Market Data / Supplier Selection / Event Presentations / User Experience Benchmarking / Best Practice / Template Files / Trends & Innovation

Enterprise Priorities in Digital Marketing

Exploring the investment in technology and marketing for a customer-centric future

in association with Teradata

Enterprise Priorities in Digital Marketing

in association with Teradata

Published September 2014

Econsultancy London
Wells Point
79 Wells Street
London W1T 3QN
United Kingdom

Telephone:
+44 207 269 1450

http://econsultancy.com
help@econsultancy.com

Econsultancy New York
350 7th Avenue, Suite 307
New York, NY 10001
United States

Telephone:
+1 212 971 0630

Contents

1. Foreword by Teradata

In 2013, Teradata discovered that 75% of marketers planned to implement a big data analytics solution within two years. [1] With a mass of customer data available to them, marketers have been seeking methods to organize and leverage information to better serve their customers and their company's bottom line.

Data-driven marketing empowers marketers to convert information into deeper customer engagement. It is the strategy of connecting large amounts of online data with traditional offline data, rapidly analyzing and gaining cross-channel insights about customers. Using integrated communication tools, those insights are brought to market via highly-personalized interactions tailored to the customer at their point of need and in real-time.

As pioneers in data-driven marketing, Teradata is asking questions about how marketing has changed and how it needs to change—particularly around various digital marketing efforts.

With so many options for online interaction and analytics-driven customization, the customer is now in charge. Social channels, web sites, mobile and email options are now considered traditional marketing channels, and they provide new opportunities for marketers through data-driven strategies.

How have these customer-empowered channels reshaped marketing budgets? How has use of digital marketing channels caused the marketing landscape to evolve? How have marketers leveraged their technology investments to build stronger customer relationships? How are CMOs and CIOs aligning differently to ensure all customer data is accessible?

Teradata partnered with Econsultancy to help answer these questions and many others. This report is based on a global survey of over 400 senior marketers. Coming from multiple industries, these respondents provide valuable indicators of the current marketing landscape.

[1] *Results from Teradata Data-Driven Marketing Survey 2013, Global. Download the full report at www.teradata.com/datadrivenmarketing.*

1.1. About Teradata

Teradata is a global leader in analytic data platforms, marketing and analytic applications, and consulting services. Teradata helps organizations collect, integrate, and analyze all of their data so they can know more about their customers and business and do more of what's really important. With more than 10,000 professionals in 43 countries, Teradata empowers customers to become data-driven businesses that exploit data for insight and value. More than 2,500 customers worldwide span many industries, including: automotive and industrial; communications; consumer goods; e-commerce; financial services; government; healthcare and life sciences; hospitality and gaming; insurance; manufacturing; media and entertainment; oil and gas; retail; transportation, distribution, and logistics; travel; and utilities.

With thirty-five years of experience driving innovation, Teradata's offers include workload-specific platforms that integrate an organization's data into a unified view of the business. Teradata also offers database software including the unparalleled Teradata® Database, and for big data analytics, Teradata Aster® Discovery Platforms. Our unique Teradata Unified Data Architecture™ is a comprehensive enterprise approach that helps businesses discover and operationalize insights by integrating multiple technologies, including Hadoop, into a robust, hybrid architecture. Teradata's marketing and analytic applications—available on premise or in the cloud – leverage data to improve marketing effectiveness, determine profitability, and forecast demand. Our services consultants offer proven methodologies, deep industry expertise, and years of hands-on experience to help customers maximize use and leverage the value of their data. An ethical and future-focused company, Teradata is recognized for technological excellence, sustainability, corporate social responsibility, and business value.

Visit teradata.com

1.2. About Econsultancy

Econsultancy's mission is to help our customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy is used by more than 600,000 professionals every month, and has offices in New York, London and Singapore.

Our subscribers have access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription offering is supported by digital transformation services which include capability programs, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as hosting events and networking that bring the Econsultancy community together around the world.

Subscribe to Econsultancy today to accelerate your journey to digital excellence.

Call us to find out more:

New York: +1 212 971 0630

London: +44 207 269 1450

Singapore: +65 6809 2088

1.3. About the research

This report is based on a survey of 402 senior marketers from global organizations. All respondents are with companies having more than $500 million in revenue, with 56% having revenues over $3 billion.

Respondents were from a wide variety of industries, with an emphasis on automotive, consumer goods, consumer technology, retail and travel/hospitality.

Only respondents who reported that they were decision makers or influencers in the marketing budget allocation process were shown budget-specific questions. Other respondents were asked questions about digital marketing and related technologies as well as corporate priorities and challenges.

The survey was conducted in July of 2014, using a questionnaire developed by Econsultancy. More detail is contained in the Appendix: Respondent profiles.

2. Executive summary

Econsultancy and Teradata embarked on this research with the goal of providing guidance for the future through specific benchmarks from digital marketing leaders at enterprise organizations. This report focuses on the technology priorities of the world's largest companies, the strategies they support and the marketing budgets with which they're aligned.

What's clear throughout the report is the goal of building a customer-first approach. Current and near-term plans for the technologies of customer analysis and experience are a validation that companies are moving away from simple platitudes towards optimizing the investment of their hard-won budgets. They also confirm that there's a long way to go.

This report is based on an international survey of 402 senior marketers (director and above) from global enterprises. Respondents were from companies with more than $500 million in revenue, with 56% having revenues over $3 billion.

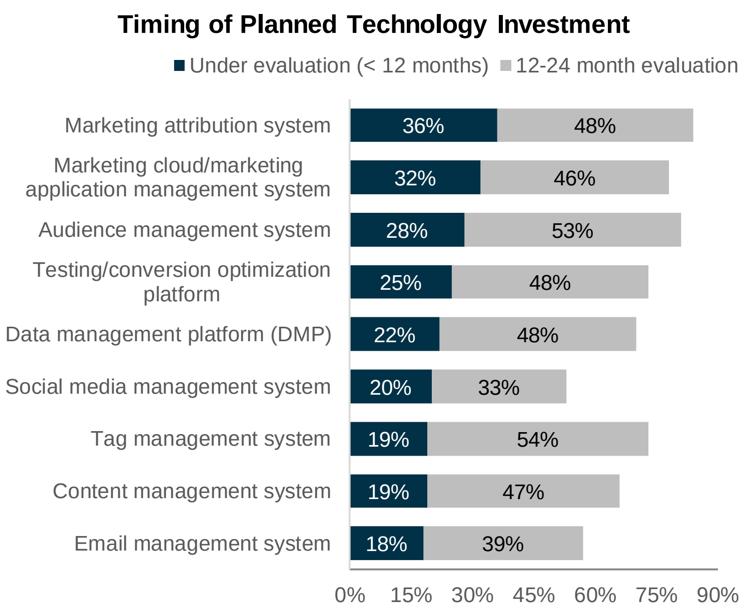
Strategic direction and the tools to get there

Across industries and continents, the debate about how to approach the modern consumer is over. The largest marketing organizations in the world have reached the conclusion that the customer relationship is the single path to sustainable growth and reliable retention. Their commitment to customer-centricity is evident throughout this report, because investment tells a story more persuasively than any press release.

This focus on **understanding the customer and their context (location, time, behaviors, etc.) is driving an unprecedented demand for technology**. Marketing data is simply the only way to listen to and work with the customer, and marketers must align an array of capabilities to capture and manage it.

Planned investment in new technologies is led by **36% of companies currently evaluating marketing attribution solutions, with 32% doing so within marketing management systems**.

A key challenge to many companies is the demand for technology and data to work at scale across functions. **At nearly 40% of organizations, workflow isn't as efficient as it needs to be** because existing technologies don't work together well.



For those with robust technology stacks in place, managing and using their data lead their ongoing priorities. **29% call their data management platform their top technology priority,** followed by **23% for audience management and marketing management** systems alike.

Investments in technology are driven by high priorities for personalization and customer-centrism. **86% of enterprise companies are practicing some form of personalization, although fewer than 20% are doing so in real-time.**

Becoming **customer-centric is a top two priority for 49%** of respondent organizations.

Actions being taken to achieve this include activities such as **implementing holistic attribution (45%) and restructuring KPIs to reflect the complexity of the customer journey (41%) as well as encouraging cross-team cooperation (54%) and hiring staff devoted to customer-centric activities (32%)**.

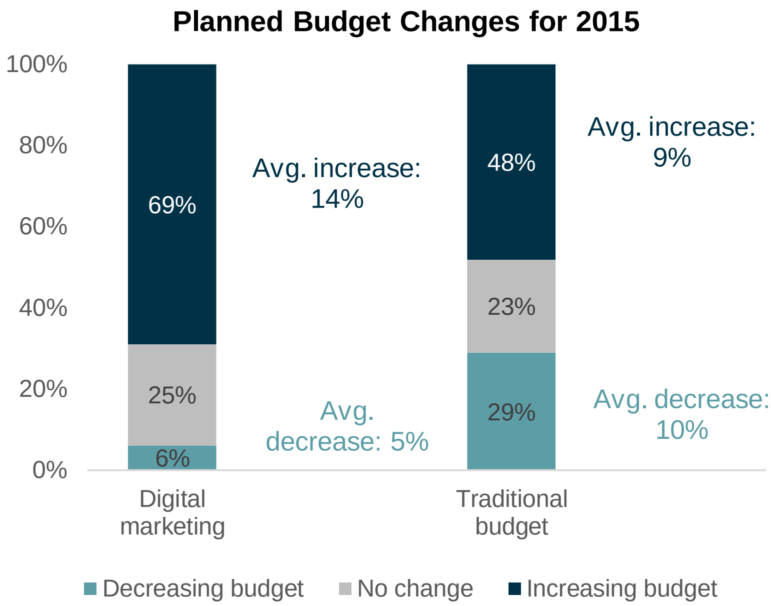
Digital Budgets

Although enterprise companies are pursuing a data-driven model, budgets are still heavily steered by past experience. While respondents cite hard evidence and experimentation as the largest factors in determining other elements of strategic direction, **experience plays a larger role than data when it comes to budget decision**s.

The general upward trend for marketing and advertising appears set to continue into 2015, but the emphasis will continue to be on digital.

As it has been in recent years, this trend is far more distinct in digital, where **nearly 70% of respondent organizations anticipate an increase** beyond inflation and **only 6% foresee a decrease.**

Traditional offline channels will see more mixed investment, as **nearly 30% see a likely decrease in budget by an average of 10%.**



Looking forward, **many companies expect their digital investment to reach 50% by 2019**, but the average figure is expected to be roughly 40%.

Digital advertising at 17% is the largest single channel budget by average, **followed closely by search (16%) and content (15%)**. Digital advertising also has the largest variation in spending. The report also looks at website spending, social, email and mobile.

Looking ahead to next year's budgets, **mobile will continue to be an area of emphasis, with 34% of marketing leaders saying they plan on significant increase.** Content marketing and display round out the top three planned areas of increase.

