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2009 Advertising Effectiveness Survey

Topline and \$1MM+ Digital Spender Results

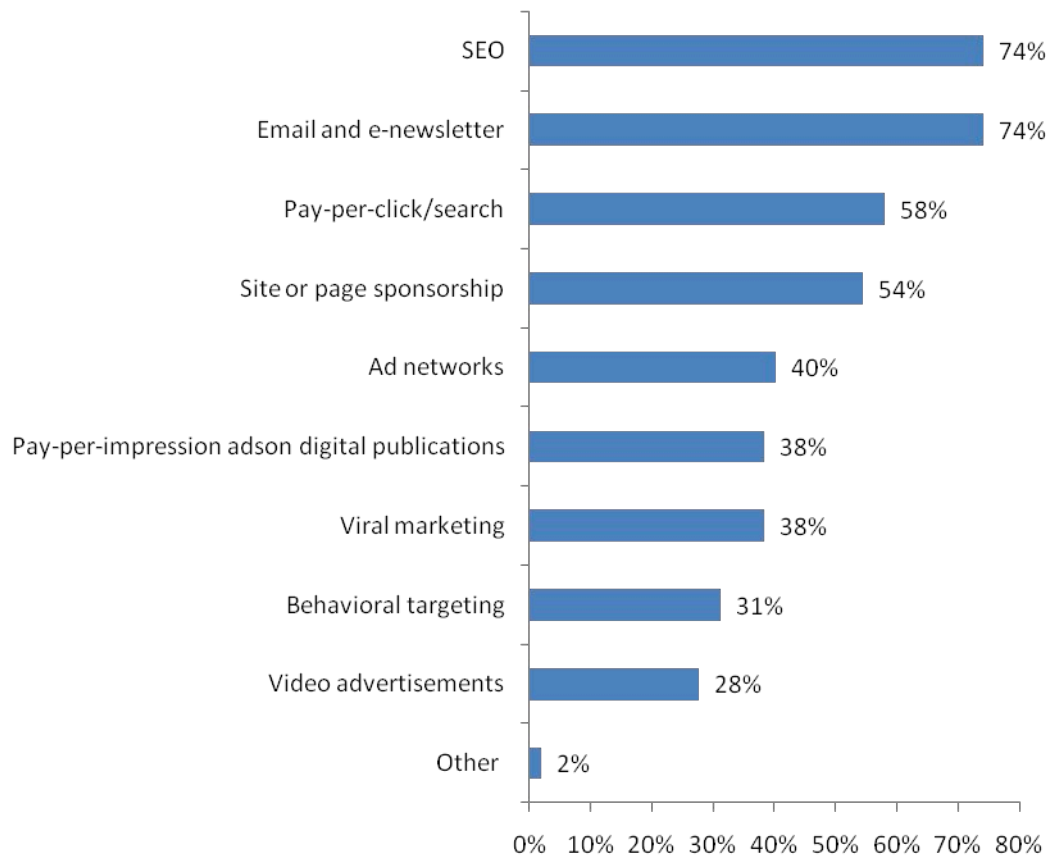
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SEO and Email/e-newsletter techniques are the top digital marketing campaigns

