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Marketing and Social Media: Benefits, and Ways Forward¹

Maria Teresa Pinheiro Melo Borges Tiago^{a*}

José Manuel Cristovão Veríssimo^b

^aAssistant Professor, Business and Economics Department, University of the Azores,
Rua da Mae de Deus, 9501-801 Ponta Delgada, Portugal;

E-mail: mariaborges@uac.pt; Tel: +351 296650084; Fax: +351 296650083.

*Corresponding author

^bAssistant Professor, ISEG – School of Economics and Management, Technical
University of Lisbon, Rua do Quelhas, 6, 1200-781 Lisbon, Portugal;

E-mail: jose.verissimo@iseg.utl.pt, Tel: +351 213925950; Fax: +351 213922808

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Técnica de Lisboa

Marketing and Social Media: Benefits, and Ways Forward

ABSTRACT

The second generation of Internet-based applications enhances marketing efforts by allowing firms to implement innovative forms of communication and co-create content with their customers. Despite the strengths of social media for marketing purposes, few studies have empirically explored why firms have begun to use it. To redress this shortcoming, this study adopts the perspective of the firm to facilitate an understanding of digital marketing and social media usage as well as its benefits and inhibitors. Through an online survey conducted in July and August of 2011, data were requested from marketing managers of the 2000 largest firms in Portugal. One hundred and seventy questionnaires were completed. Results demonstrate that firms face internal and external pressures to adopt a digital presence in social media platforms. Further, we identify four levels of digital engagement evolution and propose a new digital pattern matrix based on benefit perception and digital marketing usage. To successfully explore digital marketing and social media, marketers need to adopt marketing strategies to engage in relationship-based interactions with their customers. To meet this challenge, firms should complement their traditional Web practices with online social networking.

Keywords: Online marketing; budget spending; social metrics; digital media trends.

DIGITAL EMPOWERMENT OF CONSUMERS AND FIRMS

One of the biggest changes in human interaction is the recent proliferation of online social networks. The rapid growth of Web-based platforms that facilitate online social behavior has significantly modified the nature of human activities, habitats, and interactions. Real-world social relationships have been migrated to the virtual world, resulting in online communities that bring people together from across the globe to reveal the ubiquity of the Web. This movement into the digital world allows individuals to share knowledge, entertain one another, and promote dialogs among different cultures (Budden et al., 2011; Kumar et al., 2010). The question is no longer *if* people are signing in; the question is *what* they are signing into and *why* they use certain applications to do so.

From a consumer's perspective, using information communication technologies has a number of benefits including efficiency, convenience, richer and participative information, a broader selection of products, competitive pricing, cost reduction, and product diversity (Bayo-Moriones & Lera-López, 2007). Online social networking tends to enhance these benefits, as consumers are able to communicate more proactively. For example, through online social networking, consumers are able to seek out other consumers' opinions about specific products. In doing so, consumers have been shown to value their peers' judgments more than the firms' promotions, indicating a shift in the locus of persuasive power (Berthon et al., 2012; Pitt et al., 2002).

These changes in consumer behavior require firms to rethink their marketing strategies in the digital domain (Rodríguez-Ardura et al., 2012). As a reflection of this change in thinking, a significant portion of current research is more oriented towards

the customer rather than the firm (see Brown et al., 2007; Ellison et al., 2007; Kumar, et al., 2010; Lampe et al., 2007). Despite this welcome perspective shift, very little research has observed the implications of digital marketing for firms. Therefore, this study explores the benefits and implications of digital marketing for firms.

An online survey of marketing managers from the 2000 largest firms in Portugal was conducted in July–August 2011. Of the 2000 surveys administered, 170 were completed (response rate: 8.5%). Although the respondents worked for firms from a variety of industries, the information technology sector was the most highly represented within the sample.

