

Digital Marketing Landscape: The Power of Digital Experiences in 2014

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INTRODUCTION

“All marketing is digital marketing” – a statement in various forms that marketers are hearing with more regularity. While the statement is a bit dramatic, it very nearly approaches the truth: **Much of what marketers do as they practice their craft is directly or indirectly linked to communication with customers and prospects through some digital channel.**

The term “digital marketing” is so broad it’s barely descriptive anymore. An email marketer can rightfully claim that it is marketing digitally, as can the marketer using personalization on a mobile-optimized website. The digital marketing channel is simply a means to an end. What’s more useful is to consider the end.

What goals are marketers trying to achieve in their digital marketing efforts?

For most marketers, the goal is to create a unique and memorable digital experience. **Savvy marketers understand that it is no longer enough to just present a solution’s benefits; the story of a solution and its benefits are best delivered through an impactful digital experience.** A well-crafted business case that clearly outlines a solution’s benefits addresses the rational component of a purchase decision. A digital experience has the ability to reach into the emotional spectrum. When reason and emotion combine, the effect is powerful.

It’s important to create some context and a shared meaning of the term “digital experience” since much of the focus of this study was on the approaches and benefits of creating them. **Digital experiences are digital environments, typically associated with a post-click experience, that meaningfully and warmly embrace visitors.** They are created using a variety of approaches, such as microsites, wizards, web applications, interactive content and more, providing visitors with choices to engage in ways that best address their needs and interests.

Marketers are rapidly recognizing the value of creating digital experiences because of their power to influence and persuade. The benefits of creating them are many, but collectively they lead to higher levels of engagement with the customers and prospects that experience them.

EXECUTIVE SUMMARY

Demand Metric, in conjunction with ion interactive, recently completed a study to explore the digital marketing landscape, seeking to determine:

- The budget and priority allocated to digital experience marketing
- The platforms on which marketers are creating and deploying digital experiences
- The degree of sophistication of digital experiences and the influence of that sophistication level on brand perception and revenue growth
- The scope of approaches currently in use and which ones are having the most impact
- The benefits and challenges of creating digital experiences
- The measurements in use to track the impact of digital experiences



EXECUTIVE SUMMARY

A survey was used to collect the data for this study, and its analysis provides these key findings:

- 59% of study participants rated the creation of digital experiences either “high” or “very high” as a marketing priority.
- A relationship exists between placing a high priority on digital experience marketing and revenue growth. 76% of study participants reporting revenue growth in the most recent fiscal year also put a high priority on digital experience creation. For organizations that reported declining revenue growth, only six percent report digital experience creation as a high priority. While this is not a cause-and-effect relationship, there is a connection that marketers should not ignore when setting marketing priorities.
- The sophistication of digital experiences has a powerful influence on brand perception. The more sophisticated or advanced the digital experience, the more magnified the effect on brand perception: 91% of study participants that are deploying sophisticated digital experiences report that these efforts have a favorable influence on brand perception. At the basic level of sophistication, only 50% of participants report this favorable impact.
- Almost all approaches to digital experience creation are capable of driving brand perception, but the two most powerful approaches are responsive design and content targeting.

This report details the results and insights from the analysis of the study data.



RESEARCH METHODOLOGY

The Demand Metric 2013 Digital Marketing Landscape Survey was administered online during the period of November 7th through November 30th, 2013. During this period, over 600 responses were collected, of which 518 were qualified and complete enough for inclusion in the analysis.

Summarized below is the basic categorization data collected about respondents to enable filtering and analysis of the data:

Annual Revenues:

- \$10 million or less (48%)
- \$11 to \$25 million (12%)
- \$26 to \$100 million (13%)
- \$101 to \$500 million (13%)
- \$501 to \$1 billion (4%)
- Over \$1 billion (10%)

Primary Role of Respondent:

- President, CEO or Owner (24%)
- Marketing (62%)
- Sales (3%)
- IT (2%)
- Finance/Accounting (1%)
- Other (8%)

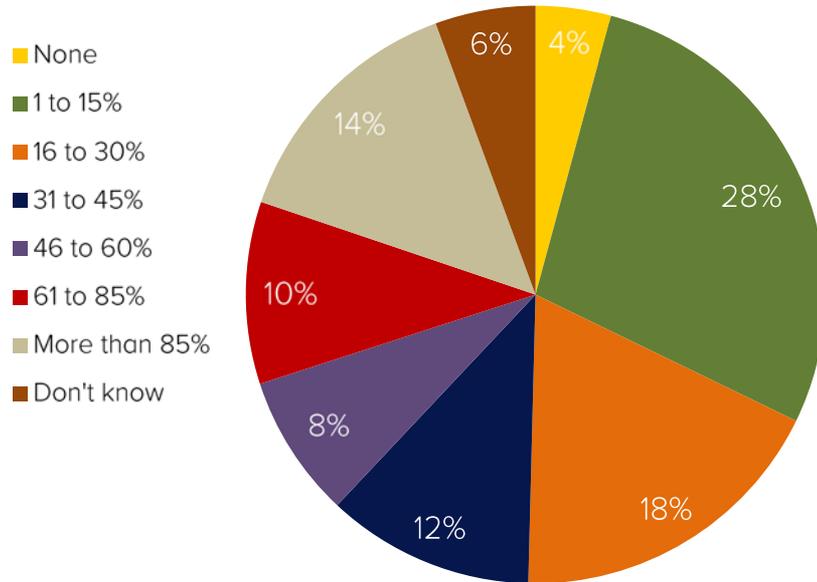
Type of Organization:

- Mostly or entirely B2B (60%)
- Mostly or entirely B2C (17%)
- Blend of B2B/B2C (16%)
- Agency (7%)



DIGITAL MARKETING BUDGETS

% of Marketing Budget Allocated to "Digital"