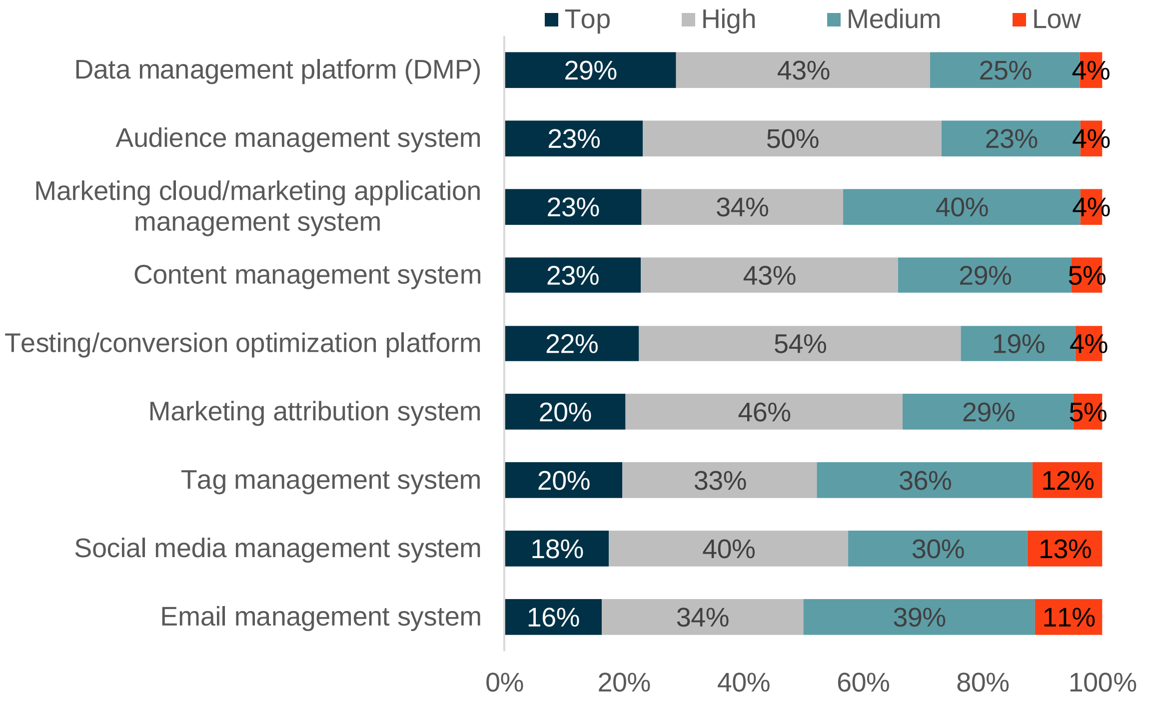
At the other end of the spectrum, paid search budgets will continue growing but incrementally, with **37% planning some increase, but only 14% predicting a significant one**.

Some of the other questions addressed in the report:

- What is driving new technology spending?
- Which are the key characteristics considered in new technology purchases?
- What percentage of revenue are companies devoting to marketing and specifically on digital?
- How are companies dividing their investment between acquisition and retention marketing?
- How are companies allocating to earned, owned and paid media, as well as other major buckets like technology and measurement?

3. Strategic priority and technology aligned

Figure 1: Priority of technologies in use



N=184

Marketers today have a remarkable array of technology at their disposal, and it's a challenge to prioritize and invest accordingly, especially as many organizations and their marketing departments try to remake themselves to be more digital-ready.

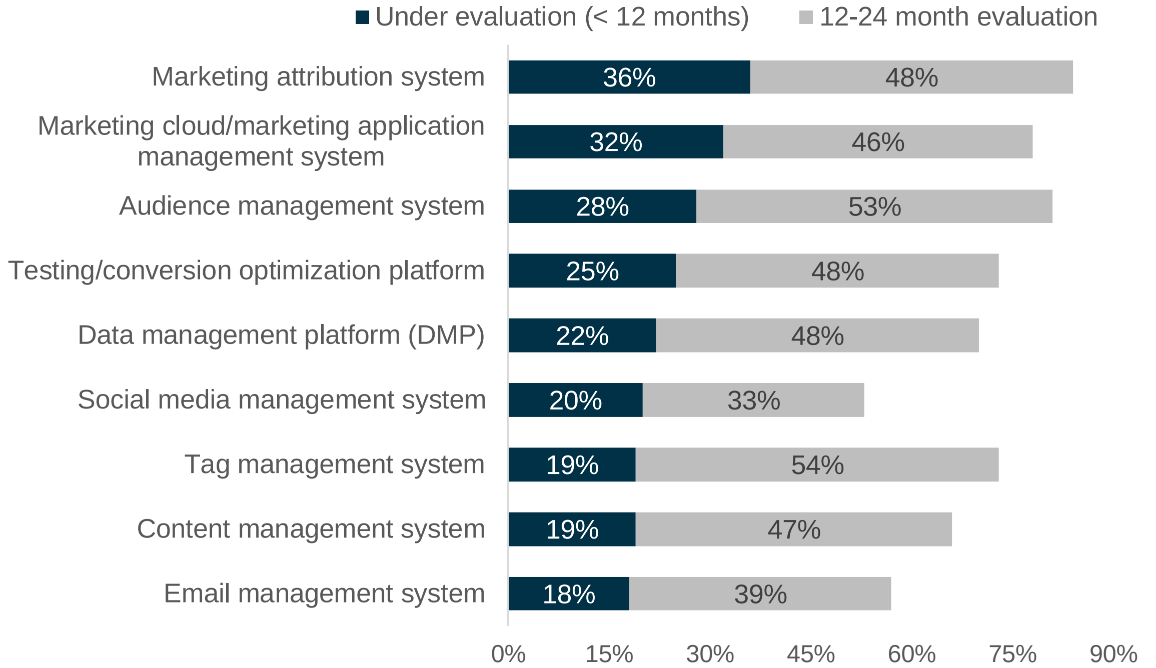
Figure 1 looks at where leading organizations are today, as senior marketers rate the priority of technologies they are already using. Not surprisingly, the opportunities of data and challenges around managing it are the priorities guiding top rankings for data and audience management. But an overarching takeaway is that everything is a priority; every technology has at least half of the respondents describing them as "high" or "top" priorities.

Technologies at the bottom of the rankings may be there for quite different reasons. Tag management, for example, is an inexpensive and somewhat commoditized solution. It's vital and on its way to becoming ubiquitous, but unlikely to be perceived as a strategic priority, except perhaps as part of a larger approach to organizing data and applications.

Social media systems were in heavy demand over the last 24-36 months and are likely to have been implemented in that period by the enterprise. They provide an important service, but not one that's strongly connected to revenue.

Email is a long established and resourced channel with a well-documented revenue contribution and strong return on investment. Although the tactic is perhaps overlooked while companies come to grips with new tools and channels, 50% of respondents rate it as a high near-term priority.

Figure 2: Plans for new technology investment



N=147

Respondents were asked about those technologies not currently in use at their organizations. They identified attribution, marketing "clouds" and audience management systems as the top three near-term priorities.

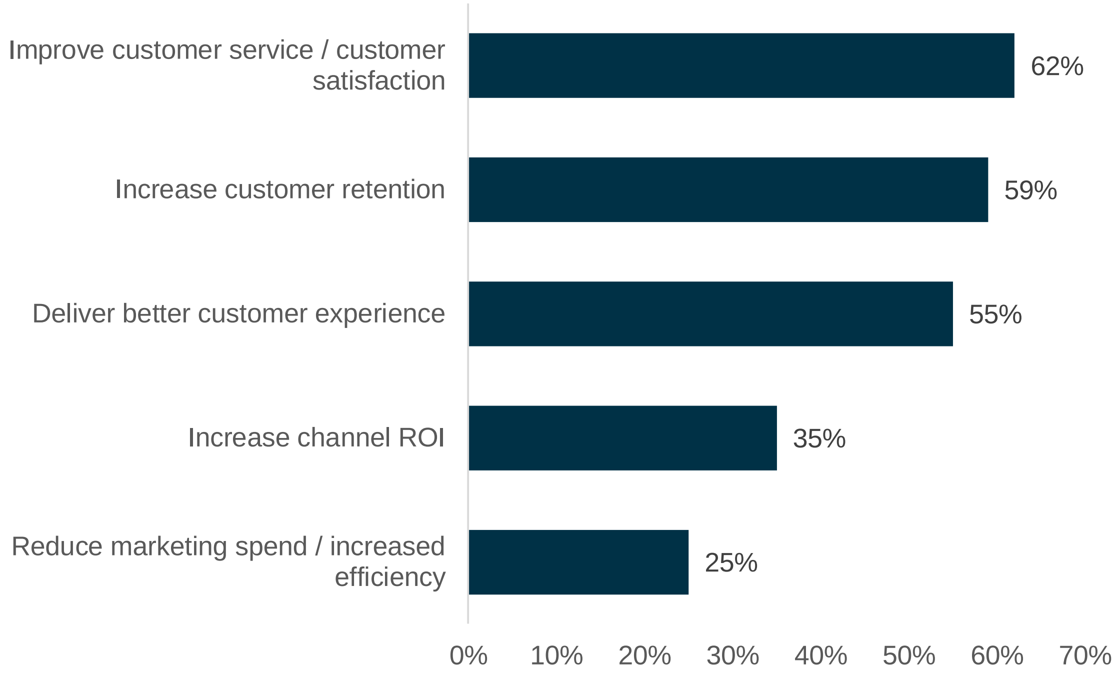
Of note, rankings in this chart are reflective of both priority and the penetration of a given technology. In the case of email management, for example, most companies have systems in place. 18% are looking at evaluating them in the next 12 months, but that number is only low in comparison with the other non-mature technologies. Taken independently, it's a sign of the ongoing importance of email that over half of all respondent companies are in review or planning one in the next 12-24 months.

By contrast, marketing attribution systems are only used in-house by roughly 35% of enterprise companies (Econsultancy, 2013). There is demand both from those looking to implement the technology for the first time and those evaluating a replacement.

Although there is general agreement at the top of the list across industries and regions, respondents from the UK and Australia are more likely to be reviewing social media management systems, having lagged somewhat in early implementation.

Among verticals, retail companies are more likely to be reviewing their content management capabilities, which dovetail with the real-time marketing goals for many.

Figure 3: Drivers of new technology spend



N=233

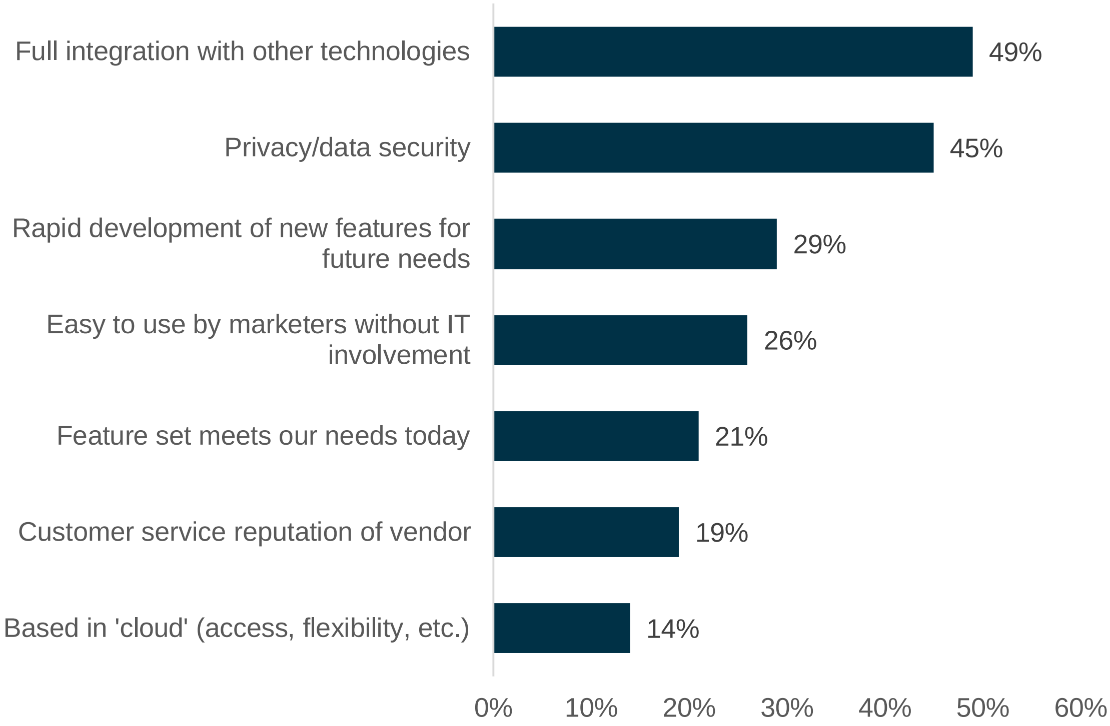
Global companies understand that the digital age has fundamentally changed their markets, whatever they are. Part of that change is a shift in power to the consumer that creates a real pressure to improve their experience, the sum total of all the interactions between a person and the brand.

