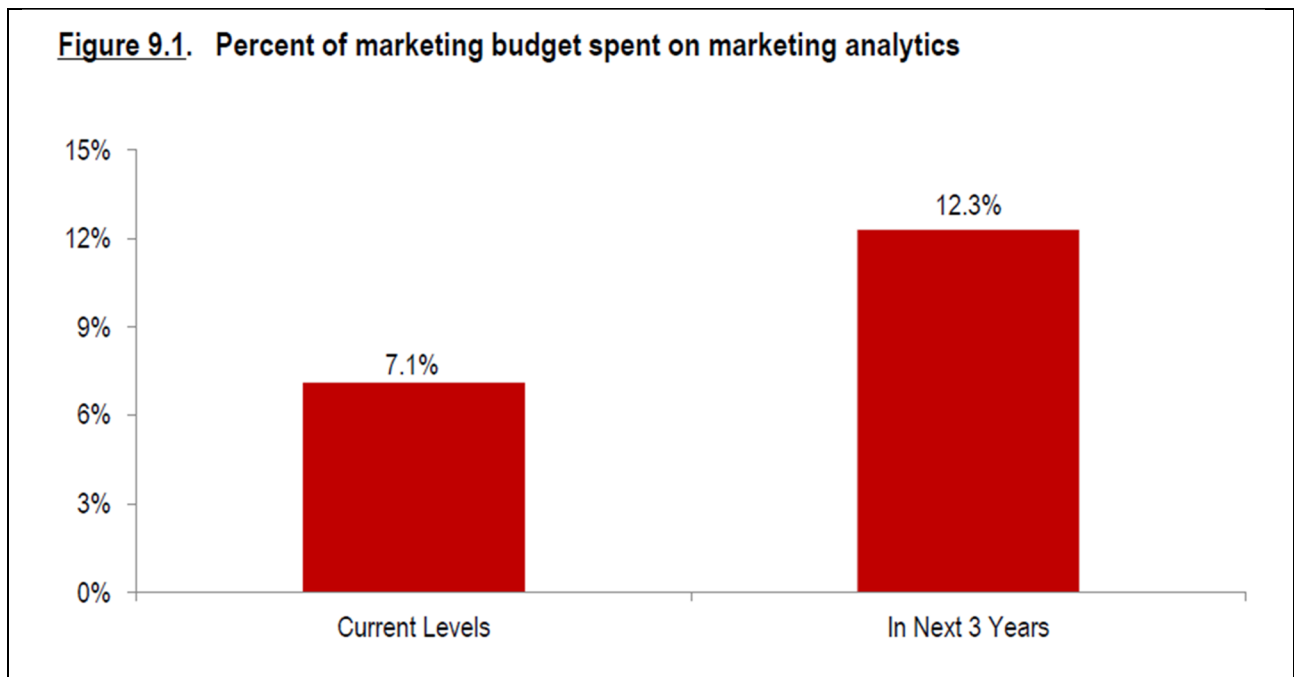
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Web Analytics

“You can’t manage what you can’t measure” – this famous quote by Edward Deming is a hallmark of business and industry. Contrary to what many think, marketing activities can be measured.

Marketers worldwide are finding the need to measure their investments as a means to obtain marketing budgets. The chart below illustrates how marketing/web analytics is expected to grow over the next few years.



It is remarkable what you can measure with a little creativity, some discipline, and the right tools. It is equally remarkable what can be measured with a good web analytics platform like Google Analytics – the gold standard of free web analytics tools. In the Google Analytics platform there are more than 100 standard reports and countless reports that can be customized.

The information you can glean from a web analytics tool that are configured the right way is amazing. Significant improvements in sales performance can alone be attributed to have metrics set up the right way and making appropriate changes to a website and/or marketing program based on what the data is revealing.

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Executive Summary

The following three charts are included to provide an overall summary of marketing trends.