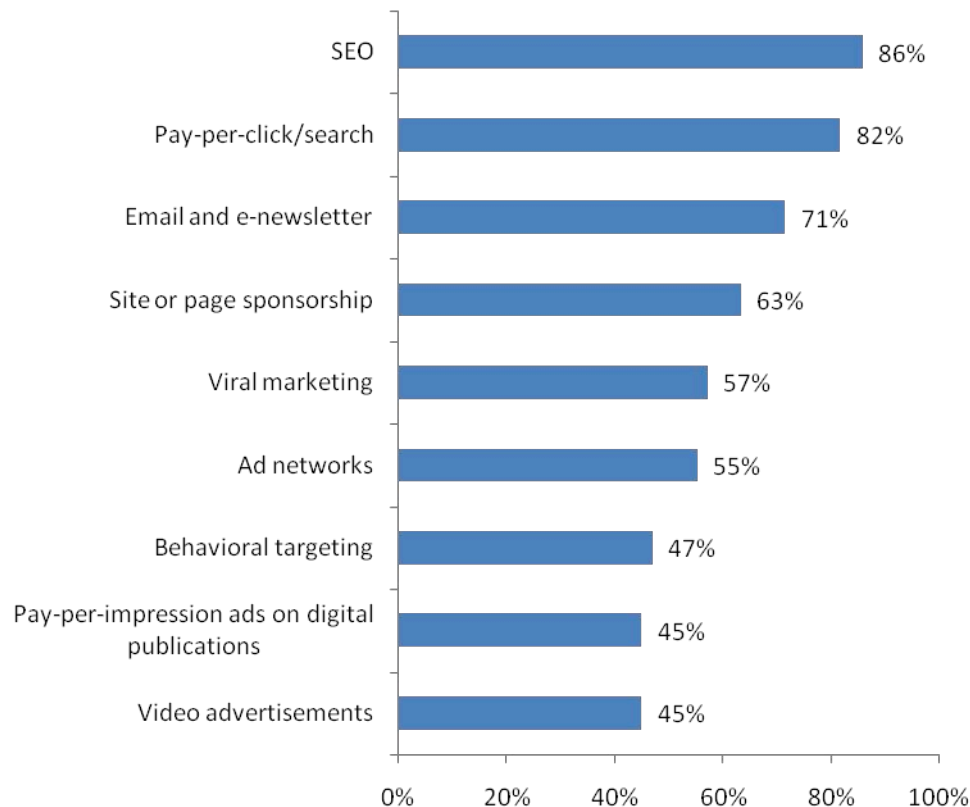
Digital marketing campaigns used by respondents



- SEO and Email and e-newsletter marketing are by far the most popular method of digital marketing among respondents.
 - Three-quarters of respondents each say they use these methods.
- Nearly 6 in 10 use pay-per-click search marketing while more than half sponsor a website, publication or page-about equal with site or page sponsorship.
- 4 in 10 have used ad networks, pay-per-impression ads on digital publications and viral marketing through social networking sites.
- 3 in 10 have used behavioral targeting, about the same amount as have used video advertisements.

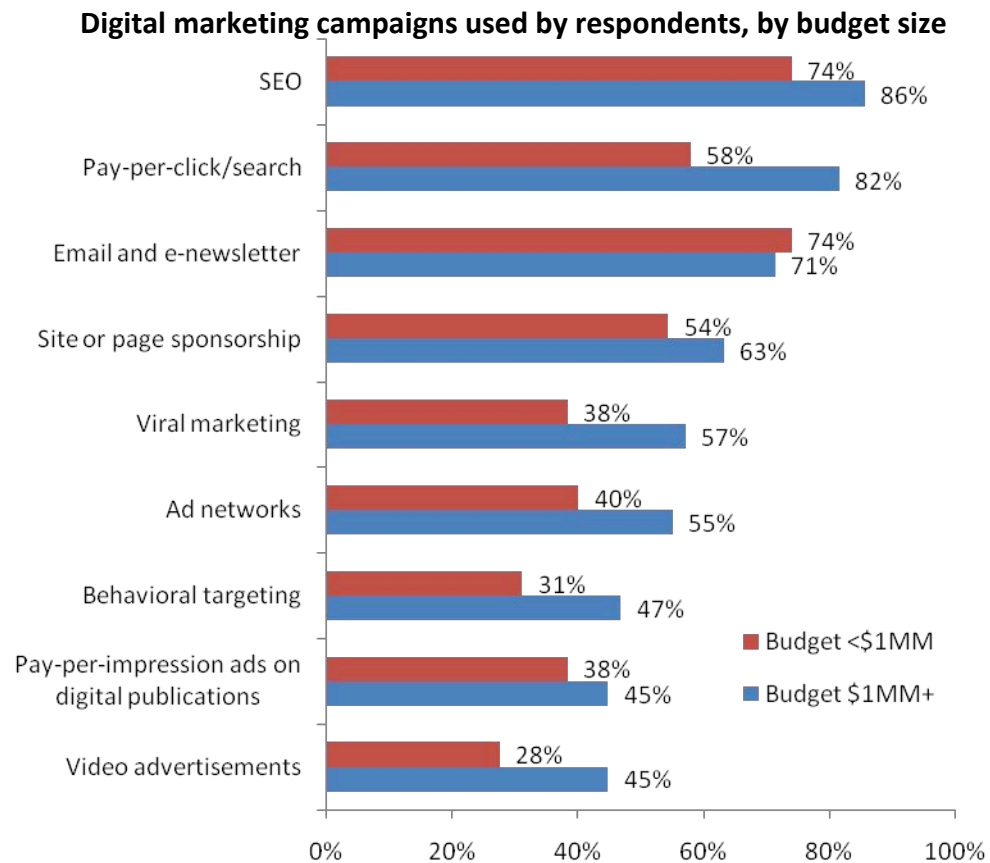
SEO and Pay-per-click/search are the top digital marketing campaigns for those with Digital budgets of \$1MM+