Improving the customer experience (CX) isn't easy, because it's spread among many brands, properties and communication channels, not to mention devices, languages and operating systems.

But companies are investing to meet these challenges. The most-cited drivers for new technology adoption are almost entirely customer-focused; they include ways to improve customer service and the overall customer experience as well as to achieve longer, more reliable retention.

Across industries there are few exceptions to the priorities above. The most notable is in consumer goods, where customer experience is almost entirely product-based. Although customer satisfaction is the top driver as in other sectors, consumer goods marketers are more likely than their peers to prioritize channel ROI and marketing.

Figure 4: Key criteria for new technology



N=219

Many marketing organizations are confounded by the variety and disparity of their tools, and blame a lack of integration for poor digital performance. Effectively managing application data is necessary for fundamental and emerging capabilities. Marketers and technical managers know that their technology can be a competitive advantage or disadvantage, so they're evaluating it with integration capabilities as their top priority.

Marketers rate "privacy and data security" as their second priority in technology evaluation, but for practical purposes, that's squarely in the IT/Tech domain. Marketers might be better served by focusing their attention on their fourth priority; implementing technology that's easy to use.

Few things have impacted marketing effectiveness more than advances allowing marketers to manage critical functions without calling on IT/technical resources. The practice saves time while it increases control and flexibility for the marketer. Perhaps most importantly, as technology obviates or eases rote campaign tasks, technical talent is freed for higher-level projects.

Generally speaking, competition between marketing technologies forces providers to keep pace on feature development. It's rare to see long-term gaps at the basic feature level. So, while rapidly adding features is a real advantage for some, those with long experience of using advanced, SaaS-based technology might opt to trade it for strong customer service, especially at the early stages of implementation.

Section 3 Takeaways

We see by their relatively similar rankings that a range of technologies is in the process of becoming standards in enterprise marketing. The challenge for many organizations will be introducing and integrating the skillsets to take advantage of multiple systems implemented in parallel.

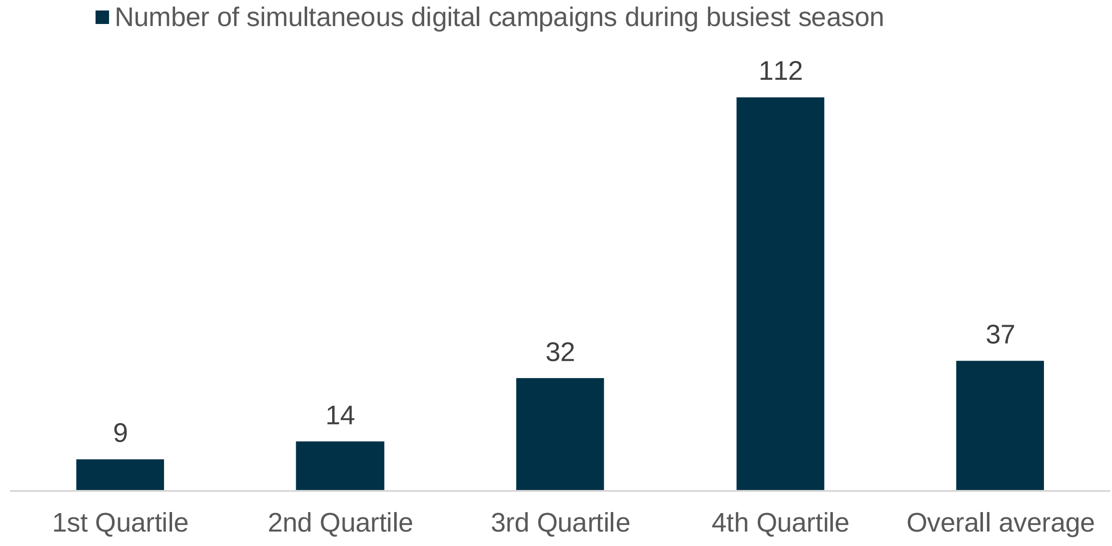
When digital initiatives fail, the problems often fall with people, not tools. With technology playing an ever more fundamental role in empowering or limiting marketing departments, it's easy to focus on features, functions and integration. These are obviously vital, but not always the weak link.

Investments in new technology need to be accompanied by a fully formed plan to operate them for maximum gain. Such plans must be specific, and use compensation along with other incentives to encourage uptake and proficiency in new technology operations.

In many cases, we see companies use only a fraction of the full capability of a given technology, only to label their experiment a failure. Organizations making a technology move have to plan and budget for sufficient human resource allocation and/or skills development.

3.1. The application of technology and data

Figure 5: Number of simultaneous digital campaigns

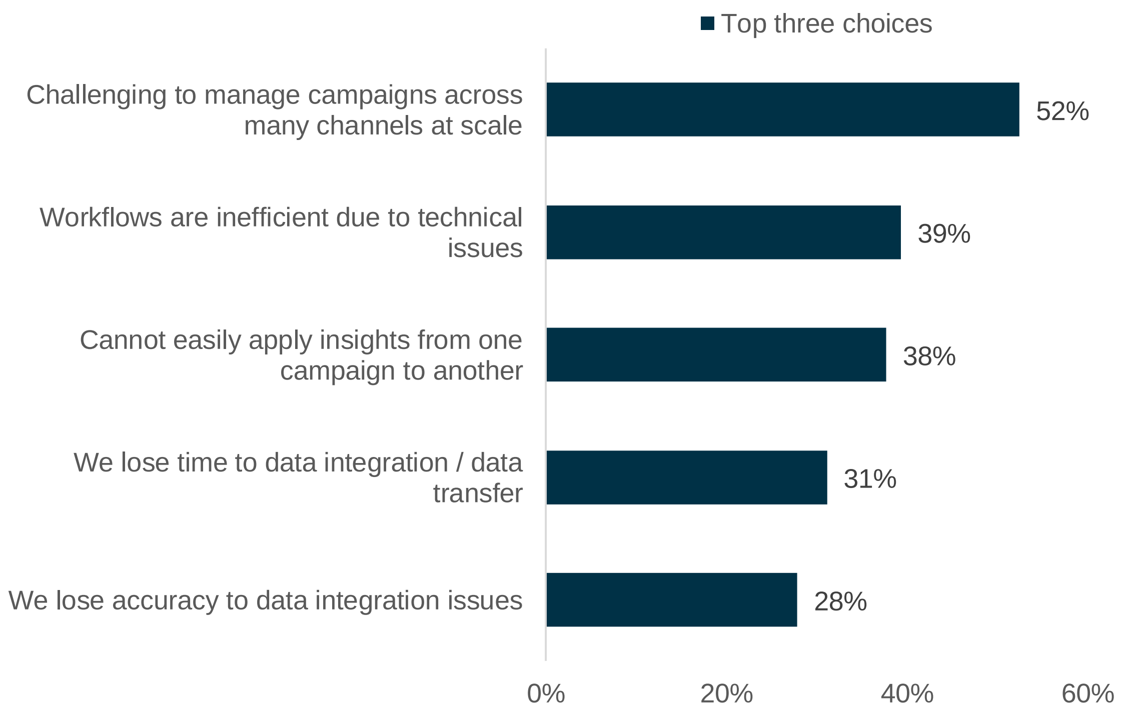


N=289

Digital marketing can be overwhelming, even to the world's largest enterprises. Underlying much of the complexity is simply volume; during their busiest seasons respondent organizations have an average of 37 campaigns live, while the busiest 25% have an average of 112 simultaneous campaigns.

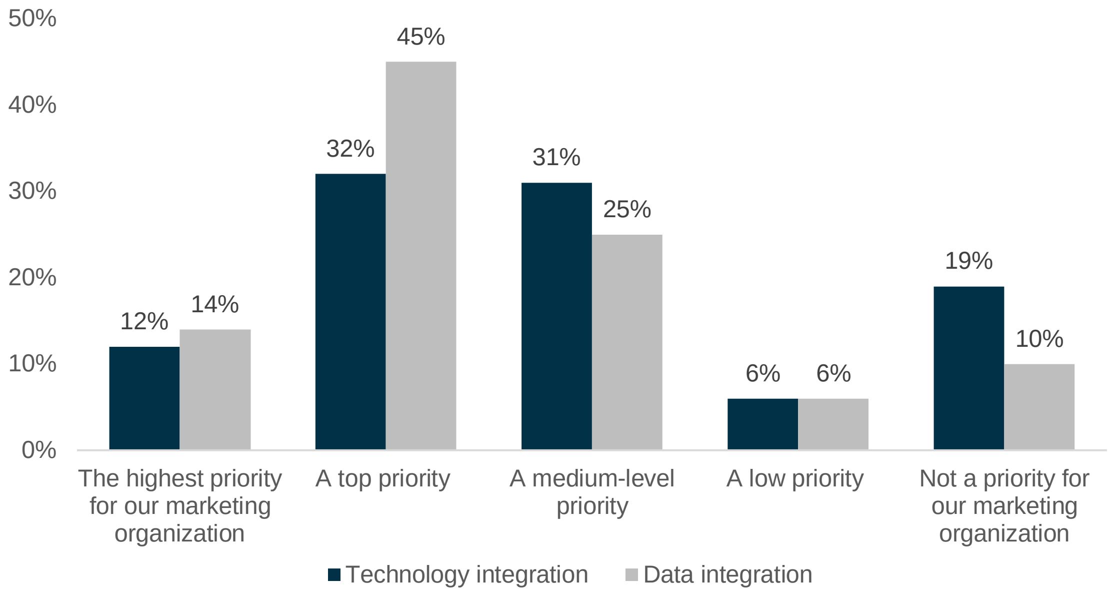
That volume challenges most companies to effectively manage campaigns at scale, as cited in Figure 6 below. At nearly 40% of organizations, workflow is a top issue.