The Portuguese market is useful for the purposes of this study because of the high degree to which information and communications technologies and social networking are embraced there. To illustrate, in 2005, Portugal was ranked 15th worldwide in mobile communication penetration (81.84%; NationMaster, 2009). By the last quarter of 2012, the mobile penetration rate had risen to a record 156.3%, which means that in average people has more than one mobile phone (ANACOM, 2012). Widespread access to high-speed wireless networks and the growing extent to which mobile phones are used by Portuguese citizens has led to increased use of the Internet as well. According to Eurostat (see Seybert, 2012), Portugal has an Internet penetration rate in excess of 61%. Given these figures, it is clear that Portuguese consumers have a greater access to mobile- and Internet-based technologies than ever before.

SOCIAL MEDIA: ARE FIRMS BEING PULLED OR PUSHED?

If the majority of customers engage with social media, firms must engage with it as well. In the past, marketers employed e-mail blasts, direct marketing,

telemarketing, informational websites, television, radio, and other communicative mechanisms to disseminate information related to the firm or its products. The World Wide Web was used to present marketing messages through page views and advertising to reach large numbers of people in a short amount of time. Despite its utility, this type of marketing strategy is too broad to effectively target connectors, mavens, and salespeople. In the past, therefore, the World Wide Web served an advertising tool that shaped surfer behavior (Berthon et al., 1996) rather than a medium that facilitated interaction between buyers and sellers.

If firms seek to establish mutually satisfying long-term relationships with critical surfers (e.g., salespeople, customers), an alternate Web-based strategy is needed. Specifically, firms should seek to develop digital relationships using promotional strategies that emphasize the co-creation of content and meaning. To achieve this, word-of-mouth communication (which can be facilitated with the use of social networking sites) can be particularly helpful.

Firms have always talked to their customers. However, the critical difference between past and present communication with customers is that now online communication tools allow customers to respond to firms (Mangold & Faulds, 2009). This pressures firms to adopt a more digital presence. In this vein, some firms have implemented Web 2.0 digital technologies. It should be noted, however, that Web 2.0 is more than the evolution of web-based technology itself. Instead, it represents a social revolution in the ways in which those technologies are used. Of particular importance for firms who wish to communicate with their customers is the advent of participatory information-sharing over the Internet. This phenomenon, coupled with global improvements in communication technology and lower costs for Internet

access, sets the stage for major shifts in digital marketing strategies, particularly with respect to the promotional-mix dimension.

Although the growth of Web 2.0 provided some tools for relationship-based marketing, the semantic web has since spread further and new dimensions have been added (Silva et al., 2008). Although the semantic web has existed for more than a decade (Berners-Lee et. al, 2001), it remains difficult to precisely define which technologies it incorporates. To use an analogy from file system permissions, whereas Web 1.0 was related to “read-only” content, and the co-creation of content allowed Web 2.0 to be deemed the “read-write” web, *Web 3.0* can be considered the “executable Web” (Rizzotti & Burkhart, 2010), which is characterized by individual-oriented and dynamic relationships based on personalization, intelligent searches, and behavioral advertising (Agarwal, 2011). This phenomenon constantly builds and evolves, shifting the locus of market power from firms to consumers (Berthon, et al., 2012; Pitt, et al., 2002). Thus, an online, content-based marketing strategy could bridge both consumer-firm and physical-virtual gaps (Silva, et al., 2008). In doing so, such a strategy would allow for not only more effective marketing strategies but also the fundamental reinvention of the firm.

WHY BOTHER WITH DIGITAL MEDIA?

Online social networking is changing the methods through which we communicate and interact. Because of these changes, firms have been challenged to adopt a virtual presence to keep up with present and potential clients. To explore the motivations behind firms’ adoption of online communication strategies, the survey we administered to marketing managers asked about the primary reasons that their organizations have begun to engage in digital marketing. Results demonstrate that

external competitive pressure plays the most prominent role in a firm's decision to utilize digital media for marketing purposes. Survey results also show that firms recognize the World Wide Web to be an effective means for completing a growing number of internal organizational tasks, particularly those related to marketing (Hutchings, 2012). Therefore, the pursuit of internal efficiency was the second most cited factor driving firms to adopt digital marketing strategies, followed by the facilitation of top-down directives (see Table 1).