Digital marketing campaigns used by respondents



- Almost 9 in 10 \$1MM+ respondents use SEO; 8 in 10 use pay-per-click/search
- Respondents with bigger budgets appear to be likelier to use a wider range of digital marketing methods

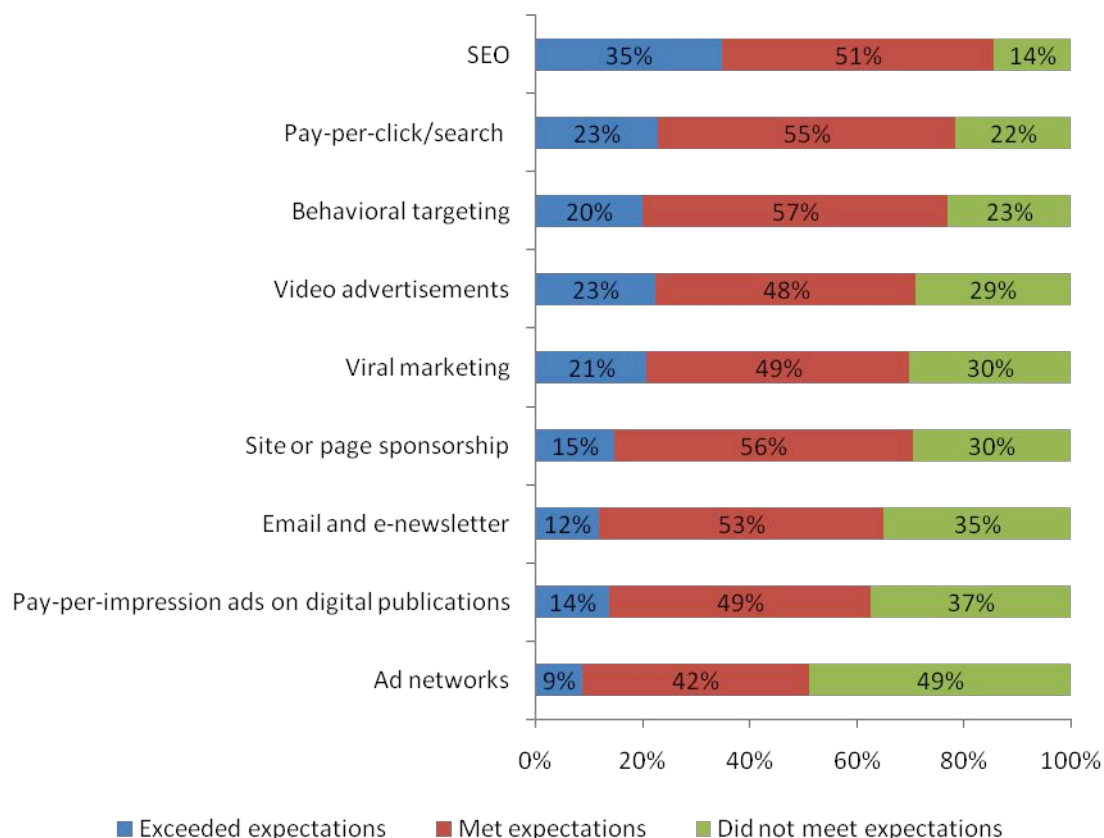
Higher budgets equate to greater use of digital marketing, particularly search marketing



- In a side-by-side comparison of total respondents and those with \$1MM+ budgets, it becomes clear how much likelier those with bigger budgets are to use all types of digital marketing
 - This is likely due to the fact that they simply have more money to spend, and can thus use more digital approaches for marketing
- SEO, pay-per-click/search, site/page sponsorship, viral marketing, ad networks, behavioral targeting and video advertisements appear to figure far more prominently into the digital strategies of those with bigger budgets

SEO was most successful in meeting or exceeding expectations; Ad networks were the least