Figure 6: Challenges in technologies and data



N=219

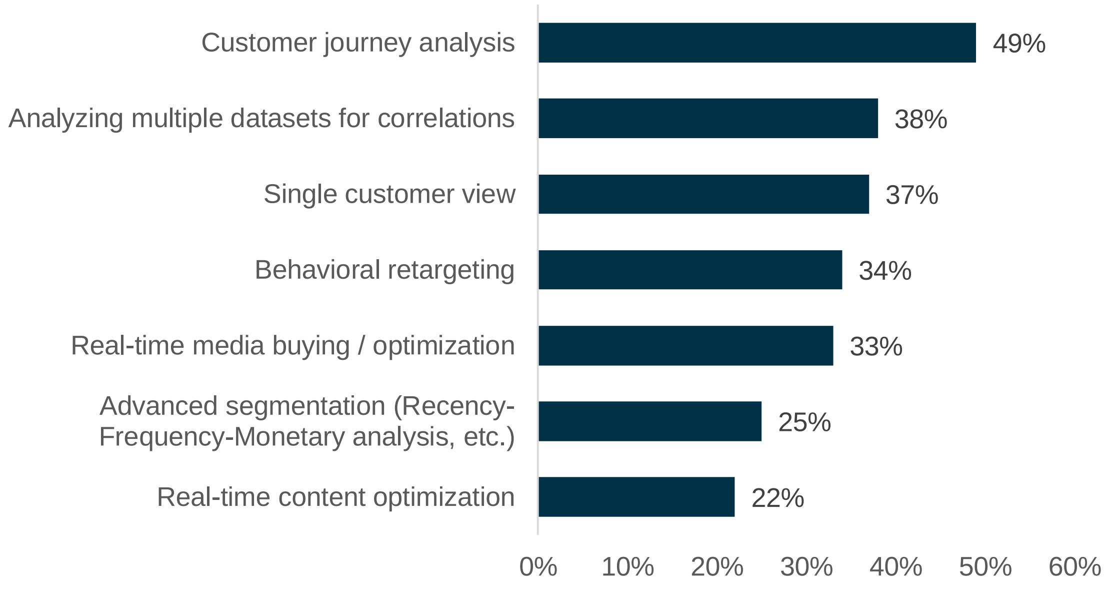
Figure 7: Priority of integrating marketing technology and data



N=219

Global companies badly want to overcome the challenges to using their data. Nearly 60% call data integration either a "top" or their "highest" priority. The overarching reason is to increase revenue, based on improving the customer experience while simultaneously optimizing sales and marketing. There is a long way to go. The priority for integration is a reflection that only 37% report having a single customer view, the fundamental basis for understanding the customer.

Figure 8: In-house capabilities dependent on data



N=226

It's important to note that Figure 8 looks at the share of enterprise companies with these capabilities in-house. Some capabilities, like behavioral retargeting or real-time media buying for example, are very likely to be outsourced to agency and media partners. However, there is a general trend toward building digital marketing expertise in-house and implementing the technology required to support it.

All of these percentages will rise over time, but one that should be a primary focus is advanced segmentation. The ability to apply approaches like recency-frequency-monetary (RFM) analysis will simplify and enhance multichannel campaigns, but it depends on companies consolidating their customer data.

Real-time content optimization is another capability that will inevitably become standard for the enterprise, though it is only in use by one in five organizations today. As push media leaks efficiency, the role of content marketing has expanded beyond lead nurturing to fill the gap at the top of the funnel. The ability to target and tailor it is a natural next step which is most valuable in real-time.

Section 3.1 Takeaways

It's been clear for several years that the digital revolution would mean a new role for marketing in the enterprise. The nature of that role will differ at every company, and the pace of change will vary, but inevitably the shift to the customer is also a shift to marketing. No other group is tasked with understanding and communicating with current customers and the universe of prospects in quite the same way.

The wholesale investment we see in the technologies to support a customer-first approach to sales and marketing is an important part of the process, and a validation that companies are moving from intention to action.

But marketing isn't simply going to be handed the keys. Top-level strategy is still largely set by others in the C-suite, even though the role of marketing within that strategy has expanded.

These next years are critical, not simply to digital marketing within the larger department, but for marketing as a leader in the enterprise. As the bulk of technology investment swings to marketing, so does the responsibility for proving its value.

The danger is twofold. First, marketing has to evolve at the same time it has to hit its revenue targets. Like a college student working full-time to make tuition, marketing has to learn and achieve with no downtime.

Second, marketers need to resist the call for total accountability. Digital channels and technology mean that we can measure and analyze as never before. This should be a strength and support a reporting system that proves the value of marketing activities wherever it can.

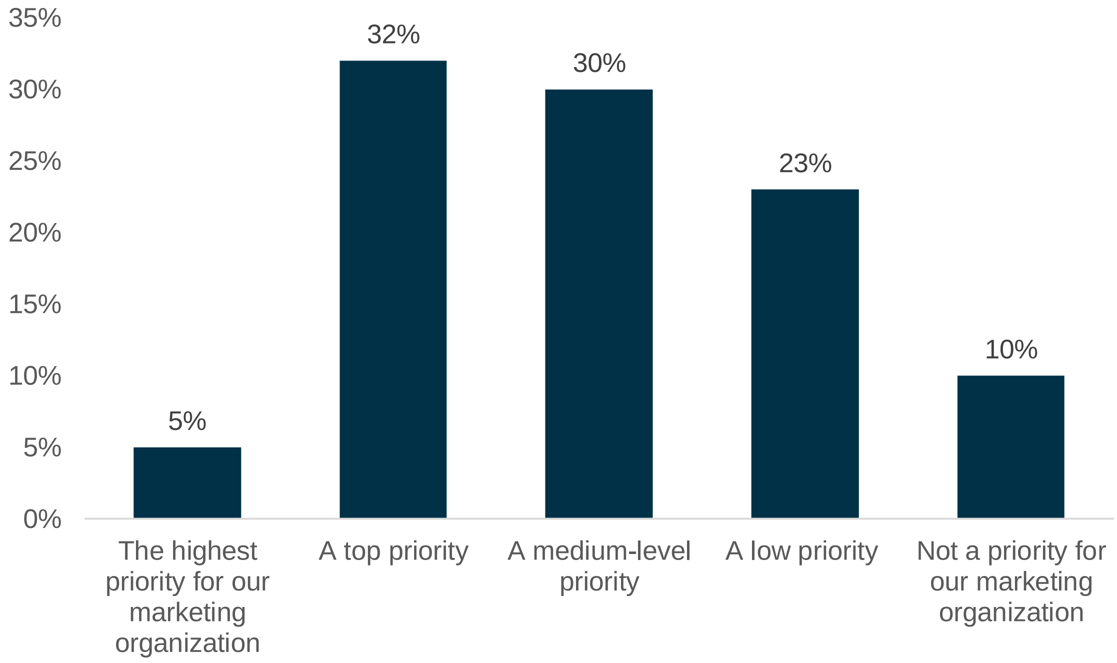
At the same time, companies have to remember that they are brands, and that customer relationships express emotions like any other. We can measure some aspects of the more esoteric elements of the brand relationship, but that doesn't mean marketers should be limited to what they can quantify.

At many organizations the implementation of technologies for attribution and analysis will mean a narrow palette of channels and ideas that is easily measured. Leading organizations will use the foundation of knowledge built on experimentation and analysis to take risks, learn from their mistakes and establish new baselines.

3.2. Personalization the path, customer-centrism the destination

Lagging just behind the larger goals of consolidating data and technology, personalization is described as a "top" or the "highest" priority by 37% of enterprise organizations. Roughly a third call it a "low priority" or not a priority at all.

Figure 9: Priority of personalization capabilities



N=226

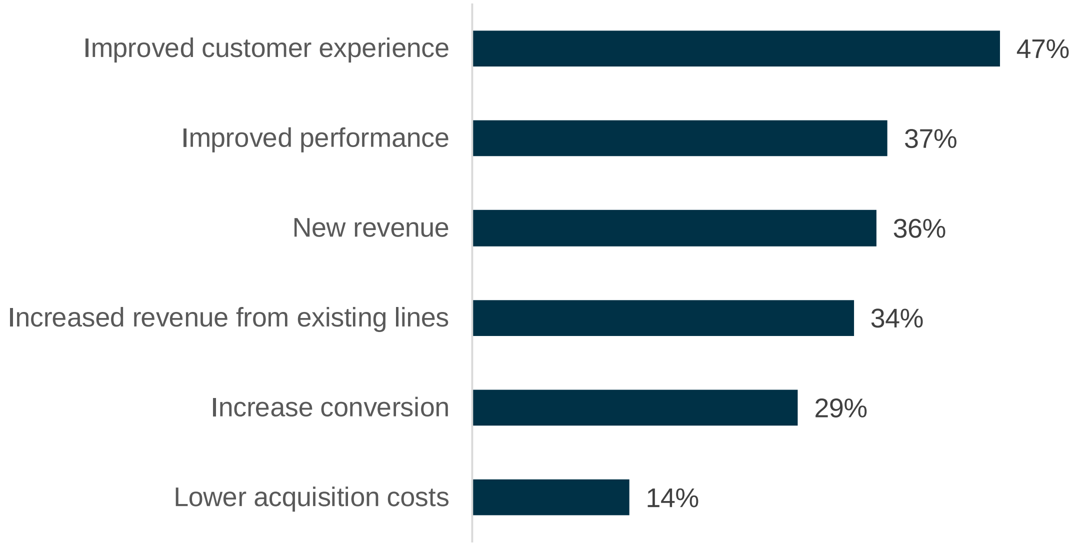
Personalization covers a multitude of capabilities and channels. But its essence is simple; knowing the customer. That might mean knowing where they are and when. It might include purchase or behavioral data, or only knowing that they've consumed a single piece of content. But every one of these is a powerful clue to who they are and what they want.

A human workforce can only work to understand what these clues mean, and test the best response. To put the findings to work takes technology that is capable of acting in the moment, based on connected data and applications.

For companies at which personalization is already a priority, the rationale is simple (and explored further in the following pages). But what is the thinking at companies where it's not a high priority? We asked respondents at these companies to explain their low and medium responses;

1. Most cited technical issues preventing personalization as symptomatic of their organization's approach to digital marketing and its technologies.
2. For some it is simply a question of time. Their organization has more priorities than bandwidth and personalization will have to wait.
3. Their take on broad, consumer marketing (CPG mainly) is that while personalization can contribute, its return on investment will need to be further proven to move from a "nice to have" to an essential capability.

Figure 10: Primary benefits of personalization (top two choices)

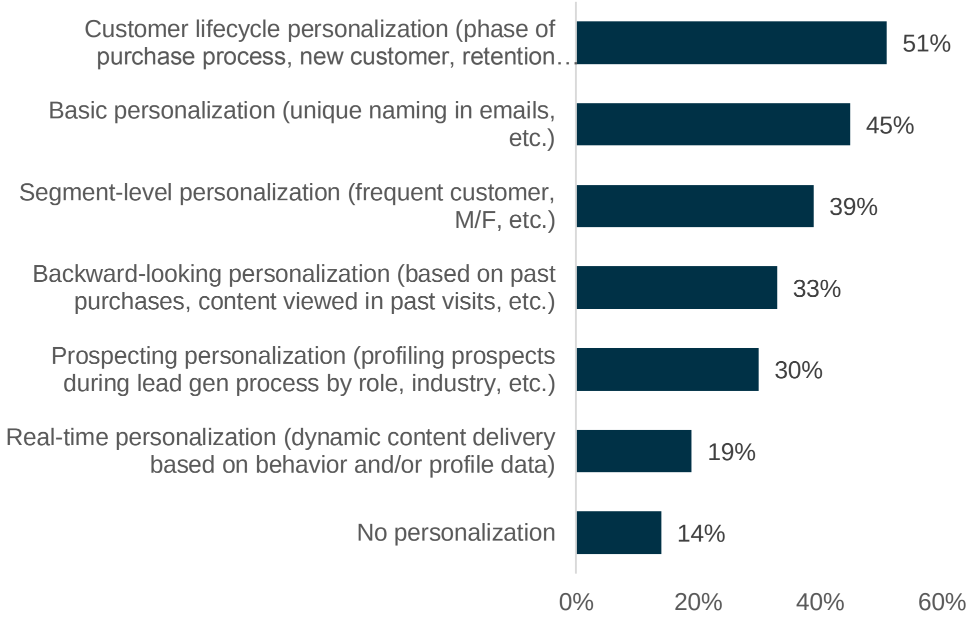


N=129

Asked to identify the two most important benefits of their personalization programs, respondents gave varied answers, though an improvement in customer service leads the way, cited by 47%.