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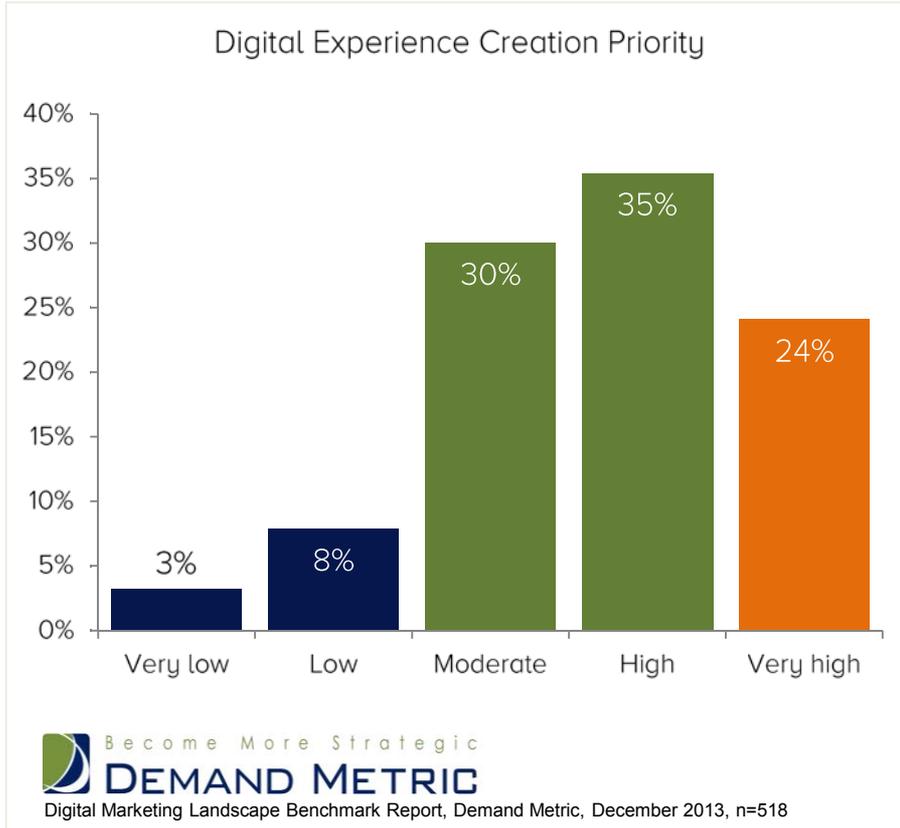
To establish a spending baseline, study participants were asked to indicate how much of their marketing budgets are allocated to digital marketing.

If all marketing is digital marketing, these budget figures don't yet reflect that degree of investment: **58% of these study participants are allocating less than half of their budgets to digital marketing.** Yet, marketers have long understood that the digital marketing dollar goes farther than the traditional marketing dollar, so budget allocations for digital initiatives don't directly indicate their impact.

Further analysis of this study's data on budget allocations was conducted to understand if any statistically significant relationship exists between the digital marketing allocation and an organization's growth. Stated differently: *Are organizations that allocate more of their budgets to digital marketing also growing faster, either as a direct or indirect result of their digital marketing investment?*

This study did not show a relationship between budget and growth. In other words, achieving growth through digital marketing requires more than simply throwing money at it. There are other drivers of digital marketing success, which this study will explore.

DIGITAL EXPERIENCE CREATION PRIORITIES



A good indication of the importance of digital marketing – specifically creating rich, compelling digital experiences – is the priority or emphasis organizations place on it.

In light of competing digital marketing initiatives, study participants were asked to rate the priority of creating digital experiences, producing the results visible in the chart to the left.

Well over half (59%) of the study sample rated the priority as “high” or “very high”, and 89% rated digital experience creation a moderate or higher priority.

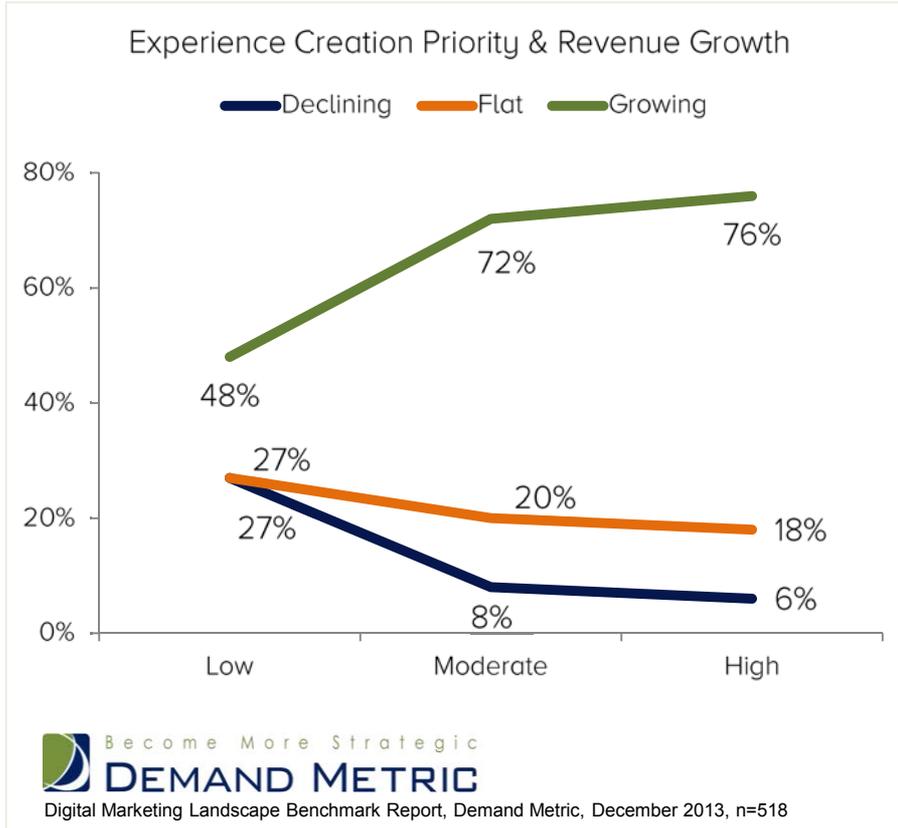
Among the various digital marketing initiatives that an organization can pursue, creating rich, compelling digital experiences is clearly one of the higher priorities.

However, is this emphasis on creating digital experiences bearing fruit? Is there a relationship between prioritizing this activity and an important, measurable outcome?

To find out, the analysis of the study’s data considered the relationship between revenue growth and this digital experience priority data.



DIGITAL EXPERIENCE CREATION PRIORITIES



To simplify this analysis, the “growth” and “priority” variables were grouped as follows:

- Revenue growth variable categories: declining, flat or growing
- Digital experience creation priority variable categories: low, moderate or high

The results of this analysis show a strong relationship that is statistically significant.

