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Achieving Digital Balance

Principles for Digital Strategy & Budgeting

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Achieving Digital Balance



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About Econsultancy

Econsultancy is a [digital publishing and training group](#) that is used by more than 200,000 internet professionals every month.

The company publishes [practical and timesaving research](#) to help marketers make better decisions about the digital environment, build business cases, find the best suppliers, look smart in meetings and accelerate their careers.

Econsultancy has offices in New York and London, and hosts more than [100 events](#) every year in the US and UK. Many of the world's most famous brands use Econsultancy to [educate and train](#) their staff.

Some of Econsultancy's members include: Google, Yahoo, Dell, BBC, BT, Shell, Vodafone, Virgin Atlantic, Barclays, Deloitte, T-Mobile and Estée Lauder.

[Join Econsultancy](#) today to learn what's happening in digital marketing – and what works.

Call us to find out more on +44 (0)20 7269 1450 (London) or +1 212 699 3626 (New York). You can also [contact us online](#).

Special Thanks

Dr. Dave Chaffey, Digital marketing expert and writer of *Managing Digital Channels*

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1. Executive Summary

Since the mid 1990s, marketers have been confronted by a proliferation of new channels, opportunities and technologies that have simultaneously fragmented the audiences they're trying to reach.

Many organizations are unsure of how to contend with these shifts and appropriately budget for the management and integration of digital channels. This report is designed to help marketers achieve balance in their approach to five key areas affected by the growth in digital marketing.

- Strategy – the assumptions, objectives and plans that guide marketing are especially essential in periods of rapid change
- Budgeting – how money is allocated is a key factor in whether strategy becomes reality
- Retention – the goal of keeping customers has grown in importance as it plays an increasing role in socially – driven acquisition
- Experimentation – determining whether new channels and technologies are a good fit is an important exercise in learning and time management
- People – internal and external teams need to constantly learn and evolve to master the new elements of marketing

For a full explanation of the goals of this report, see Section 1.4, Research Aims.

Any survey of the digital marketing ecosystem will reveal one unavoidable truth – there is no one right answer to the big questions, and no benchmarks that apply across the entire spectrum of companies. That's why this report includes a mix of data sources, including a large number of quotes from experienced marketing interviewed during the research process. Their wisdom may prove more useful than aggregated survey responses.

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1.1. Key lessons

- **The rate of change has outpaced the yearly review.** Organizations committed to listening to the voice of the consumer are constantly receiving feedback that can be used to tune tactics and inform strategy. At the same time, marketers are dealing with audience fragmentation, new media adoption and variance in channel performance. Taken together, these factors make it difficult to apply annual thinking to a dynamic situation.
- **Execution trumps channel or campaign.** What a marketer does matters. How well they do it matters more. Given the array of media and technology choices available, success is less tied to placing the right bet on media or platform than it is to the efficient execution of the program. The opportunity in digital media to measure and optimize mid-stream is significant and still under-utilized.
- **Math is the new black.** Successful marketing uses data to truly understand its environment, gauge success and optimize for improvement. The skill sets of the balanced team still require creativity and a mastery of the language, but have expanded to include statistics, web analytics and optimization science.
- **Training is mandatory.** Rapid change means marketers must keep learning. Ongoing training has a number of beneficial effects for a marketing team and its members. For the former, this includes increased performance, longer retention and potentially, greater redundancy. For the individual, it means greater knowledge, renewed creativity and overall job satisfaction.
- **In a mobile world, user experience is everything.** Someone sitting at a computer is probably willing to take a few extra clicks to find what they're looking for, or to fill out a form that asks too many questions, but that's not the case on a mobile device. The art and science of user experience will become even more important than it is today as a greater share of people access business content through mobile devices. Although the age of mobile marketing may not have quite arrived, the age of mobile connectivity definitely has, and that means another adaptation is required of marketing; to fully embrace the capabilities, nuances and limitations of mobile platforms and an absolute commitment to good user experience.

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1.2. Trends

Among the many hats worn by today's marketer is that of researcher, because it's their job to sift through industry chatter, competing studies and anecdotal evidence to determine what's really important to their organization. A variety of trends and topics came up in our research and conversations with marketers, some of which are broadly applicable.