These benefits and implicit goals highlight the gaps that still exist between intent and action, and why technology investment is part and parcel of strategic priority. For example, personalization can't be at its most effective without a true view of the customer, a capability for only 37% as noted in Figure 8.

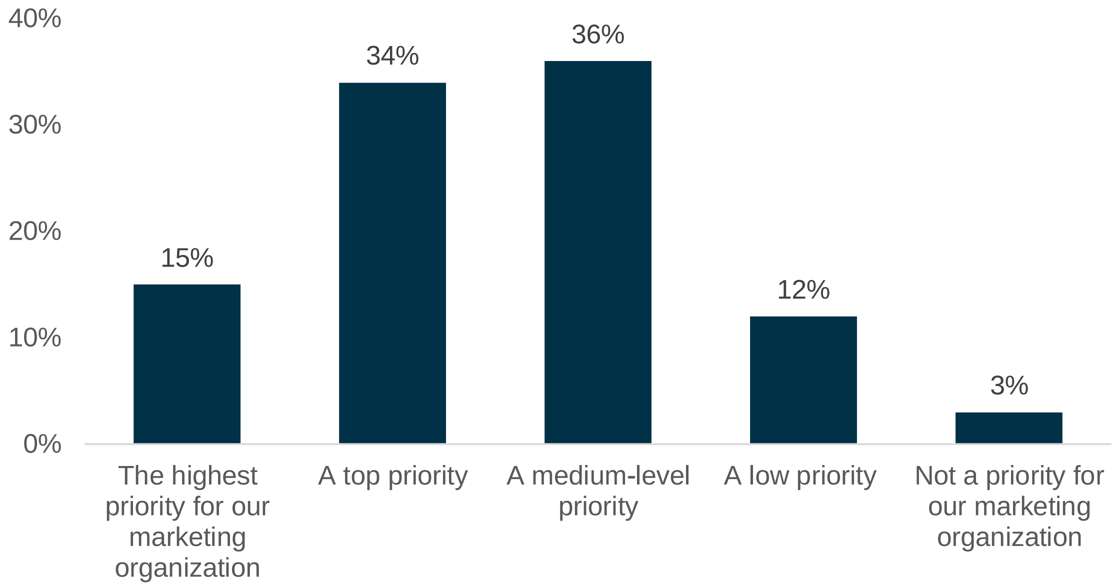
Figure 11: Personalization capabilities



N=226

Slowly but surely marketing organizations are adding to their personalization capabilities. One strong sign is that more than half are personalizing against the customer lifecycle, while only 14% report doing no personalization whatsoever. The highest growth in coming years is likely in segment-level and real-time personalization. Both are priorities, and immediate beneficiaries of the data and application integration efforts that are under way at so many organizations.

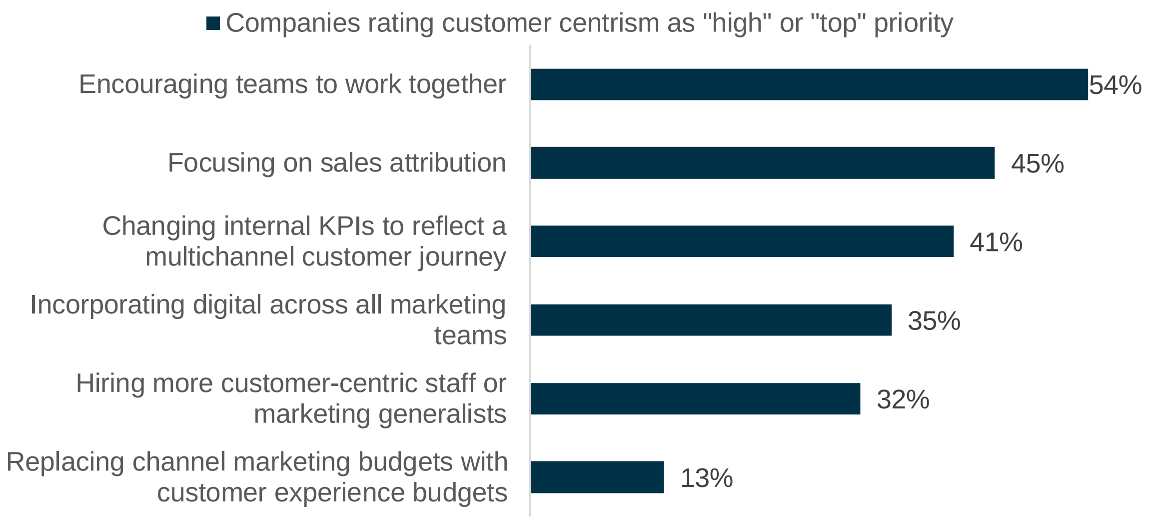
Figure 12: Priority of customer centrism



N=226

The desire to move toward customer-centricity is hardly surprising, given the level of investment in improving the customer experience through analytics and personalization. More interesting are the approaches organizations are taking (Figure 13).

Figure 13: Actions taken to drive customer-centrism



N=87

The shifts in approach fall into two broad categories; *a customer-centered view of marketing and media spending* and *reworking how teams and departments interact*.

A customer-focused view of marketing sounds natural enough, but the reality is complicated. Each media channel has largely been independent, arguing for their impact and budget based on internal measures. To put the customer at the center, this culture has to adapt to a cooperative model where the impact of disparate channels is measured and understood as a whole instead of independent parts.

The lines between marketing, product and service are blurred in the digital world. From the consumer perspective these lines are immaterial; they simply have needs that a brand may be able to help with. It's incumbent on marketers to ensure that the customer experience doesn't suffer because internal channels are competing and ignorant of each other.

From a budgeting and incentive standpoint, the shift is toward a holistic view and common goals though new technology implementation and organizational change. A focus on *attribution* is cited second most often, by 45% of respondents, which is in line with its priority in new technology spending. In tandem, companies are *retooling their key performance indicators* to reflect the complexity of the customer journey and the many factors and channels that play a part in it.

The human side to this movement is deeply interwoven with the technical. The number one response to the question of how to promote customer-centricity is *encouraging teams to work together* (54%), but working together requires common data sources and well integrated tools.

To complement these goals, nearly one-third are *hiring more staff* that's specifically customer-centric.

Changing a culture is difficult work, especially if any key players aren't in alignment. Leaders will often say that strategic vision needs to be well articulated and supported, but the sand in the gears is often at the more practical level of incentives.

Channel-based teams are used to being compensated based on media spend or revenue share. Getting them to pull together toward a single, customer-centric goal will only work if their incentive structures are reworked to reward cooperation using cross-channel metrics and measurement.

Section 3.2 Takeaways

Despite the rapid adoption of digital marketing technologies, companies should view their adoption as a competitive advantage. Even at the enterprise level, most companies are still working to integrate their data sources to the point of it being a strength in their operations. Fewer still have extended the benefits of data outside of promotional marketing into research, customer service or product development.

It's up to individual companies to plot their technical roadmaps to align with their customers' journeys, but for some, developing a competence around real-time analysis and response will separate them from competitors. Apart from travel/hospitality and some retailers, few industries have gone far down the path to real-time marketing and service. In an always-on and mobile world, the ability to provide services and content for the moment and in the moment is already expected by consumers, whether brands are able to deliver or not.

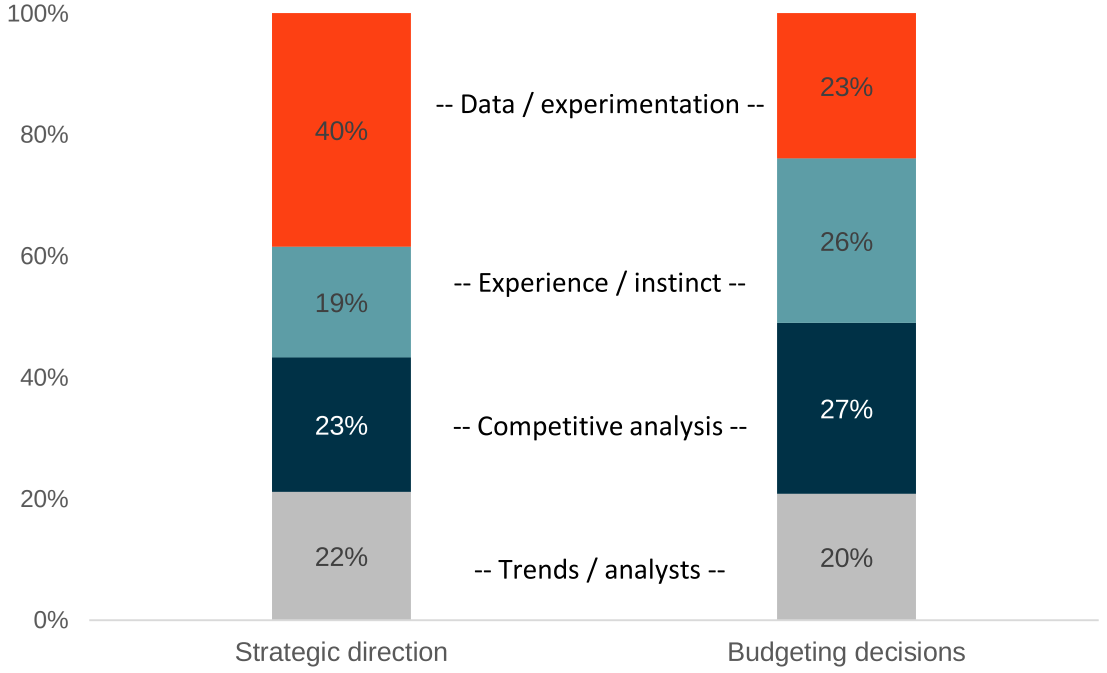
Wielding technology as a competitive advantage depends on many factors, but one that goes overlooked is command and control. When marketers have the ability to manage some or all of their key digital technologies without having to rely on IT/technical resources the effects are profound, on timing, creative capability and accountability.

Recent versions of SaaS marketing technologies have emphasized ease of use and self-management. This is an enormous step forward for both marketers and technologists. Marketers no longer have to rely on others for rote implementations, database connections and similar low-level activities that are now automated or assisted. IT/tech staff is freed to focus on higher level activities, in marketing and elsewhere.

4. The digital marketing budget

4.1. Allocation and trends

Figure 14: How budget decisions are made; instinct vs. data



N=239

What really drives decision making? Marketers and their partners in finance want to use hard numbers. The priority of attribution as an investment shows they're motivated by a strong emphasis on accountability and the promise of digital measurement. But the reality of how decisions are made is more nuanced than binary.