The findings can be viewed in the chart to the left.



DIGITAL EXPERIENCE CREATION PRIORITIES

To interpret these results, understand that the priority for creating digital experiences is represented by the X-axis, and the Y-axis represents revenue growth. Each line in the graph represents one of the revenue growth categories: declining, flat or growing.

At the “High” priority or right side of the graph, 76% of organizations that report revenue growth are also placing a high priority on digital experience creation.

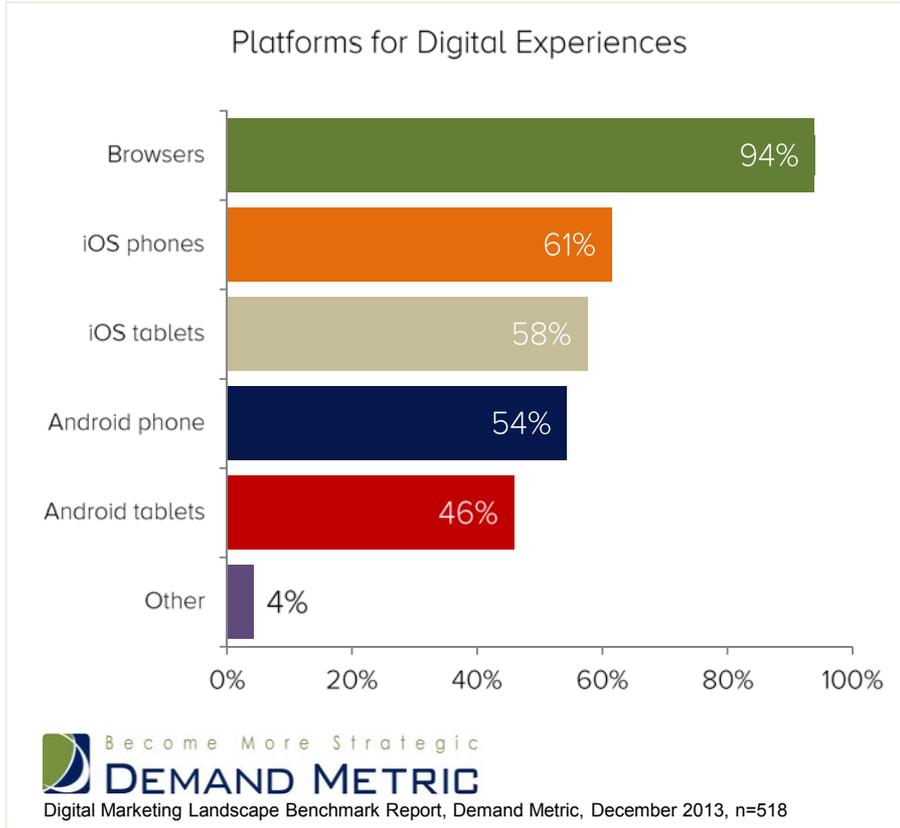
Staying on the “High” priority side of the graph, only 18% of organizations with flat growth, and six percent of organizations with declining growth are placing a high priority on creating rich, digital experiences.

Marketers understand that the influences on revenue growth are myriad, and it is foolish to interpret this data to mean that emphasizing the creation of digital experiences guarantees revenue growth.

However, the cross-tabulation of these growth and priority variables yield an undeniable conclusion: **There is a strong relationship between the two, one that is too important to ignore when determining marketing priorities.**



PLATFORMS FOR DIGITAL EXPERIENCES



While web browsers dominate the digital experience platform landscape, organizations are delivering digital experiences on a number of other platforms. Study participants were asked to identify any of the platforms on which they are creating digital experiences.

When it comes to influencing the brand impression, does platform choice make a difference? The study asked participants to rate the impact of the digital experiences they deliver on their brand perception.

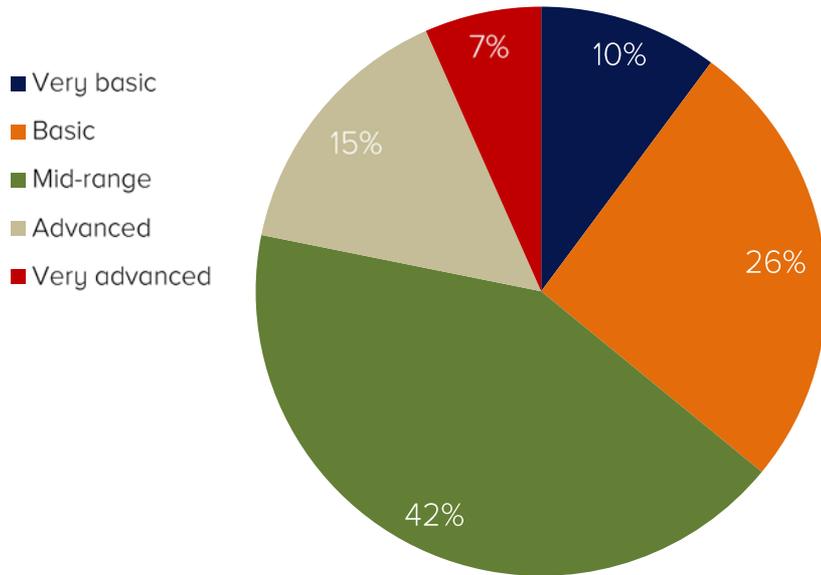
Using this brand perception data to analyze platforms revealed that all relationships between platforms on which a digital experience is encountered and brand perception impact are significant. All platform choices have the ability to influence brand perception. When they all are considered together, the iOS phone platform is the first among equals as an influencer of brand perception, but all of them matter.

Organizations should therefore choose to create digital experiences on platforms that best allow them to reach their target audience, not because one platform is far more influential than the others when it comes to brand perception.



SOPHISTICATION OF DIGITAL EXPERIENCES

Sophistication of Digital Experiences



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From the elaborate to the simple, digital experiences can convey a wide range of sophistication.

While the sophistication of a digital experience has a degree of subjectivity associated with it, study participants were specifically asked to rate the level of sophistication for their created experiences in terms of technology, richness and interaction.