[Insert Table 1 about here]

The advent of digital social media brings several advantages to firms. Ainscough & Lockett (1996), for example, argued that the Web can be used for publishing, online sales, market research and customer support. Other researchers have further argued that the Web can assist in brand building, generating word of mouth communication among consumers, buzz marketing, and crowd-sourcing (Whitla, 2009). In addition, the Internet not only helps with the execution of marketing strategies but may also improve the firm's overall performance (Eid & El-Gohary, 2011).

This study reiterates the benefits offered by digital social media. Consistent with Whitla (2009), survey results show that managers rely heavily on digital marketing to build their brand (Table 2) and improve knowledge and communication flows. Because social networks are largely based on user participation, it was reasonable to expect that the promotion of social activities would emerge as a key motivator for firms to become involved with social media. Results of the survey show otherwise; only 41% of respondents define the promotion of social activities as the primary driver for their efforts related to digital marketing. In addition, and contrary to the findings of Kaplan & Haenlein (2010), we did not find any effect of digital presence on internal

marketing. These findings suggest that among Portuguese companies, digital marketing primarily results from external forces.

[Insert Table 2 about here]

The Web's potential as a sales channel has been well documented (see Kondopoulos, 2011). The benefits derived from the Web largely depend on the company's active engagement in Web-based platforms. Therefore, we asked managers to rate a number of benefits offered by digital presence that have been proposed in past research. Eighty-seven percent of respondents identified digital presence as an effective vehicle for information exchange (see Table 3). One marketing director said that digital media was important for "establish[ing] direct dialogue with the consumer," and another argued that digital media helps to "evaluate suppliers and other partners with whom I work."

Other benefits of online marketing praised by respondents include ease of use, its potential for increasing knowledge, and the promotion of firms' internal and external relationships. Further, one respondent claimed that the Internet allows for "knowing consumers' consumption habits [and] preferences and identify[ing] pioneers" while another argued that the Internet helps to "detect or anticipate negative reactions by clients or markets." Although a digital presence also contributes to the other administrative areas, the survey shows these contributions to be of lesser importance to marketing managers.

[Insert Table 3 about here]

These responses clearly indicate that communication is a key component in digital marketing. In this vein, much of the research presented at academic conferences and published in journals has focused on digital communication and its

shift from traditional media to digital and social media. However, digital marketing is not related merely to the content of the message itself. Instead, it illustrates the importance of personal communication channels and links to customers, other websites, and relevant content. Thus, it is a powerful tool for building, consolidating, and maintaining brand awareness. For example, one respondent claimed that the firm for which he/she worked “use[s] the Web to create engagement with customers and promote brand awareness.” Another reiterated the importance of the Web for promoting interaction, claiming that “digital media enables and improves the communication processes.”

DIGITAL MEDIA EXPENDITURES: TARGETING AND AMOUNT

There exists no standard formula for determining how much a firm should invest in digital social media. Several firm-specific characteristics, including internal digital infrastructure, media choices, and customers’ preferences (Weinberg & Pehlivan, 2011) affect investment decisions. However, businesses are quickly learning how to utilize the benefits offered by digital and social media. One marketing director argued that the dedication of substantial financial resources to digital marketing is unnecessary, claiming that “the most important factor for the involvement of companies in digital media is the very low investment required when compared with the traditional media.”

In spite of this claim, 18% of sample firms intend to increase the amount they invest in digital social media. Because the most dramatic changes related to communication technologies have been related to user participation, it is reasonable to expect that many firms will dedicate more substantial financial resources to facilitate interaction with their customers (Weinberg & Pehlivan, 2011). Table 4 shows

that most participants (81%) plan to invest in the development of social networking sites. That may come with a twist, though. One participant claimed that “more than socializing, it is important to convert social networking into real people, representing consumers, clients, journalists, analysts, current and future employees, partners and other suppliers.”

Fifty percent of respondents said that e-mail marketing and digital advertising are priority areas for investment. This finding coincides with worldwide investment trends. For example, ZenithOptimedia (2012) anticipates investment in Internet advertising to exceed investment in other media in the near future. In 2013, worldwide Internet advertising expenditures are predicted to increase more than 14% to an all-time record of 101.5 million USD. In contrast, monetary investment in traditional media is predicted to increase by only 4% from its 2012 level. Table 4 demonstrates the various areas for planned investment according to the survey.