Results vs. expectations for digital marketing campaigns



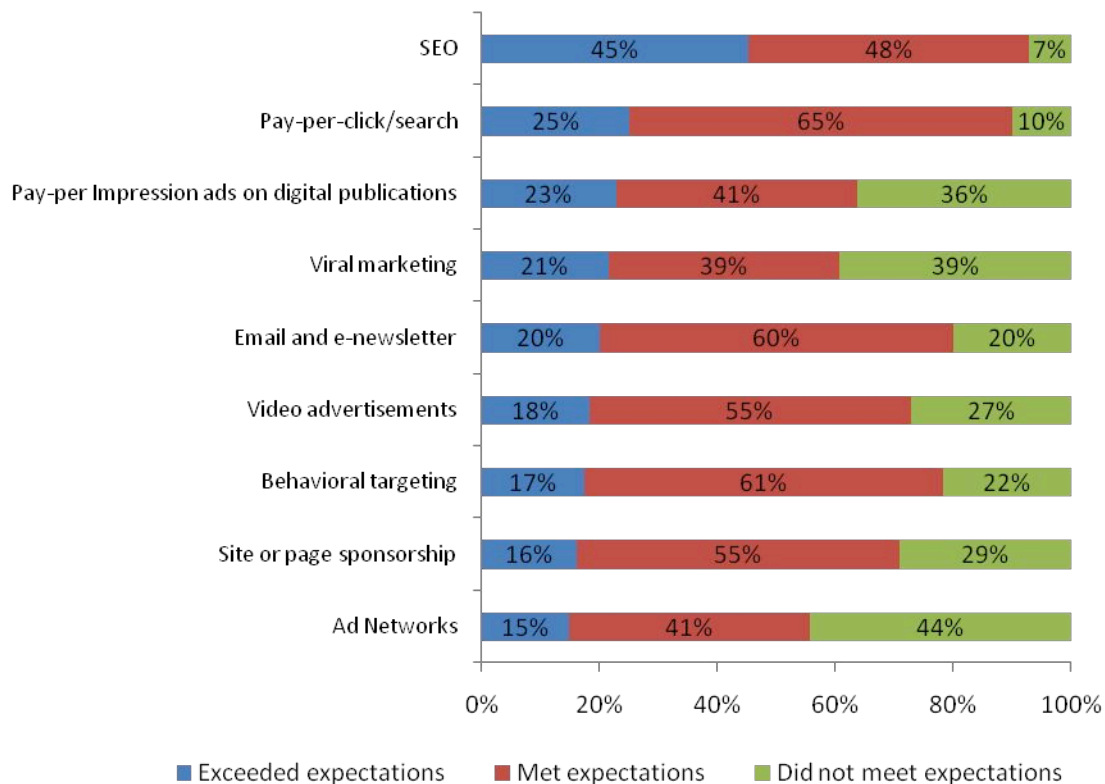
- Respondents were by far the least happy with ad networks, with half saying that the results did not meet expectations.
- 57% of respondents who have used behavioral targeting said that it met expectations, but one-quarter said that it did not.
 - Pay-per-click/search marketing saw similar results.
- Just 14% of respondents who have used SEO said it did not meet expectations.
- Sponsorship of a website, publication or page met the expectations of more than half of respondents who have used the tactic, at 56%.
- Respondents appeared split regarding satisfaction with video advertisements; while half said results met expectations, the remaining half were divided between not meeting expectations and exceeding expectations

Question: How well do the results of the following digital marketing campaigns typically meet your expectations or marketing goals?

Note: not all respondents answered each question; only those who used that particular tactic responded. N= 28-79

Larger marketing budgets correspond with greater satisfaction with pay-per-impression ads