In the previous section, the impact of platform on brand perception was explored, and the result was that all platforms are virtually identical in their ability to influence the brand perception.

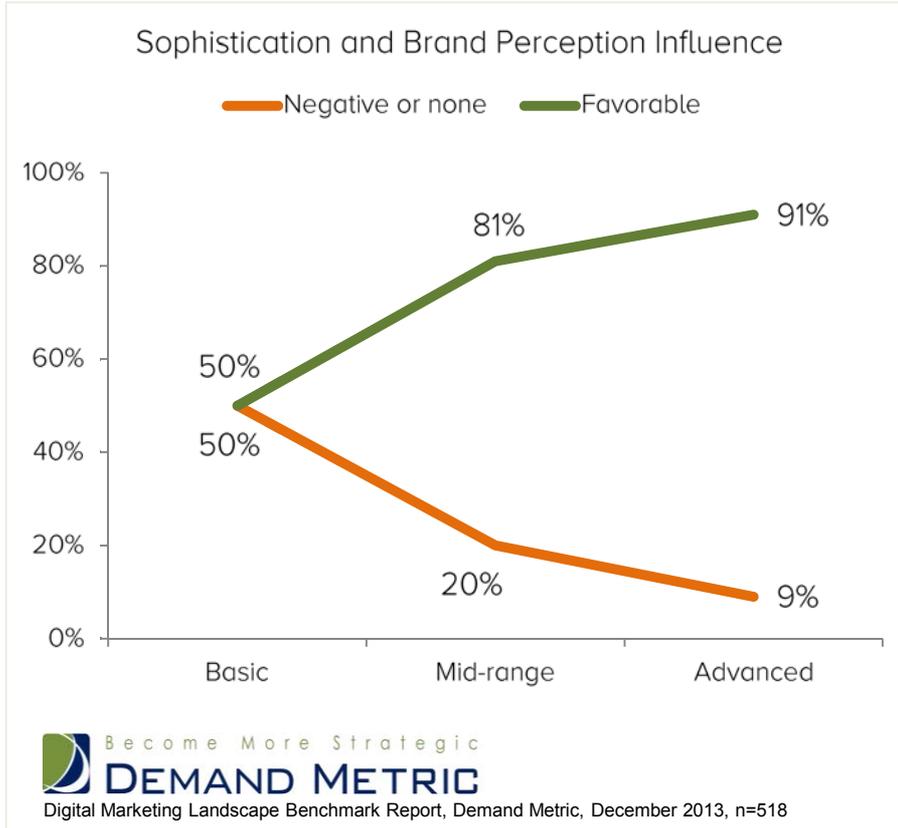
This same type of analysis performed using degree of sophistication instead of platform yields a different result.

To perform this analysis, the brand perception data was segmented into two categories:

1. No or negative influence on brand perception
2. Favorable influence on brand perception



SOPHISTICATION OF DIGITAL EXPERIENCES



Furthermore, the sophistication data was segmented into three categories to simplify the analysis:

- Basic: includes “very basic” and “basic” survey responses
- Mid-range
- Advanced: includes “advanced” and “very advanced” responses

Performing the analysis with the data segmented in this manner produced the chart to the left.

This graph depicts the degree of sophistication on the X-axis. The green line represents all respondents who reported a favorable influence on the perception of their brand; the orange line represents the respondents reporting no influence or a negative influence.

This data graph makes the relationship here impossible to miss: **The degree of sophistication of the digital experience that is created is a clear predictor of brand perception.**



SOPHISTICATION OF DIGITAL EXPERIENCES

At the basic level of sophistication, the data shows neutrality: there were equal numbers of responses on each side of the favorable/unfavorable spectrum of influence on brand perception. Advancing beyond the basic level of sophistication, the numbers diverge sharply. At the mid-range of digital experience sophistication, the gap between favorable and no/unfavorable influence on brand perception is 61%, and at the advanced level, 82%.

This data should confirm what many marketers' instincts would tell them about creating digital experiences: **Basic levels of sophistication may have utility, but they don't impress, they don't help the brand, nor do they hurt it. They are merely conveniences.**

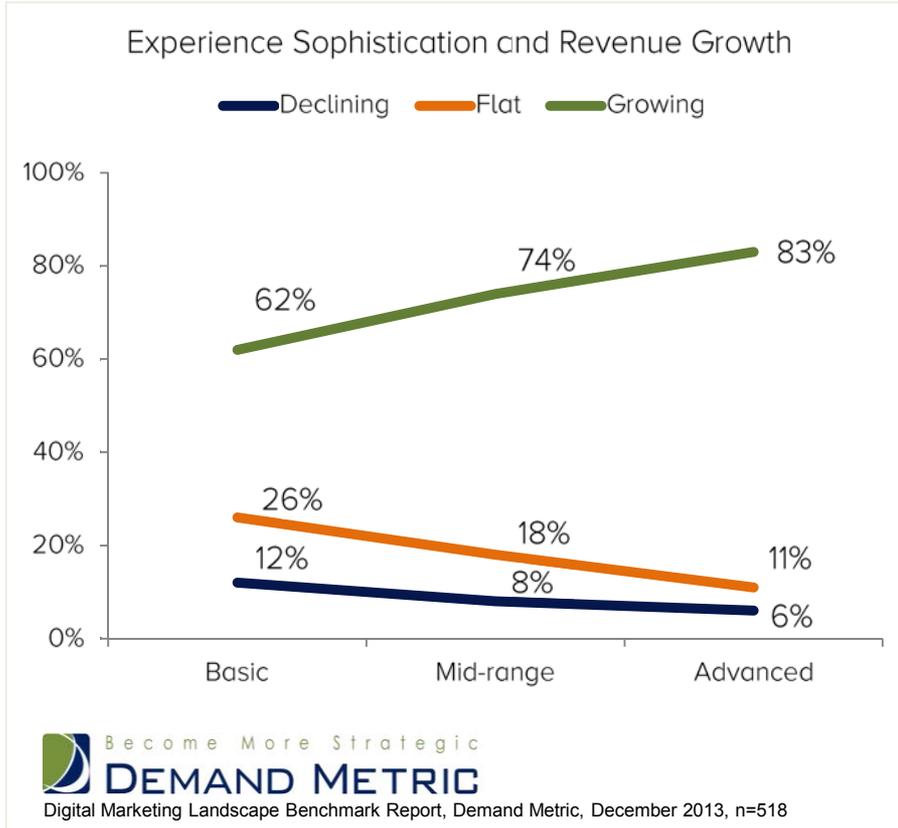
There's another important lesson in this data: Marketers don't have to go all out in the creation of digital experiences to get the most benefits. There is a happy medium, literally. While it is true that the most sophisticated digital experiences provide the greatest influence on brand perception, there is a point of diminishing returns somewhere between the mid-range and advanced levels of sophistication, and that point is probably closer to mid-range.

