Recognize the Importance of Digital Marketing

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Published: 22 August 2012

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Many CMOs are well along the path to integrating digital marketing techniques and technologies into their organizations. Gartner provides validation from marketing leaders that investments in digital marketing do pay off.

Analysis
Digital marketing techniques and underlying technologies are having a profound impact in marketing investment priorities, budgets, organizational structure, skills and processes. Digital:

- Forces organizations to rethink their relationship with customers at every stage of the buying process, from research to transactions.
- Promotes a marketing-led cross-organizational dialogue and efforts to improve customer experiences.
- Drives marketers to rethink what technologies their organization requires, those it desires and how to best acquire and manage them.

When digital technologies facilitate breakthrough enhancements to marketing processes and customer experiences, marketers, their organizations and customers win. Yet too many digital marketing activities are one-off or stand-alone initiatives that are not part of a comprehensive strategy and are not measured against business goals. The purpose of this research is to share a broader view of digital marketing’s importance.

What Drives Digital Marketing Investments Today (and It’s Not ROI)

A majority of marketers that we interviewed, 54%, invest in digital marketing because they believe it’s key to their competitiveness. But they are not certain of the return on their investment. For that survey, which took place in April 2012, we interviewed 98 marketing executives in companies with revenue greater than $1 billion, and who had or were considering a digital marketing function. We asked the executives: “Thinking about digital or interactive marketing, its potential impact, and the investment required to participate in the space, which statement best describes your organization’s position?”
Figure 1 shows that another 42% of companies did see the ROI and were investing for the same reason — to gain an early advantage. Only 4% of companies did not know if there was strategic value, but were investing to test the impact.

Figure 1. Position on Investment and Impact of Digital Marketing

**54%**
The ROI of digital or interactive marketing is cloudy, but we are investing because we believe it is strategic to our competitiveness.

**42%**
Digital or interactive marketing is strategic to our competitiveness, we understand the ROI and we are investing to get early advantage.

**4%**
We believe that digital or interactive marketing is important, but we do not know whether there is strategic value and are putting a toe in the water to gauge its impact and ROI.

What Will Drive Digital Marketing Investments Tomorrow

Figure 2 shows that 75% of respondents believe digital marketing will be very or extremely important to the overall success of their organization — not just marketing, but their company — one year from now and even more believe the same to be true two years from now. We asked marketing executives: “Rate how important your organization’s digital or interactive marketing strategy is to the success of each of the following, on a scale of 1 to 7, where 1 is not at all important and 7 is extremely important?”

**48%**
Percentage of Respondents

**75%**
Very or Extremely important

**89%**
Today

**Source:** Gartner (August 2012)

What Activities Digital Marketing Helps to Succeed

Then, we asked marketing executives: “Rate how important your organization’s digital or interactive marketing strategy is to the success of each of the following, on a scale of 1 to 7, where 1 is not at all important and 7 is extremely important?”

The top answer? Brand building and differentiation, as shown in Figure 3. Next on the list: customer communication, which is becoming a real-time activity. Understanding customer satisfaction ranked high, too.
Figure 3. Where Digital Marketing Helps You Succeed

![Chart showing the importance of various digital marketing strategies]

Digital Technologies and Services That Contribute to Success

In May 2012, Gartner conducted additional research — this time, it was a Web-based survey with 251 marketing executives who support marketing in U.S. and European companies, and were buyers or influencers of the purchase of digital marketing applications technology and services.

We posed the question, "Which of your organization’s 2012 marketing strategies are most important to its success?" to only the marketing executives.

Figure 4 shows the top five responses, which include: strengthening the brand across all channels (29% of respondents) and improving the customer experience (25%). The next two responses are a mix of techniques and results — better using marketing technology and services, and accelerating speed through real-time analytics and rapid response. For more information about the requirement for marketing to act in real-time, see the Recommended Reading section.

Figure 4. 2012 Marketing Strategies Most Important to Success

![Chart showing the top five marketing strategies]

Source: Gartner (August 2012)

The results from our two surveys show how brand building and improving customer experiences are highly important to two different groups of marketers, underscoring the impact that digital marketing has on these marketing objectives.

Where Increased Investment in Digital Marketing Technologies Are Planned

For our May 2012 survey, we asked the 251 marketing executives plus another 261 IT managers who support marketing: "What are your company plans for investing in the following digital marketing areas over the next 12 months?"

Mobile and tablet applications ranked highest for first-time investments as Figure 5 shows. In addition, the majority of those participating in the May 2012 survey said they will increase their investments in social media, mobile applications, CRM and customer analytics over the coming 12 months.

For the most part, companies anticipate making only small cuts in marketing technology investments. Spending on email marketing and dashboards are two areas that are more likely than others.

Some significant differences exist between U.S. and Europe, by company revenue size, and by marketing versus IT respondent. Look for upcoming research with more details from this Gartner
A survey of 512 marketing and IT managers (80% B2B and B2C end-user companies and 20% high-tech providers).