- Marketers in our survey agreed that 'interruption marketing is dead' and while the reality isn't so simple, the trend is apparent. Never before have consumers and business-lever buyers been so well equipped to filter out marketing "noise" in favor of their own preferences. The ability to instantaneously search for product information from any digital platform means that marketing organizations have to evolve beyond clever messaging to offering potential customers exactly what they want and what's useful to them. The creative aspects of marketing aren't becoming less relevant, but they will shift toward finding those aspects of the brand and product that serve the consumer by informing, entertaining or rewarding them.
- The mass audience isn't dead either, but its days are numbered. Industry experts see another 5-10 years where TV will still look (mostly) familiar. But with it will go the last vestiges of the easily aggregated audience. The trend in every household and every office is toward personalization of media and a proliferation of devices. There are a variety of attempts to aggregate online media for brand effectiveness, but the Internet favors individual choice. It seems likely that methods of targeting consumers one to one will be more effective than efforts to cast a wide net.
- It's easy to talk about customer-centricity, but companies will find that a real commitment to the voice of the customer requires fundamental change. The vast majority of companies are built to promote themselves from the inside out. But social listening means accepting change from the outside-in. Structures and systems will have to be reengineered to take in this feedback, filter out what's not useful, pass what remains to the appropriate part of the organization and ultimately use that information to maximum effect.

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1.3. The threats to balance

- **Flying blind** – the time invested in a coherent strategy is saved many times over by avoiding missteps. At its best, a good strategy can inform every decision, big and small, that confronts marketers. Too many organizations treat strategy as a yearly thought exercise, and not as a dynamic decision-making tool. (Section 2.1)
- **Investing in tomorrow at the expense of today** – as important as it is to understand and invest in new opportunities, some organizations do so before having developed true mastery of the channels that have already proven themselves. (Section 2.4)
- **Misattribution** – the practice of ‘first click’ and ‘last click’ attribution tends to under-value important tactics that contribute to product awareness and research, such as email and SEO. (Section 3.5)
- **Failing fast without learning** – the advantages of easy experimentation are lost if it isn’t aligned with strategy. That’s doesn’t mean overcomplicating every good idea, but simply ensuring that the experiment will contribute to the understanding of important issues, regardless of success. (Section 5.1)
- **Knowledge is located in individuals, not the institution** – although organizations try to implement redundancy and cross-education, the reality is that key areas of knowledge reside with individuals on the team. The focus on retention should include the marketing team itself. (Section 6.2)
- **We buy technology, but don’t staff it with enough humans** – a consistent complaint from vendors and front line client – side staff is that companies place more emphasis on the purchase of new support technologies such as web analytics without putting the internal pieces in place to take advantage. In the long run, everyone loses. (Section 6.5)
- **Everybody is different** – research into and experience with customer behavior remind us that we can’t characterize every customer as having the same research and buying patterns. Keeping this diversity in mind can inform everything from content creation to site design. (Section 4.2.4)

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1.4. Research Aims

The *Digital Balance* Report was written to accomplish the following three goals;

1. Identify *common issues and challenges* faced by managers responsible for digital marketing, particularly in medium to large organizations.
2. Provide *best practice recommendations* on improving digital marketing capabilities to overcome some of the main challenges.
3. Provide *guidance and recommendations on approaches to developing digital marketing strategy* that apply across all organizations.

More specifically, the aims of *Digital Balance* are to explore and offer answers around key questions that were identified at the beginning of the research process. These questions are arranged in the five areas of balance outlined below. Each area begins with the premise of the research inquiry.

Strategy / Reality – at many organizations, everyday challenges overwhelm marketers and prevent the creation of and adherence to a coherent strategy for digital. But the application of strategy is the only way to avoid a disorganized rush to the latest, greatest tactic that may or may not fit an organization’s long-term needs.

1. What is a digital marketing strategy? (Section 2.1)
2. How do you approach building a strategy? (Section 2.7)
3. What are the barriers to strategy integration? (Section 2.3)
4. How do you get buy-in from key stakeholders? (Section 2.8)

Traditional / Digital – new tactical choices and a rapidly changing landscape make budgeting increasingly complex. The experience of the marketplace in spending on and utilizing digital tactics can help individual marketers make smart decisions.

1. What are companies devoting to digital marketing budgets? (Section 3.1)
2. What are the factors that most affect the adoption of digital marketing? (Section 3.3)
3. How does the digital budget currently break down? (Section 3.2)
4. How should marketers be aligning their budgets for the future? (Section 3.4)
5. Where do marketers see their growth opportunities? (Section 3.5)

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Acquisition / Retention – social effects are blurring the lines between brands and their customers. Retaining current customers gains new importance as they become as key channel to new customers.