However, marketers must also understand this: sophistication level of a digital experience is a perception of the visitor, not the creator. It is also a moving target: today's mid-range level of sophistication is tomorrow's basic level. For this reason, if digital experiences are key enablers of strategic marketing outcomes, no marketer should rest for long in one place.

Although the value of creating more sophisticated digital experiences is well supported by the cross-tabulation analysis with brand perception, further reinforcement is provided when sophistication data is analyzed against revenue growth.



SOPHISTICATION OF DIGITAL EXPERIENCES



As before, the degree of sophistication is presented on the X-axis. The green line represents all respondents who reported revenue growth in the most recently completed fiscal year; the orange line represents flat growth and the blue line declining growth.

For organizations whose sophistication is advanced in the creation of digital experiences, 83% are also experiencing revenue growth.

Just six and 11% of organizations, respectively, that are also deploying advanced or more sophisticated digital experiences are in flat or declining revenue growth situations.

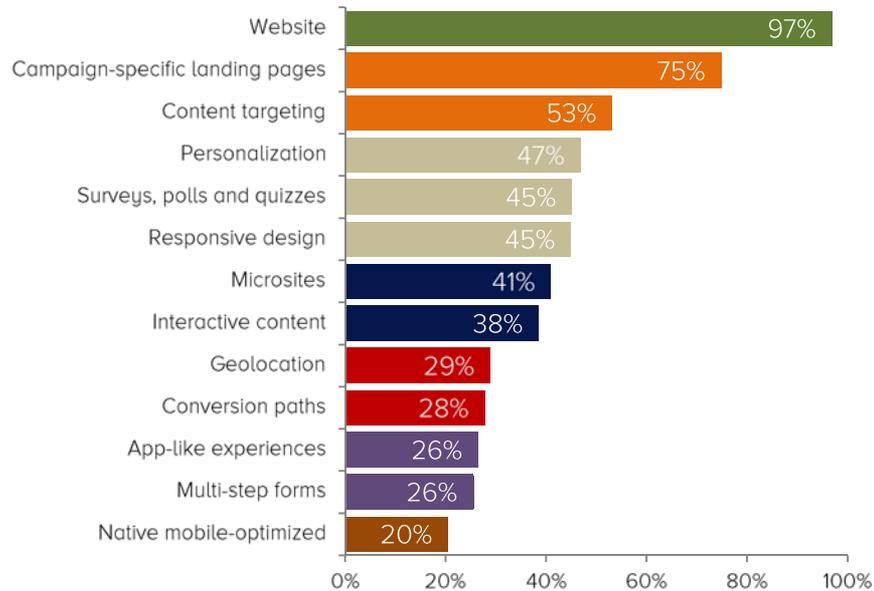
As previously stated, there are many drivers of revenue and therefore it's not wise to interpret this data to mean that sophisticated digital experiences guarantee revenue growth.

However, it's also unwise to ignore the relationship here: **Organizations that are experiencing revenue growth are also most aggressively exploiting more sophisticated, advanced digital experiences.**



APPROACHES TO DIGITAL EXPERIENCE CREATION

Current Approaches to Experience Creation



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The digital marketing landscape is evolving very rapidly and the number of approaches a firm can take to create digital experiences is virtually unlimited.

One of the aspects of this study was to understand the current and planned approaches for digital experience creation, as well as to find out which ones are generating the best results.

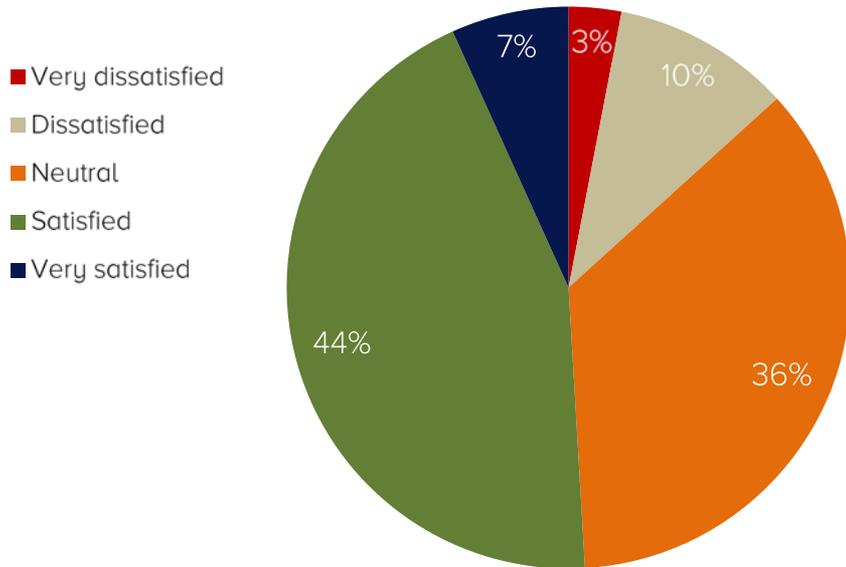
Study participants were asked to indicate which digital marketing approaches are currently in use, and they were allowed to select as many as applied.

It is no surprise that the venerable website continues to serve as “ground zero” for digital marketing and as a host for digital experiences.



APPROACHES TO DIGITAL EXPERIENCE CREATION

Satisfaction with Digital Experience Benefits



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A related question in this study asked for an overall rating on the satisfaction with the benefits received from digital experience creation.