Overall for all industries



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For businesses that market and sell to other businesses (B2B)

Executive Summary: B2B

These statistics reflect the strategies, challenges, and priorities most important to B2B marketers.

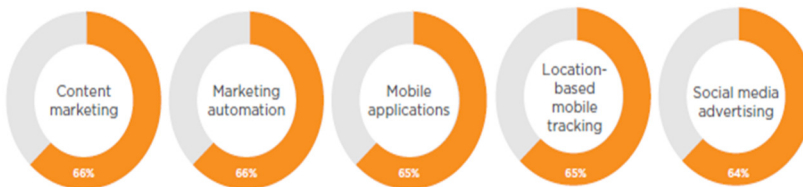
Most Pressing Business Challenges

- #1** New business development
- #2** Quality of leads
- #3** Demand and lead generation

84% of marketers plan to increase or maintain their spend in 2015.

34% of marketers plan to shift spend from traditional mass advertising to advertising on digital channels.

Top 5 Areas for Increased Spending



Most Critical Technologies to Creating a Cohesive Customer Journey



EMAIL	N=1259*
73% of marketers believe email marketing is core to their business	
48% report click-through rate as the most important email marketing metric	
48% always/often use responsive design to build email campaigns	
27% don't know what device subscribers are using to read emails	

MOBILE	N=868*
64% believe mobile marketing is core to their business	
53% have integrated mobile marketing into the overall marketing strategy	
43% have a dedicated mobile marketing team	
40% rate mobile website or app traffic as the most important mobile marketing metric	

SOCIAL	N=1288*
56% believe social media marketing is core to their business	
55% believe social is a critical enabler of their products and services	
51% have a dedicated social media team	
40% rate social media traffic and audience engagement as the most important metrics	

* Percentages represent data from the base of respondents who indicated that they use this channel.

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For businesses that market and sell direct to consumers (B2C)

Executive Summary: B2C

These statistics reflect the strategies, challenges, and priorities most important to B2C marketers.

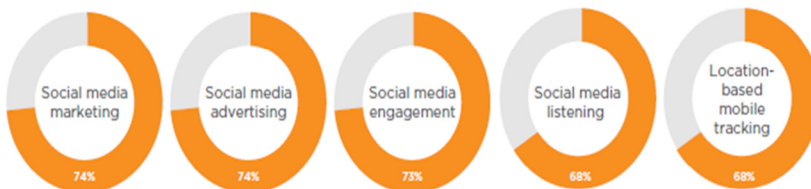
Most Pressing Business Challenges

- #1** Remaining up to date with current marketing technology
- #2** New business development
- #3** Customer acquisition

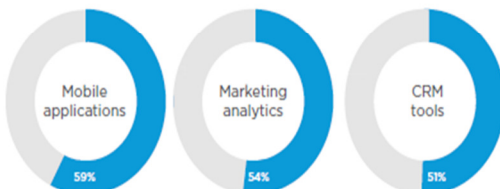
84% of marketers plan to increase or maintain their spend in 2015.

42% of marketers plan to shift spend from traditional mass advertising to advertising on digital channels.

Top 5 Areas for Increased Spending



Most Critical Technologies to Creating a Cohesive Customer Journey



EMAIL	N=1138*
73% of marketers believe email marketing is core to their business	
49% always/often use responsive design to build email campaigns	
46% report click-through rate and conversion rate as the most important email metrics	
20% of marketers don't know what device subscribers are using to read emails	

MOBILE	N=1438*
77% have integrated mobile marketing into the overall marketing strategy	
76% believe mobile marketing is core to their business	
68% have a dedicated mobile marketing team	
45% rate mobile website or app traffic as the most important mobile marketing metric	

SOCIAL	N=1698*
76% have a dedicated social media team	
74% believe social media marketing is core to their business	
70% believe social is a critical enabler of their products and services	
43% rate social media traffic as the most important social marketing metric	

* Percentages represent data from the base of respondents who indicated that they use this channel.