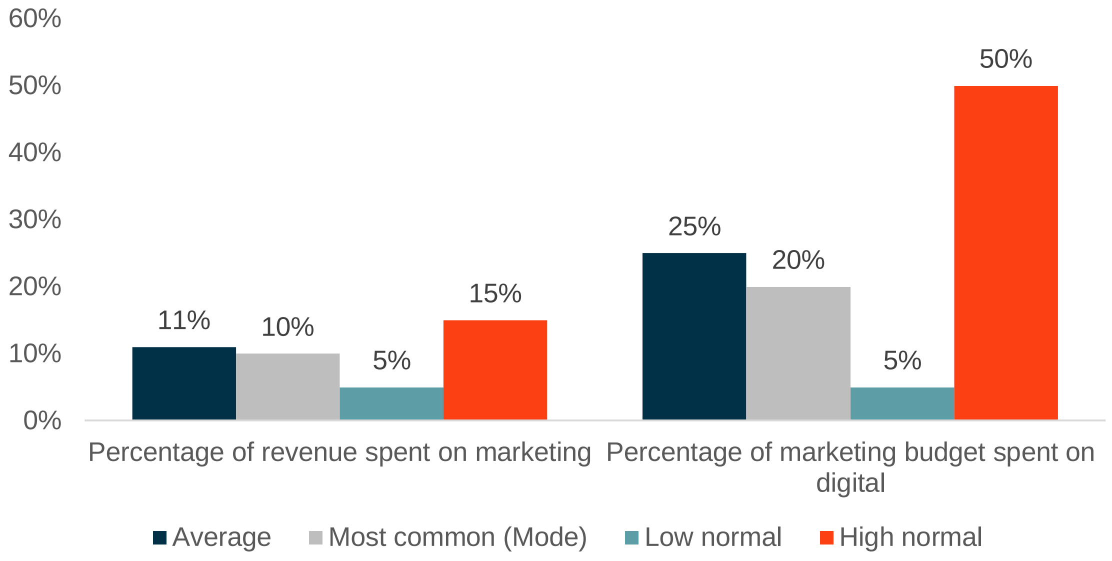
Figure 14 examines the components of strategic and budgetary decision-making and exposes the differences between them. In both cases decision-making benefits from multiple inputs, although some decisions are more likely to rely on one or two. For example, competitive analysis supported by analyst predictions of continued growth may be enough to spark investment in a previously under-served channel.

Budgeting should be data-driven, but it's actually less likely to be than seemingly harder to define strategic questions.

For most organizations, the role of experience in budgeting is due to inertia. Budgets are handed down from year to year, from manager to manager and the easiest approach is to make incremental changes. In other words, budgets evolve and adapt, but they're not likely to undergo a radical transformation. It's a "safe" approach that may not be so safe.

Many companies are facing rapidly changing market conditions, consumer behaviors and digital-first competitors. Their strategy needs to be dynamic and even transformative. If budgets don't keep pace, that strategy won't be successful. Unfunded or under-funded initiatives are rarely successful, and even more rarely are they as successful as they might have been with sufficient support.

Figure 15: Share of revenue spent on marketing and digital marketing

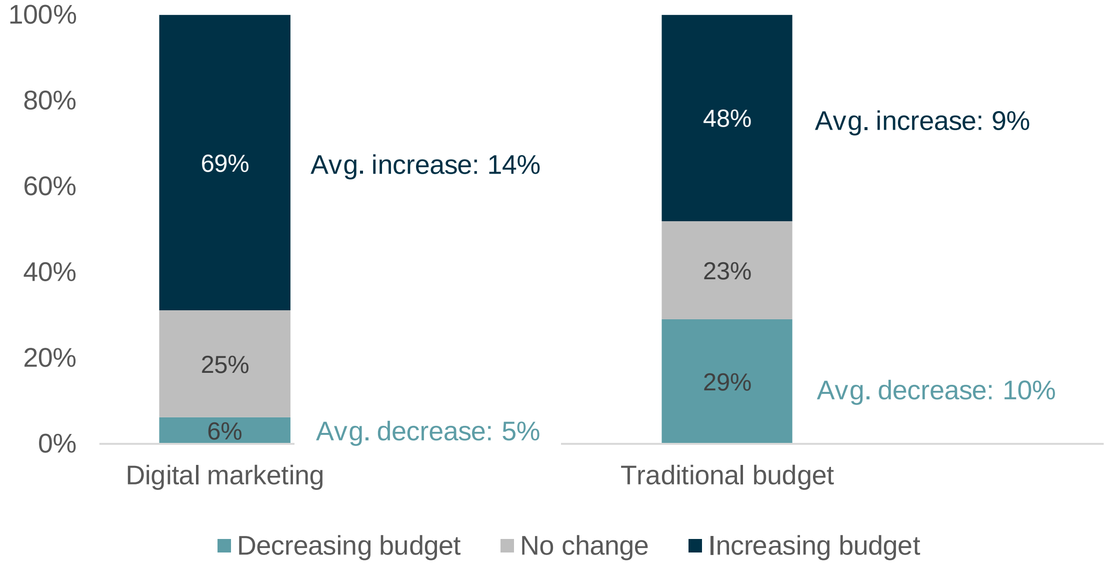


N=186

Enterprise organizations are spending roughly 2.5% of revenue on digital marketing, or about a quarter of their total marketing expenditure. There is relatively little variation in the share of revenue devoted to marketing among large companies, especially in contrast to the digital share.

As stated earlier, these allocations are described with four metrics. To complement the *average*, the *mode* is the number that is most commonly cited for each channel. In most cases the mode and average are closely aligned, suggesting relative stability in the figures. The *low* and *high* normal numbers represent the 50% of responses around the average. This is also known as the inter-quartile range and it simply eliminates the outlying 25% on either side.

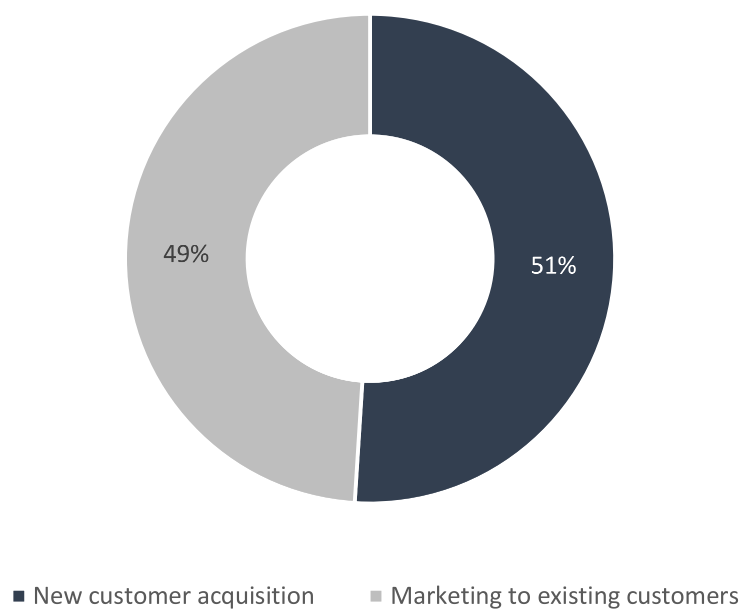
Figure 16: Change in digital and traditional budgets 2014/2015



N=175

The general upward trend for marketing and advertising appears set to continue into 2015. As it has been in recent years, this trend is far more distinct in digital, where nearly 70% of respondent organizations anticipate an increase beyond inflation and only 6% foresee a decrease. Offline will see more mixed results, as nearly 30% see a likely decrease in budget by an average of 10%.

Figure 17: Acquisition vs. retention spending breakdown

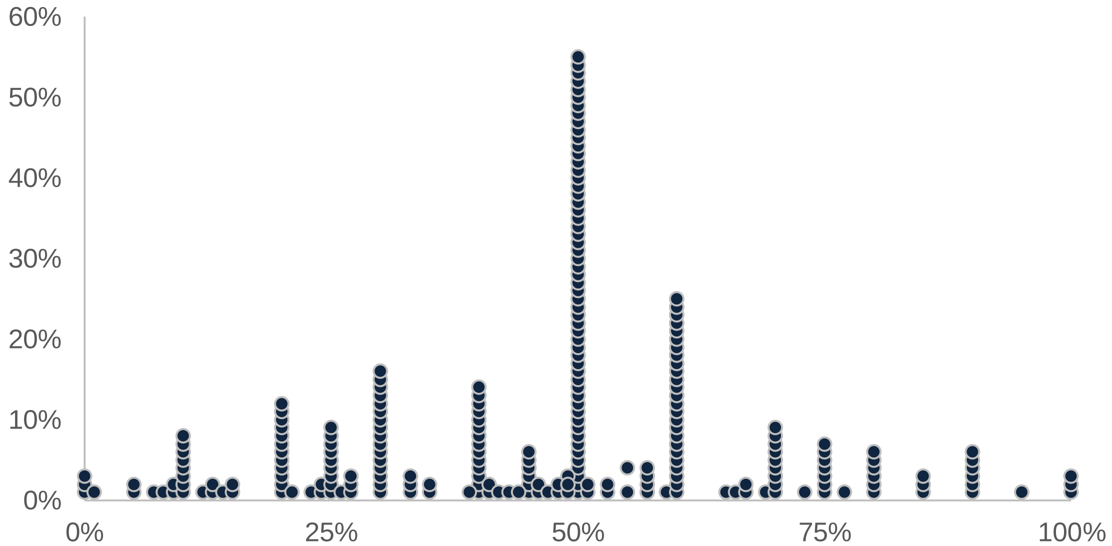


N=170

Marketers are spending roughly equal budget shares on acquisition and retention. This is a shift with many moving parts but it follows the larger movement from blunt paid media to customer-driven marketing. Dollars once spent on brand are being reallocated to technology and content…the tools of customer-centrism.

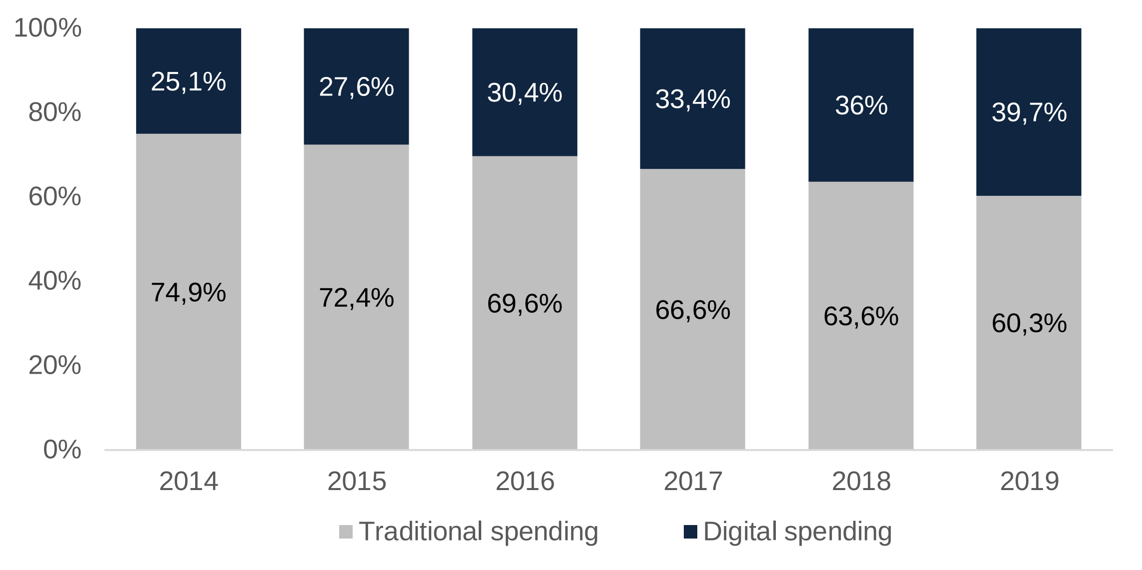
The scatterplot below (Figure 18) tracks the percentage each respondent devotes to acquisition, a mirror image of their retention budget allocation. Although it also shows a rough overall balance, it also reflects the varied reality of investment.