Overall satisfaction was generally high, and this data was analyzed to understand which approaches are most responsible for creating this satisfaction. The analysis reveals that when comparing all of these approaches, three of them are the best predictors of satisfaction with the benefits they produce:

1. Content targeting
2. Conversion paths
3. Responsive design

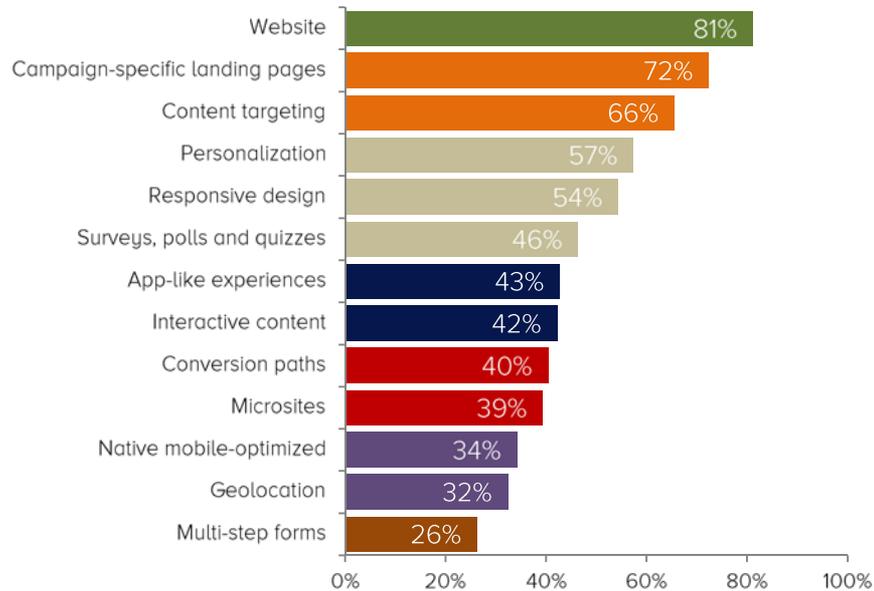
A similar analysis was performed to understand which of these current approaches are the biggest drivers of brand perception, and two stood out:

1. Responsive design
2. Content targeting



APPROACHES TO DIGITAL EXPERIENCE CREATION

Planned Digital Marketing Approaches



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Using the same list of approaches, study participants were asked to identify which ones they plan to use in the next 12 months.

Note that these responses don't necessarily represent new approaches.

They are simply the approaches organizations plan to use during the coming year, some of which are already in use.



APPROACHES TO DIGITAL EXPERIENCE CREATION

The list of current and planned approaches is in nearly identical order, but there are some notable differences between current and planned approaches:

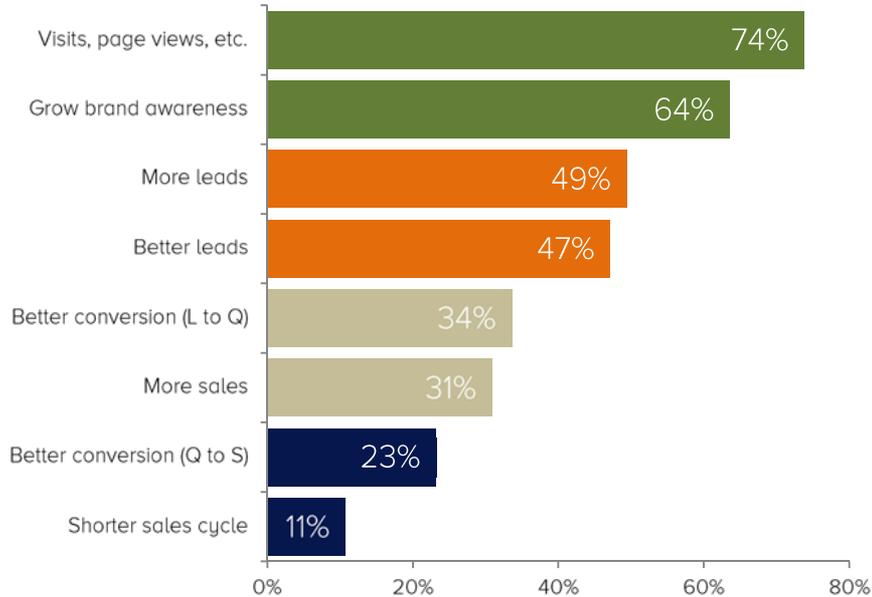
- Increased usage:
 - Content targeting (+12%)
 - Conversion paths (+12%)
 - Microsites (+11%)
 - Personalization (+10%)
 - Responsive design (+ 9%)
- Decreased usage:
 - Website (-16%)

This data doesn't reflect the diminishing importance of the website, but it does reflect increasing sophistication and diversification in the creation of digital experiences.



BENEFITS

Benefits of Digital Experience Creation



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Study participants were asked to share the specific areas in which they are receiving benefits from the digital experiences they are creating and deploying.

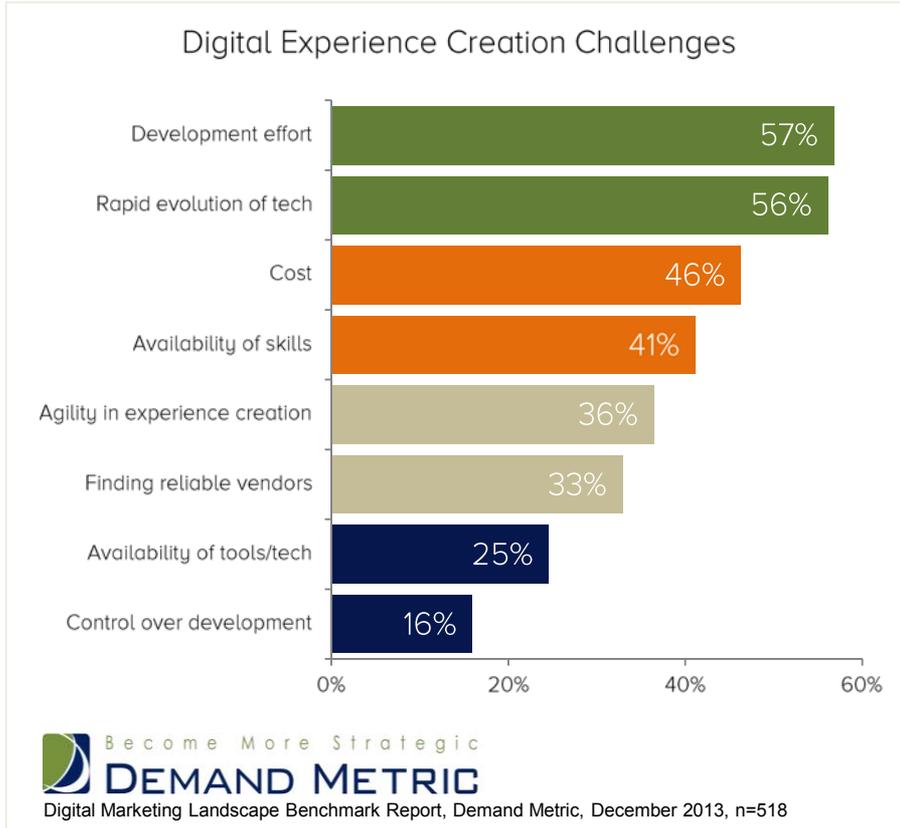
A few “Other” responses volunteered benefits of improved website usability and “it’s more of a case of not falling behind.”