[Insert Table 4 about here]

Employees play a key role in digital marketing because they implement the firm’s strategy. In this vein, and consistent with the reported finding that financial investments in digital marketing are predicted to increase in the near future, 45% of firms surveyed claimed that they intend to increase the number of employees whose focus will be digital marketing. One director argued that digital marketing processes should not be outsourced, claiming that “I personally don't believe in outsourcing what is strategic. Doing outsourcing in this [digital marketing] area is like shutting yourself.” Although many areas require greater investment, results show that some areas need more attention than others. The development of mobile- and video-based

applications, for instance, demands that those areas generally receive greater financial investment than others.

As Table 5 demonstrates, corporate webpages are the most frequently used digital communication channel, followed by social networking sites like Facebook, LinkedIn, and Twitter. Given this, marketers recognize the importance of digital marketing and thus invest significant financial resources to its development and implementation (Weinberg & Pehlivan, 2011; Zhao & Zhu, 2010). As a consequence of this increased level of investment, digital marketing expenditures currently represent nearly 20% of the total budgets from the firms surveyed. This trend shows no signs of slowing, as 77% of firms reported an intention to increase investment in digital promotion in the short term.

[Insert Table 5 about here]

The results of the survey provide two critical findings: 1) firms acknowledge the importance of digital media and online social networking for marketing; and 2) it is critical for a firm to incorporate digital messaging and mechanisms for Internet-based interaction into its marketing mix (Mangold & Faulds, 2009).

MEASURING THE EFFECTIVENESS OF SOCIAL MEDIA MARKETING

Illustrating the difficulties associated with gauging the effectiveness of digital marketing, one director said, "I'm not sure that it is easy to measure the return on all investments in digital marketing." Nonetheless, some standard metric is needed to justify the money spent on digital marketing. It is not difficult to find examples of such metrics, as new "ROI calculators" are proposed nearly as fast as new social networking sites appear (Fisher, 2009). For example, Zhao & Zhu (2010) proposed a model to assess returns on investments made in digital marketing that includes a series of

measures influenced by competitors' actions. Similarly, Hoffman & Fodor (2010) proposed more than fifty metrics for evaluating the effectiveness of social media to promote brand awareness, brand engagement, and word-of-mouth buzz.

Given the variety of metrics available, the survey asked participants to rank several extant measures according to their importance for measuring digital marketing activity. Brand awareness, word-of-mouth buzz, customer satisfaction, user-generated content, and web analytics were reported as the most popular metrics for measuring digital marketing effectiveness. Results suggest that managers prefer metrics that promote engagement to more conventional digital metrics (e.g., page views). See Table 6 for a summary of these results.

[Insert Table 6 about here]

Ultimately, managers must choose metrics that suit the firm. As another manager noted, "without clear objectives and strategy definition, it is better not to use social media at all." The popularity surrounding social media is giving way to a more rational approach.

FOUR TYPES OF DIGITAL ENGAGEMENT

Generally, it is useful for a firm to match digital marketing engagement and its corresponding benefits. Given the results outlined above, we propose a digital engagement matrix that links these two variables. Some have argued that investments in digital marketing evolve in parallel with perceived benefits such that high levels of digital marketing signify a preference for digital interaction, whereas low levels of digital marketing indicate a more traditional Web presence. In this way, the two dimensional variables indicate the efficiency of a firm's digital business presence. We performed a cluster analysis using an optimization-partition method on

two synthetic indicators—perceived benefits and digital marketing usage. The resulting matrix was composed using a multidimensional scale analysis with the synthetic indicators and final cluster solution.

[Insert Figure 1 about here]

Figure 1 reveals four distinct digital marketing usage/benefits profiles. The *dead-road* quadrant reflects the inefficiency of an unbalanced approach—high perceived benefits but nonetheless low commitment with digital marketing. No surveyed firm was designated in this quadrant. *Laggards* (typically public services and utility firms) perceive low benefits from digital marketing and show low adoption rates of different digital tools. Digital activities involve institutional Web pages, chat, and voice-based communication over IP.