Figure 18: Distribution of acquisition budget share



N=170

Figure 19: Five year projected change in digital marketing budget share



N=176

Forward-looking estimates are suspect by nature and grow more so with the timeframe. However, enterprise organizations maintain at least a guiding view into their next few years of investment. In addition, the roughly 10% annual growth in digital budgets projected here aligns with Econsultancy's internal expectation.

A significant number of companies expect their digital investment to reach 50% in five years, but the average figure is expected to be roughly 40%. A larger question (or a moot one) by 2019 may be how to define various tactics as digital versus traditional. For example, while consumers will no doubt spend significant time watching "television," that programming will be increasingly happening on various devices within different ad platforms.

Section 4.1 Takeaways

Strategic direction is only as powerful as the investment supporting it. Securing a vision of how to change with the times is challenging, but may well be the easy part. Often, we see insufficient connection between high-level goals (customer-centric product marketing or personalized customer experience for example) and a commitment to the components necessary to make it a reality.

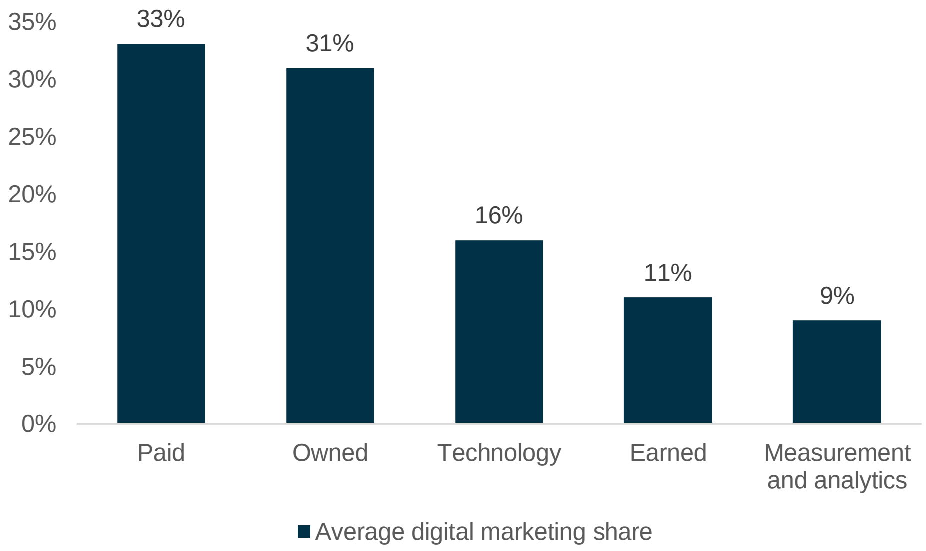
The investment necessary to become customer-centric isn't captured in the budget for digital marketing or even marketing as a whole. This move involves technologies and resources that touch the budgets of IT/Tech, sales, product and customer service.

Leaders need to better evaluate where strategies for the future and current capabilities diverge. In today's environment, most priorities will require new technology implementations or enhancements, training or hiring to attain necessary skills, agreement/implementation of a measurement program and various cross-functional contributions to be successful.

To be a digital organization means being able to work across functions efficiently and creatively, which is a challenge, because the budgeting process in the enterprise has decades of momentum. Traditional, siloed ownership of "feudal estates" within the organization (and its budget) can come into conflict with modern marketing, unless leaders in all related divisions and departments share and promote the long-term vision and invest accordingly.

4.2. Channel spending

Figure 20: Buckets in the digital marketing budget

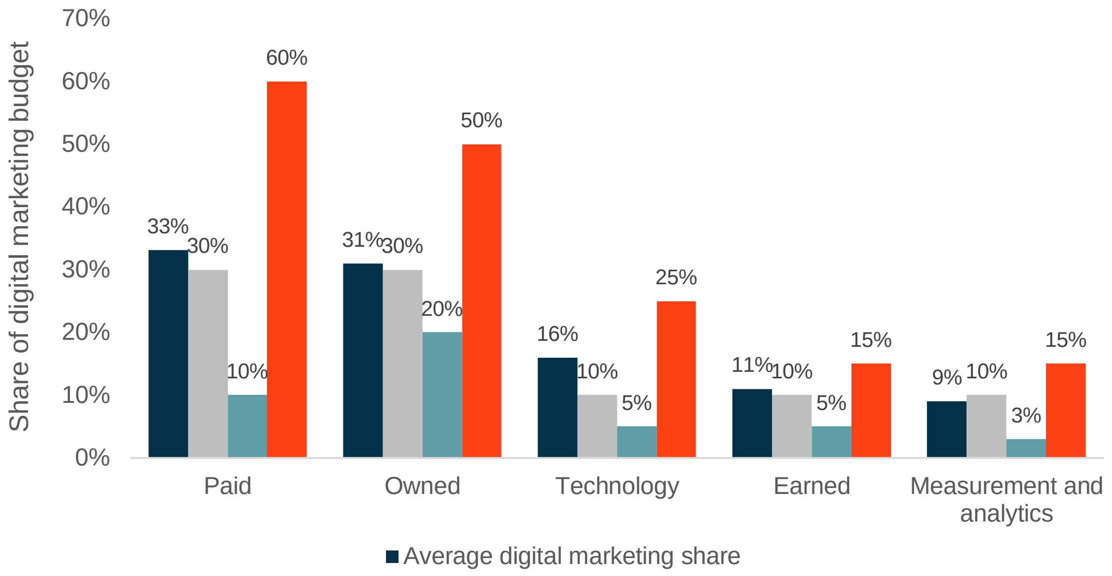


N=173

Figure 20 distills spending into its key components, with headcount and outsourcing assumed to be “baked in” to each number.

1. *Earned media* usually refers to the attention of consumers gained through public relations and promotions and spread through unpaid social channels. The most difficult to gain, word of mouth, is the most valuable in terms of trust, but the hardest to direct, optimize or plan.
2. *Owned media* is comprised of sites, apps, email lists and any other properties internal or external that belong to or are controlled by the brand, and where much of the customer experience occurs.
3. *Paid media* is easy to understand and control, but expensive. At its best it offers immediacy and scale, generating predictable traffic for owned media and fuelling public interest and earned media. At its worst, it’s hard to value, measure and justify.
4. Separate allotments for digital measurement and analytics is a relatively new phenomenon, and many companies do not separate these capabilities from technology or larger measurement budgets.
5. *Technology* spending is among the most difficult to pin down because it’s not necessarily within the marketing budget. While the growth in marketing technology spending has shifted the balance away from IT/Tech departments in some companies, many still have traditional procurement processes. Roughly half of the respondents to budget-specific questions reported that technology was part of the digital marketing budget.

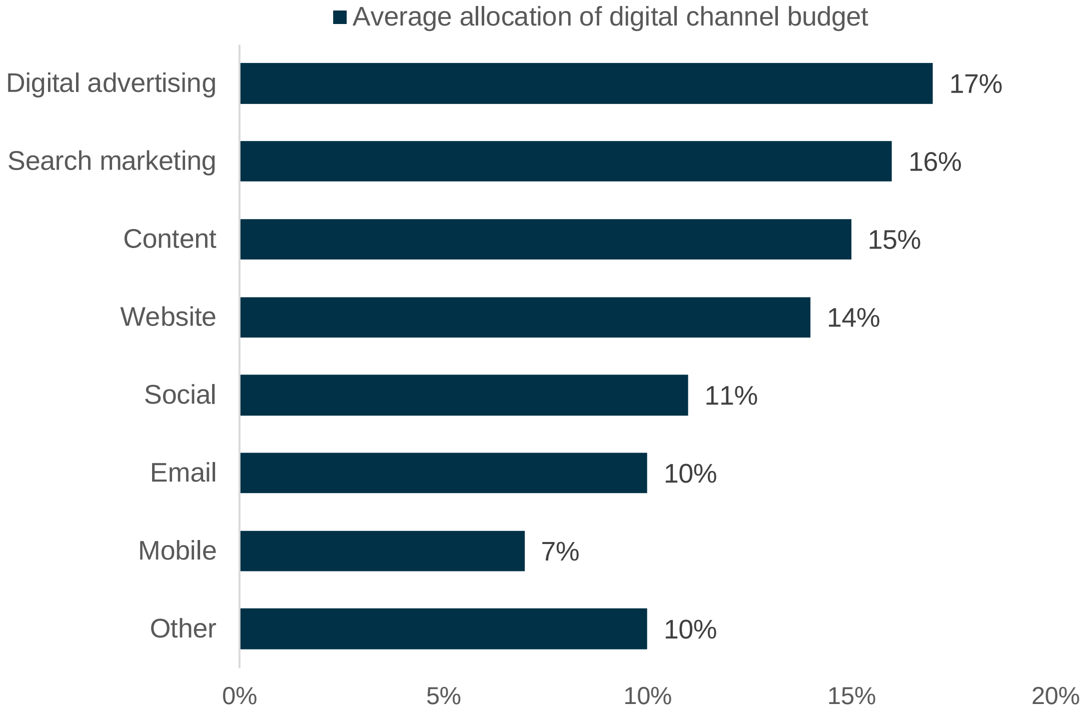
Figure 21: Digital marketing budget buckets in detail



N=173

As in previous charts, allocations are described with four metrics. To complement the *average*, the *mode* is the number that is most commonly cited for each channel. In most cases the mode and average are closely aligned, suggesting relative stability in the figures. The *low* and *high* normal numbers represent the 50% of responses around the average. This is also known as the inter-quartile range and it simply eliminates the outlying 25% on either side.

Figure 22: Digital channel budget breakdown



N=173

Figure 21 shows the average digital budget allotment by channel, with costs for technology, headcount and agencies included. A more detailed look follows in Figure 22.

The digital budget in 2014 is a mix of old and new. Display and search have been the top costs for digital marketers for over a decade, for example, and email has slowly but steadily built its importance and budget share. Meanwhile tactics that were emergent only a few years ago are now significant parts of enterprise-level marketing plans.