Figure 5. Planned Digital Marketing Investments, Next 12 Months

<table>
<thead>
<tr>
<th>RANKED BY PLAN TO INCREASE</th>
<th>% Currently Investing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media</td>
<td>11%</td>
</tr>
<tr>
<td>Mobile applications</td>
<td>15%</td>
</tr>
<tr>
<td>CRM</td>
<td>7%</td>
</tr>
<tr>
<td>Customer analytics</td>
<td>6%</td>
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<tr>
<td>Tablet applications</td>
<td>18%</td>
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<tr>
<td>Content management</td>
<td>7%</td>
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<tr>
<td>Collaboration tools</td>
<td>10%</td>
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<tr>
<td>Predictive analytics</td>
<td>11%</td>
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<tr>
<td>Campaign management</td>
<td>8%</td>
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<tr>
<td>Search engine optimization</td>
<td>9%</td>
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<tr>
<td>Email marketing</td>
<td>9%</td>
</tr>
<tr>
<td>Single view of customer</td>
<td>11%</td>
</tr>
<tr>
<td>Score cards or dashboards</td>
<td>10%</td>
</tr>
<tr>
<td>Reputation management</td>
<td>8%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>1st time investment</th>
<th>Increase</th>
<th>No change</th>
<th>Decrease</th>
<th>No plans to invest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media</td>
<td>18%</td>
<td>7%</td>
<td>93%</td>
<td></td>
</tr>
<tr>
<td>Mobile applications</td>
<td>17%</td>
<td>8%</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td>32%</td>
<td>34%</td>
<td>96%</td>
<td></td>
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<tr>
<td>Customer analytics</td>
<td>35%</td>
<td>3%</td>
<td>95%</td>
<td></td>
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<tr>
<td>Tablet applications</td>
<td>20%</td>
<td>11%</td>
<td>89%</td>
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<tr>
<td>Content management</td>
<td>38%</td>
<td>23%</td>
<td>95%</td>
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<td>Collaboration tools</td>
<td>35%</td>
<td>3%</td>
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<td>Predictive analytics</td>
<td>32%</td>
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<tr>
<td>Campaign management</td>
<td>36%</td>
<td>3%</td>
<td>92%</td>
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<td>Search engine optimization</td>
<td>36%</td>
<td>4%</td>
<td>92%</td>
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<td>Email marketing</td>
<td>35%</td>
<td>8%</td>
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<td>Single view of customer</td>
<td>36%</td>
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<td>88%</td>
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<td>Score cards or dashboards</td>
<td>40%</td>
<td>6%</td>
<td>89%</td>
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<tr>
<td>Reputation management</td>
<td>41%</td>
<td>15%</td>
<td>85%</td>
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Source: Gartner (August 2012)

Conclusion

CMOs and digital marketing leaders who want to learn how their efforts compare with those of their peers can look to upcoming research from Gartner for Marketing Leaders. We’ll track digital marketing spending and impact. Extracts such as the one contained in this note will be offered on a regular basis; longer analysis with findings and recommendations will also be shared. If you would like to learn about the differences in responses by respondent demographics on all research results, we invite you to contact the author.

What to Do Next

- Allocate a percentage of your budget for emerging digital marketing technologies and techniques — and don’t be afraid of failure — within limits.
- Build in processes to test and measure digital marketing results — from pilots and ongoing operations — so that you’ll have supporting data if you need to kill a project or justify additional funding.

- Communicate the importance and success of digital marketing in four ways:
  - One that mirrors your CEO and board of directors’ top priorities, such as business growth, customer attraction and retention, and increased competitiveness.
  - One that crosses functional boundaries and addresses sales, marketing and customer service at minimum, possibly lines of business and other functions such as product development and HR.
  - One that maps to key elements of your marketing investment strategy, such as brand strength, sales campaigns and customer experience.
  - One that focuses on marketing tactics.

Recommended Reading

- “Three Ways to Adapt to a World That Rewards Speed”
- “Using Digital Marketing to Differentiate Yourself from Competitors”
- “Ensure Emerging Trends and Technologies Advance Your Marketing Strategy”

Evidence

This note is based on two Gartner primary research projects. In April, 2012, we conducted phone interviews with 98 marketing executives in U.S.-based companies with revenue greater than $1 billion, who had or were considering a digital marketing function. In May 2012, we conducted a Web-based survey of 512 executives (divided between marketing and IT managers), in the U.S. and European companies who were buyers or influenced the purchase of digital marketing applications technology and services.
Gartner helps companies improve their business results through the use of technology. Our independent research and advice is trusted by business and technology leaders in 13,000 organizations around the world.

Our experienced research analysts talk to marketers every day — from those just entering the digital realm to the innovation trailblazers. These interactions capture real challenges, best practices and what is critical for success.

Gartner provides marketers with the research, data, tools and expert advice to rapidly deploy, optimize and measure digital technologies and coordinate diverse marketing programs into a strategy that drives results.

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