1. How are companies allocating budgets to retention vs. acquisition? (Section 4.1)
2. How are companies transitioning to a customer as advocate model? (Section 4.3)
3. Which investments in retention create a return in acquisition? (Section 4.1)
4. What are the best practices for energizing customer advocates to extend and enhance paid marketing resources? (Section 4.3)
5. What technologies are going to be central to this evolving model? (Sections 4.2.1, 4.2.2 and 4.2.3)

Innovation / Opportunity Cost – marketers are beset with new channels, technologies and models. How they approach experimentation and learning is a significant variable in the formula for success.

1. What formal allocation, if any, are companies making to experimentation with new marketing tactics? (Section 5.1)
2. What new areas are marketers experimenting with? (Sections 5.2, 5.3)
3. Where are resources are best spent? (Section 5.1)
4. What trends can inform companies about areas for learning and experimentation? (Section 5.2)

Inside / Outside – one of marketing’s eternal questions is whether to do a given job internally or use a vendor/agency. There’s no one right answer, but organizations can optimize for success in either case.

1. What are the skills that a well-balanced team needs to excel in digital marketing? (Section 6.1)
2. What are the techniques for managing in-house teams to best effect? (Sections 6.2, 6.3)
3. How does marketing get the most from technology teams? (Sections 6.3, 6.4)
4. How can companies become ‘better clients’ and get more from their vendor relationships? (Section 6.5)

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1.5. Methodology

The research includes four sources of information, two primary and two secondary, brought together in three phases.

Phase 1 was concerned with identifying primary topics for the report. It involved a careful reading of its predecessor, "Managing Digital Channels," by Dr. Dave Chaffey and the integration and reworking of pieces of that report into a new format and structure. This phase also included a general literature review.

Phase 2 was designed to explore the issues raised in Phase 1 using the first of two primary research tools – over 50 interviews with digital marketers in the US and Canada. Their demographic profile can be found immediately following this Methodology description.

Phase 3 of the research involved an **online survey** of US organizations. Respondents were recruited personally via email as well as through general invitation to the Econsultancy newsletter list.

Summary of research methodology

Research phase	Purpose
Specific literature review	Excerpts from <i>Managing Digital Channels</i> by Dr. Dave Chaffey were adapted and edited to form the basic structure of this report. Several relevant data points were also added from <i>Econsultancy's Marketing Budgets 2010: Effectiveness, Measurement and Allocation Report</i> .
General literature review	Existing literature was reviewed to identify issues and trends associated with new technology and new marketing or management approaches. A listing of referenced works can be found at the end of this report.
Qualitative research: In-depth interviews	Interviews were conducted with over 50 client-side and agency marketers to add context and perspective to the data.
Online survey	The survey was designed to assess the prevalence of the challenges identified earlier in the study. It also sought to establish several essential benchmarks for organizations with significant digital spending.
Research report	Learnings from the four research instruments were combined to detail common responses and best practices.

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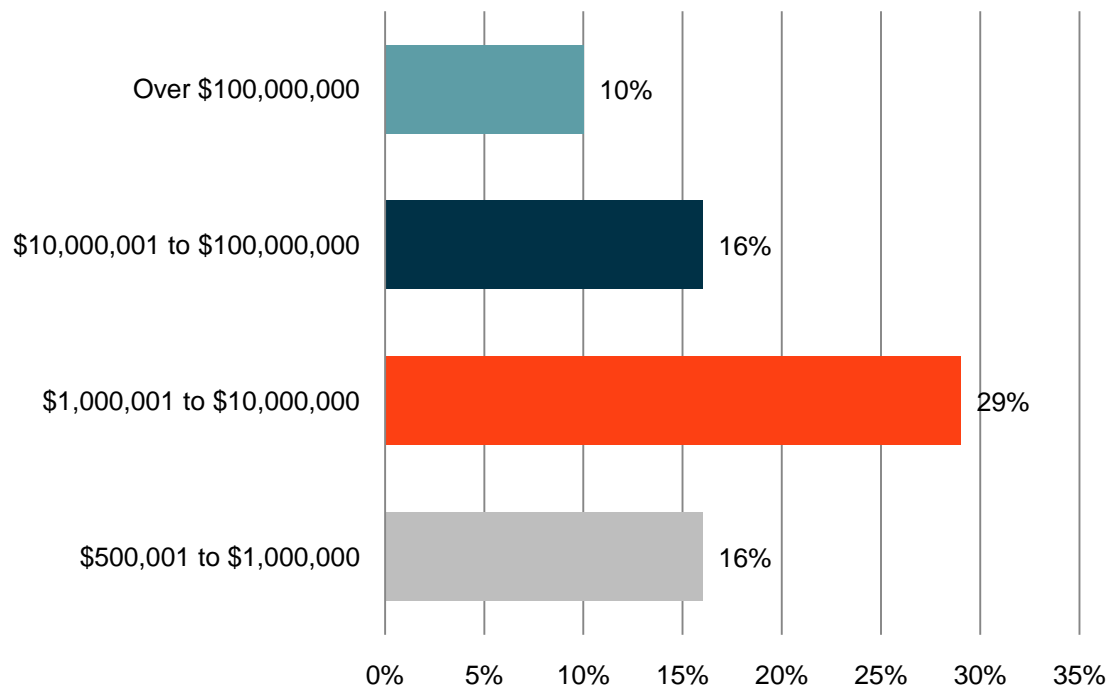
1.5.1. Survey Demographics