The second cluster of firms located in the *qualification* quadrant have medium to high levels of digital engagement and acknowledge some benefits derived from an online presence. These firms are *digital learners*. They use mostly institutional websites, although there is some evidence to suggest that they also use social networking as a marketing tool. In terms of overall profile and digital media tools adopted, this cluster is similar to a third group, called *digital users*. Both groups include a large number of IT and retail firms, although the *digital users* group also includes many financial services. Despite their similarities, the *digital users* group perceives greater benefits from digital marketing.

A fourth cluster, named *interactive users*, was revealed in the *engagement* quadrant. Nearly 69% of firms are in this cluster relate to IT and telecommunications. These companies have the lowest digital marketing budgets (less than 30% of global marketing expenditures) and show no intention to increase them. This group

emphasizes marketing through mobile and networking apps, but does not neglect the potential of traditional webpages to market its products. This indicates that social media engagement can enhance the relative efficiency of these firms' institutional web pages. Overall, the results indicate that firms tend to acknowledge the benefits of social media and that doing so does not inhibit their turn towards digital engagement.

THE NEED TO ADOPT SOCIAL MEDIA

The Web can be an extremely useful tool for marketers to create strong brands and gain competitive advantage in their respective markets. However, to effectively utilize the advantages offered by the Internet, firms must adopt social media as a channel to provide information to customers, connect with stakeholders, and ultimately, make sales. As marketing communications become increasingly integrated with the digital space, marketers can use social media to create digital linkages with costumers.

Transforming into a socially centered firm will not occur overnight; it requires careful planning, resources, and monitoring over time. That said, the effort to make this transformation seems to pay dividends. In the US, for example, 42% of businesses reported acquiring new customers through the use of social media sites (Van Belleghem et al., 2012). Because of the global economic recession, companies are striving to obtain, understand, and retain customers through any means necessary. This study's results suggest that the use of social media marketing may be a useful strategy to these ends.

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Table 1

Enablers of Digital Engagement

Enabling Component	(%)
Competitive pressure	56
Organizational efficiency	49
Top-Down directives	13
None of the above	8

Note: N = 170

Table 2

Digital Media Benefits by Type

Benefit Type	% ^a
Brand Management	82
Knowledge Management	78
Communication Flows	70
Competitive Response	49
Social Activities	41
Internal Marketing	37

Note: N = 170

^aPercentage of respondents rating 4 or 5 on a 1–5 scale where 5 = extremely important.

Table 3

Benefits of Digital Presence

Benefit Type	% ^a
Improves information gathering and feedback	87
User-friendly tool	85
Increases knowledge	85
Promotes internal and external relationships	82
Supports decision making process	60
Increases productivity	58
Better outcome measurement	53

Note: N = 170

^aPercentage of respondents rating 4 or 5 on a 1–5 scale where 5 = extremely important.

Table 4

Digital Investment Areas

Area of Investment	% ^a
Digital Presence	
Social network/apps	81
Email marketing	65
Digital Ads	50
Viral campaigns	46
Digital brand experiences	39
Mobile	38
Search engine optimization	32
Digital infrastructure	25
Blogs	18
Games	7
Human Resources	
People involved in digital marketing	45
Competencies	
Mobile apps development	39
Video content development	28
Website design	21
Website maintenance and domain	16
Blogs edition	13

Note: N = 170

^aPercentage of respondents planning to invest in designated areas.

Table 5

Digital Channels Used

Channel	%
Corporate website/microsite	90
Facebook	73
Linked-in	46
Twitter	42
Customer website/microsite	36
Mobile applications	31
Mobile web	22
Blogs	21
Chat	20

Note: N = 170

Table 6

Digital Performance Metrics

Metric	%
Brand awareness	89
Word-of-mouth	88
Customer satisfaction	87
Lead generation	80
Web analytics	80
Post /users	67
Page views	66
Time on site	64
Cost Per Mil (CPM)	63
Click-Through rate (CTR)	58

Note: N = 170

^aPercentage of respondents rating 4 or 5 on a 1–5 scale where 5 = extremely important.

Figure 1 – Digital Engagement Matrix