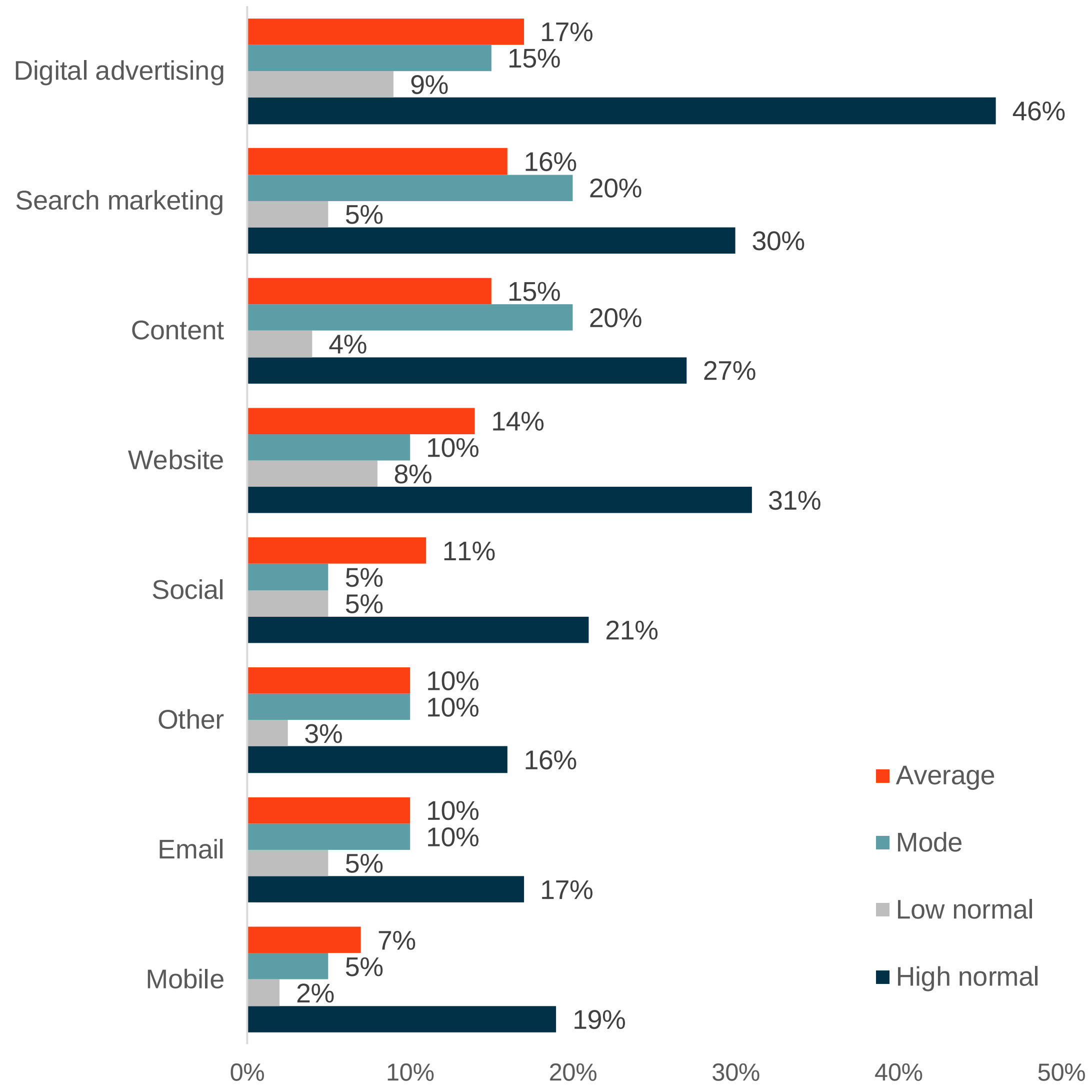
Content production and management is not a separate line item at many companies, instead being buried in the channels it supports. For those that do identify it as a major line item, it is now the third largest area of investment.

Mobile comes in last among major channels, but it should be noted that this is limited to mobile advertising channels. Expenditures for mobile messaging, content, sites and applications lie within other budgets at most companies.

There's enormous variation, but some industry patterns emerge from the data.

Sector	More investment in…	Average	At the cost of…
Automotive	Display	24%	Email
CPG/FMCG	Content	27%	Search
High tech	Search	25%	Display
Media	Content	22%	Search
Retail	Affiliates	20%	Content
Travel/Hospitality	Search	33%	Content

Figure 23: Digital channel budget in detail



N=173

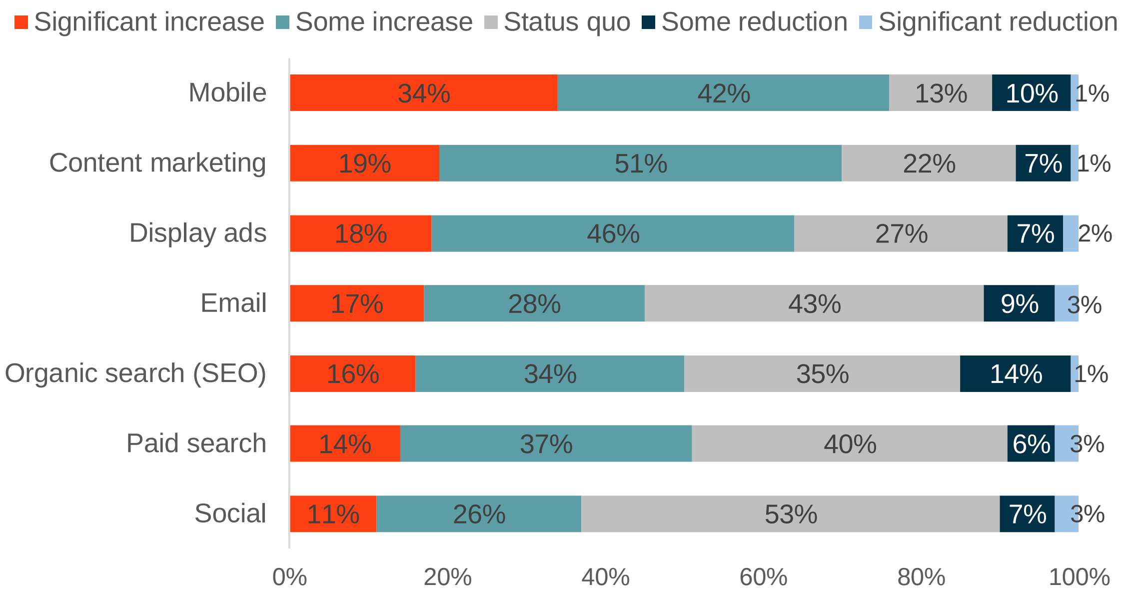
In describing their digital channel budget, respondents were asked to include headcount, technology and agency costs.

Again, each channel investment is viewed through four metrics. The *average* is blended, meaning that the percentage given is the average within a budget containing all of the channels above. Not all companies or departments use every channel, while some devote significantly more or less than the average to one or more channels.

The *mode* is the percentage that is most commonly cited for each channel. In most cases the mode and average are closely aligned, suggesting relative stability in the figures. The *low* and *high* normal numbers represent the 50% of responses around the average. This is also known as the inter-quartile range and it simply eliminates the outlying 25% on either side.

Affiliate spending was included in the study, but has been kept separate from the chart as it's only applicable to those practicing ecommerce. The average spend on affiliate fees and support for those companies is just under 15%, in line with the mode at 10%. The normal range runs from 1% to nearly 20%.

Figure 24: Projected channel budget changes for 2015



N=171

Figure 23 explores channel- level investment in 2015 digital marketing budgets. Several stand out as likely to experience the most change;

- *Mobile* continues to be the primary focus for all companies, but especially those with multiple, international brands. As worldwide use of mobile separates customers from their desktops, this emphasis on mobile experience and mobile branding will continue beyond 2015
- The use of *content* in consumer marketing has grown as paid media efficiency drops. The two may ultimately work best in tandem, as the noise of free content is making it difficult to stand out without a paid boost.
- *Digital display* is constantly under fire for whether it's viewable or effective when it is, but programmatic media buying is the key to its growth. The inefficiency of manual buying had kept a lid on display buying, making it lag behind consumer exposure.
- *Search engine optimization* is still a major practice, but one that's increasingly obscured within content marketing and theoretically diminished with each search algorithm update. It's the only tactic where the percentage planning on "some reduction" is above 10% of the sample.

Section 4.2 Takeaways

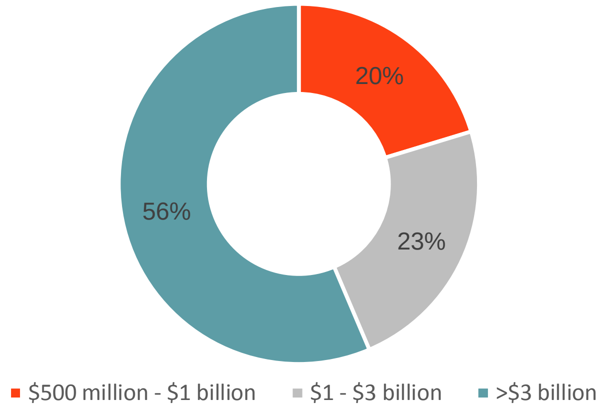
No two budgets are the same. "Normal" should only be defined as what works and be rigorously re-examined and redefined. Benchmarks are useful, but organizations that cleave to industry standards because they're standards will miss significant opportunities.

Digital marketing is far from being an exact science despite efforts to the contrary. It's a new discipline that's undergoing constant change. To suggest that there's one, optimal budget alignment is to deny the obvious disruption that's taking place across the consumer world.

Smart marketers conduct tests and follow through on their lessons. Benchmarks are a good way to check in on the industry, set a point on the map and revisit for clarity. But they should also be a point from which to explore, systematically.

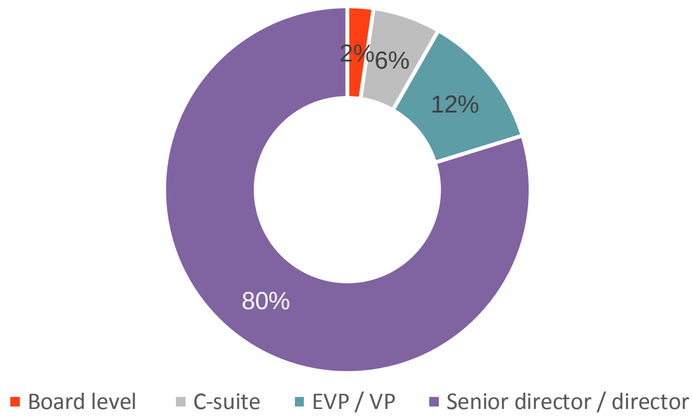
5. Appendix: Respondent profiles

Figure 25: 2013 revenues



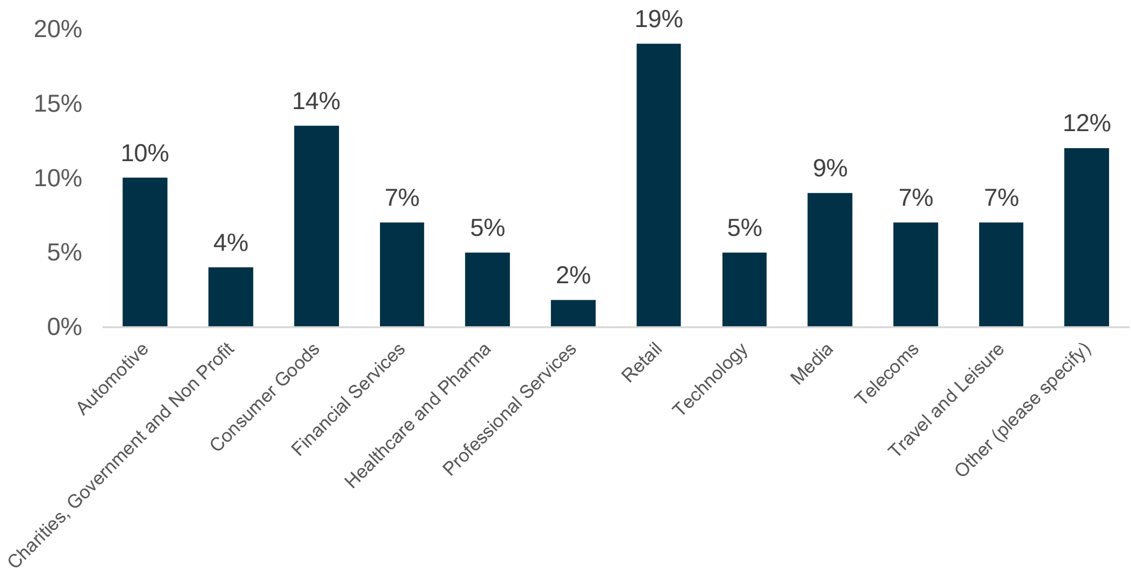
N=399

Figure 26: Respondent titles



N=399

Figure 27: Respondent industries



N=399