Three criteria were used to determine which responses would be included in the final dataset;

1. **Knowledge of marketing strategy and budgeting** – respondents had to self-report as having direct knowledge of marketing budgets and organizational strategy.
2. **Size of marketing spend** – organizations with less than \$500,000 were eliminated from the sample.
3. **Marketing sophistication** – using self-reported attributes such as use of marketing automation or advanced analytics, organizations had to qualify on at least two points to be included. The thinking was that organizations still at the rudimentary level of digital marketing are not yet in a position to offer insight into best practices or the future of how digital budgets can and should work.
4. **Geographic location** – only responses identified by IP address as being from North America were included.

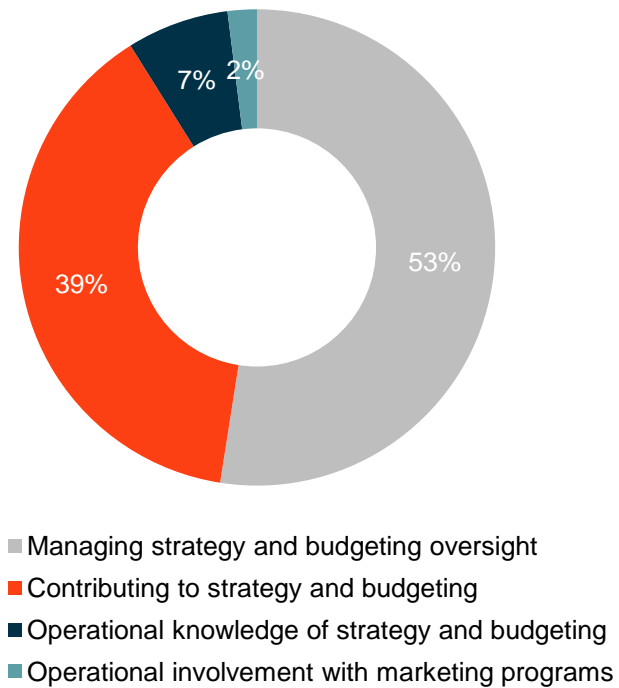
Once all of these filters were applied, the final dataset was comprised of 119 responses.

Figure 1: What is your organization's total annual marketing spend?



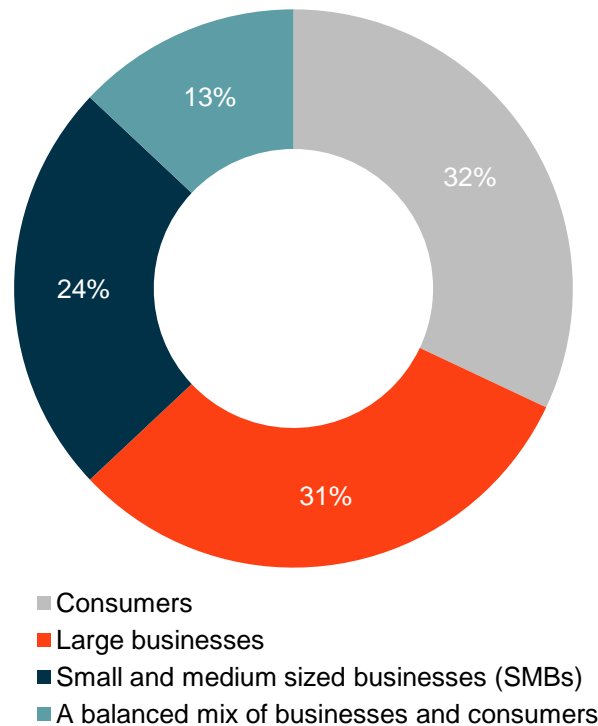
Number of respondents: 119

Figure 2: What is your highest level of interaction with marketing strategy and budgeting?