Regarding the latter statement, the rapid evolution of technology used to create and deliver digital experiences is the top challenge organizations identified in this study. This report will detail this and other challenges in the following section.

The top two benefits in this ranking are closely related. While increasing website visits, page views, garnering more “Likes” or social media followers have other benefits, increasing brand awareness is certainly a byproduct of this interaction.

As discussed in the section, “Sophistication of Digital Experiences,” there is a strong relationship between the level of sophistication of digital experiences and their influence on brand perception. This benefits data further validates that connection.

CHALLENGES



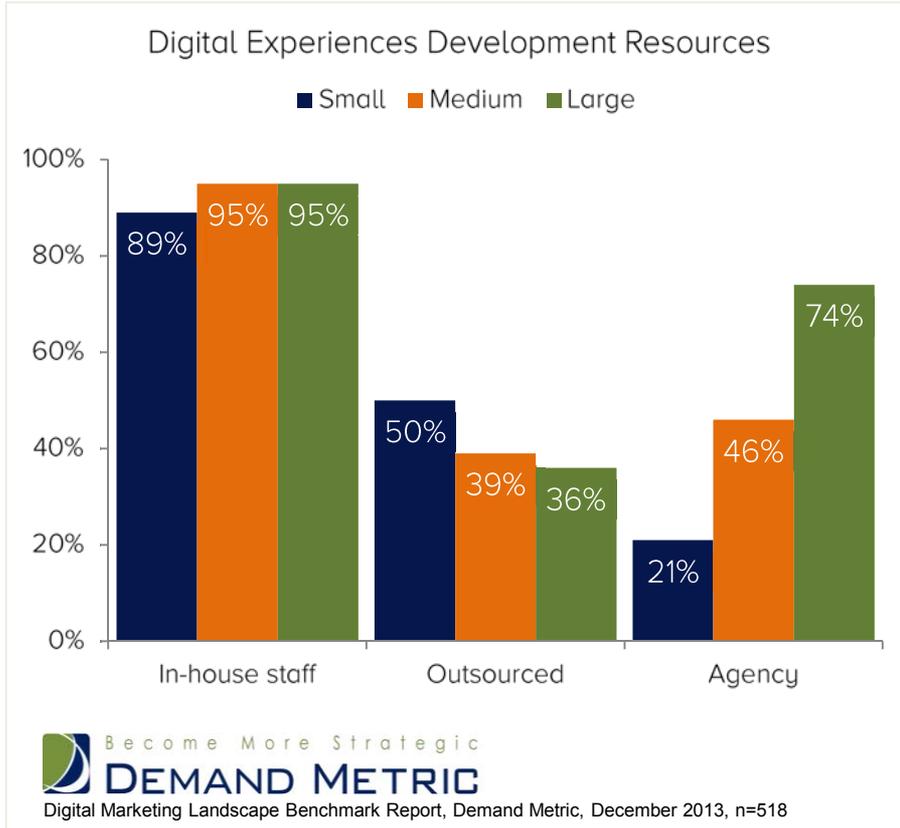
Marketing with digital experiences creates many benefits and opportunities for organizations. Creating those digital experiences, however, presents a number of challenges.

The two leading challenges identified in this study are interrelated in a way that compounds the issues they present. **The digital experience development effort – and this study finds that greater sophistication delivers greater benefit – requires an investment of time and resources.**

It's entirely likely that an organization can commit to a technology, climb the learning curve for it and then deploy a digital experience based on it, only to find that by the time they do so, their tool or technology choices have been eclipsed by something new. **Clearly there is frustration in the survey sample group at how quickly the technology landscape is shifting under the feet of their developers.**

While each challenge identified here is real, development effort and the rapid evolution of technology are the most pandemic. Organizations can best cope with both of these challenges by recognizing that the tools and technologies are means to an end.

CHALLENGES



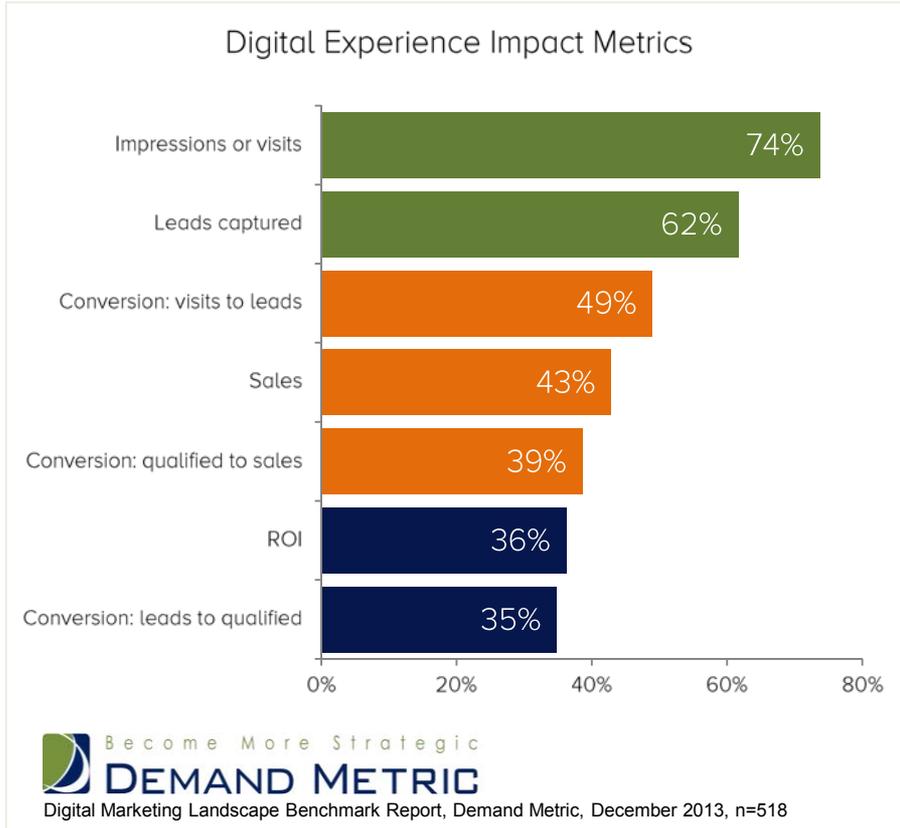
When an organization lets these challenges become the focus of the digital experiences marketing effort, it risks letting the tail wag the dog. As with any marketing initiative, digital or traditional, the effort should begin with some basic questions:

1. Who are we trying to reach?
2. What is the best way to reach them?
3. What do they need to hear from us?

These questions should direct any marketing initiative, and digital experience creation is no exception. **When the focus stays on the object of the digital experience development effort, it can eliminate or at least minimize the vertigo induced by the rapid evolution of technology.**

Since development effort was identified as the top challenge for digital experience creation, it's helpful to consider organization size when it comes to development efforts. This data is segmented by company size, where "Small" is \$25 million or less in annual revenue, "Medium" is from \$26 to \$500 million, and "Large" is more than \$500 million.

MEASUREMENT



Whether they do it or not, all marketers understand the importance of measuring their marketing efforts.

A strength of virtually any form of digital marketing is the availability of data that reveals how digital initiatives are performing.

Study participants provided their input on the various metrics in use for measuring the impact of the digital marketing experiences they are creating. Participants were allowed to choose as many measurement categories as applied.

Comments were solicited with this question, and several made it clear that no measurement efforts are place. The absence of measurement isn't necessarily shameful or an indictment of a marketing effort.

In the experimental stage of many new marketing initiatives, the metrics are often either unavailable or inaccurate.

At some point, however, metrics become essential. The question is, which metrics?



MEASUREMENT

This study shows that the measurements have not evolved nearly as fast as the technology to create digital experiences.

All of the metrics identified in this study are fine, but none of them are adequate as standalone metrics to judge the merits of the digital experiences that generate them.

Ideally a digital experiences dashboard would include three categories of metrics:

1. Traffic: a basic metric, such as impressions, visits or leads generated that simply is an indicator of activity.
2. Financial: a more advanced metric, such as sales or ROI that helps connect the digital experience investment into something the C-suite cares about.
3. Engagement: the most advanced category of metric, such as conversion, that provides an indication that a virtual dialogue exists. It shows that the person who had the digital experience initiated some meaningful interaction as a result of that experience. This is the hardest category of measurement to capture, but it has the most value to marketers. Social media sharing, referrals or linking digital experiences to brand awareness/brand equity are excellent ways to capture engagement.



ANALYST BOTTOM LINE

Sophisticated digital experiences are having a significant, measurable impact on brand perception and revenue growth.

Organizations that have been slow to adopt digital experiences as part of their marketing strategy must recognize how quickly their competitors can grab the spotlight by creating advanced digital experiences.

Company size is not a critical success factor for this strategy, as a small startup can steal the show from larger, better-known but less agile competitors.

Digital marketing has always been a great equalizer in this regard, but through the clever creation and deployment of digital experiences, size is even less a factor. Instead, it's about ingenuity and agility.

Brand awareness and perception is more vulnerable because of the powerful influence digital experiences have over them.

While a strong brand is always an advantage, the creation and use of digital experiences provides upstart brands with the ability to build awareness and equity at light speed, instead of the years or even decades it once took.

What should organizations do as they wrestle with the opportunities and challenges that digital experience marketing provides?

Invest in being a leader. Understand what your competitors are doing and outdo them.



ANALYST BOTTOM LINE

The market rewards excellence when it comes to digital experiences. There is no second place in this competition for mindshare and attention, only first loser. For this reason:

- **Don't let tool and technology choices drive your efforts.** Create a foundation by clarifying who you're trying to influence, how to best reach them and what they need to experience. Then, make tool and technology choices that best help achieve your objectives.
- **As you develop digital experiences, lean toward the more sophisticated or advanced end of the spectrum.** Go big or go home.
- **Recognize that metrics are essential, but if you're just getting started, don't let the early returns discourage you.** At some point, you'll want a set of metrics for traffic, some financial indicator and a measure of engagement.

Many companies that have been digital marketers for years still strain after incremental improvements in clicks and click-thru rates, by tweaking email copy here or HTML code there.

By creating rich digital experiences instead of chasing clicks, marketers can break away from the pack.



ACKNOWLEDGEMENTS

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Demand Metric acknowledges the advice and assistance of Dr. Tom Brown, Noble Foundation Chair in Marketing Strategy and Professor of Marketing in the Spears School of Business at Oklahoma State University, in facilitating and providing counsel on the analysis of these survey results.

About ion interactive

ion's software replaces landing pages with app-like web, mobile and responsive experiences. Using ion's simple drag-and-drop interface, anyone can create and test amazing, app-like experiences—no technical or design skills required. ion experiences significantly improve lead generation and customer acquisition with research showing that 73% of ion's customers report at least doubling their digital marketing conversion rates. ion is based in Boca Raton, FL, with a second office in Cambridge, MA. Customers include Dell, Iron Mountain, DHL and hundreds of other brands and agencies.

For further information, please call (888) ion.idea (466.4332).



ABOUT DEMAND METRIC

Demand Metric is a global marketing research & advisory firm serving a membership community of over 38,000 marketing professionals, CEOs, and business owners with advisory services, custom research & benchmarking reports, vendor studies, consulting methodologies, training, and a library of 500+ practical tools and templates.

Using Demand Metric resources, members complete projects faster and with greater confidence, boosting respect for the marketing team and making it easier to justify needed resources. Our 1,000+ corporate clients range from start-ups to consulting firms to members of the Global 1000.

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