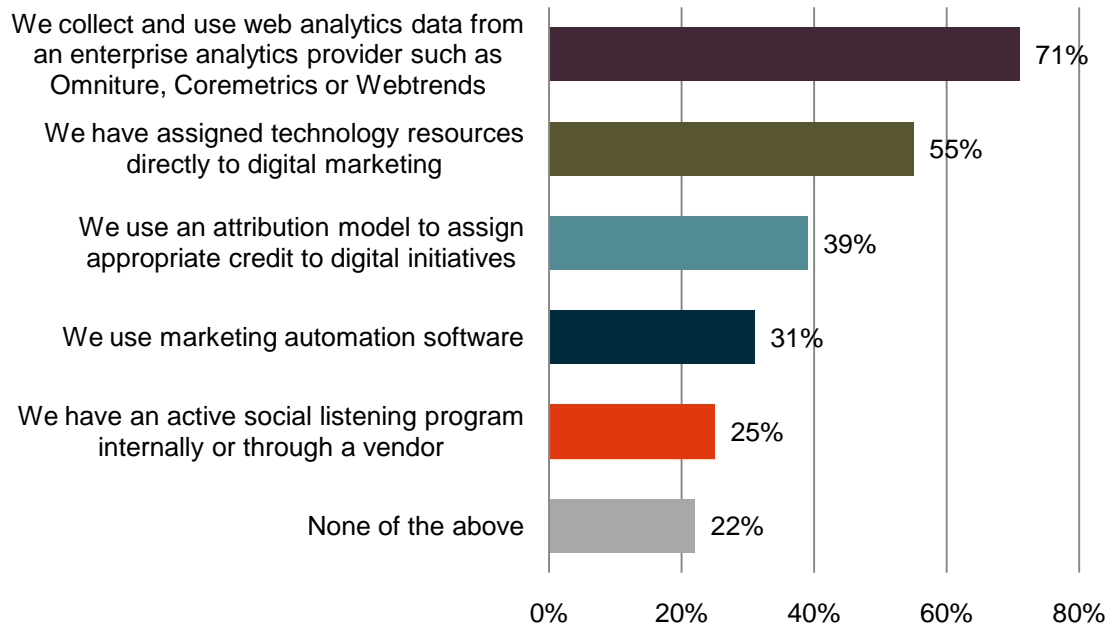
Number of respondents: 119

Figure 3: What is your organization's primary target market?



Number of respondents: 119

Figure 4: Which of the following apply to your organization?



Number of respondents: 119

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1.6. Who is this report for?

This is primarily a report by client-side marketers for client-side marketers, specifically at medium sized and large organizations. However, many findings and takeaways apply across company size and target markets.

We hope this report will help digital marketing specialists assess their organization's balance and priorities in key areas, as well as provide best practice recommendations to help them refine their approach.

The report is also intended to inform non-digital marketing specialists such as senior managers who must understand the management issues and success factors involved in successfully integrating digital into an organization.

In addition, the report will help agencies understand their clients' challenges and thought processes and assist them as they design future services and refine their current ones.

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1.7. What's new in this report?

This report is the direct descendant of two prior works, both by Dr. David Chaffey for Econsultancy.

In 2005, Econsultancy produced *Managing an e-commerce team: Integrating Internet Marketing into your organization*:

<http://econsultancy.com/reports/managing-an-e-commerce-team-integrating-digital-marketing-into-your-organisation>

The report was well received, and the demand for an update referencing more recent challenges and approaches to digital strategy development led to the publishing of *Managing Digital Channels Best Practice Guide* in 2008.

This report borrows from the Digital Channels book, but does not attempt to include the same depth of process analysis and description. Its focus is somewhat different, expanding beyond e-commerce and attempting to offer learnings that will be useful to a wide array of digital marketing organizations.

The main features in this report are:

1. A new approach to the question of how digital marketing fits with strategy, based on the key questions set out in section 1.4 and benefiting from the experience of over 150 client-side marketers.
2. An exploration of important current trends that may have an effect on the emerging digital strategies of many organizations.
3. An analysis of key digital budget components, with specific benchmarks.
4. Recommendations for budget allocations by channel.
5. A chapter addressing the important issue of balancing the need for marketing innovation and learning with the opportunity costs of doing so without aligning these efforts with strategic interests.
6. Some of the key features retained from *Managing Digital Channels*;
 - Methods for developing and implementing a digital marketing strategy.
 - Advice on how to develop strategic agility and introduce agile development methods.
 - Lessons for the management of internal and external teams.

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