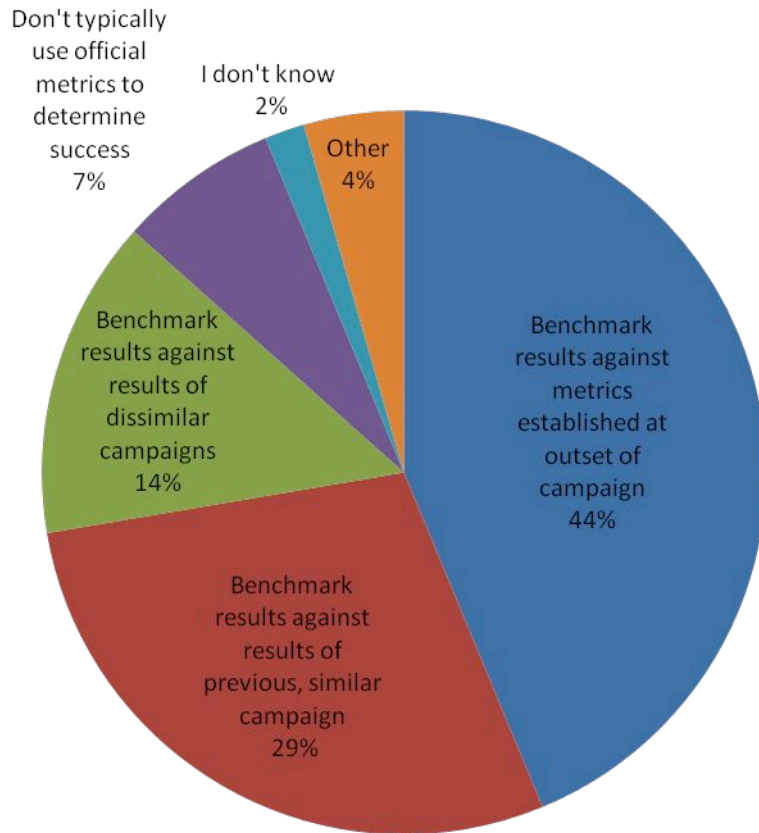
Results vs. expectations for digital marketing campaigns, budget \$1MM+



- While overall expectations were similar for both groups, respondents with \$1MM+ budgets were happier overall with results of pay-per-impression ads on digital publications
 - 23% said this method exceeded expectations, compared with 14% of total respondents
- SEO was also more likely to exceed expectations for \$1MM+ respondents, at 45% vs. 35% for total respondents; Email/e-newsletter was also more likely to exceed expectations at 20% vs. 12%
 - Pay-per-click/search was more likely to meet expectations, at 65% vs. 55%
- Viral marketing was more likely to *not* meet expectations, at 39% vs. 30% for total respondents

Success is measured by metrics established at the outset of the campaign

Methods for determining overall success of digital marketing campaigns

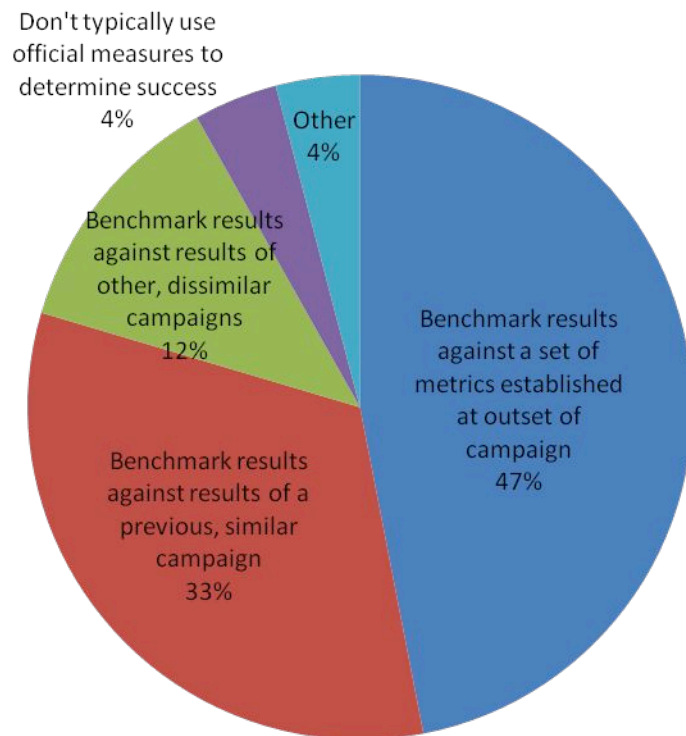


- 87% of respondents said they measure results of their digital campaigns in some way.
- Measurement of results appears to be based largely on metrics established at the outset of the campaign, at 44%.
- 29% said that they measure success primarily by comparing the results with those of a previous, similar campaign.
- Just 7% of respondents said that they don't typically measure the results of a digital marketing campaign.

Question: How do you determine the overall success of your digital marketing campaigns? Please select one response. N=112

Methods for measuring success do not differ significantly for respondents with higher budgets

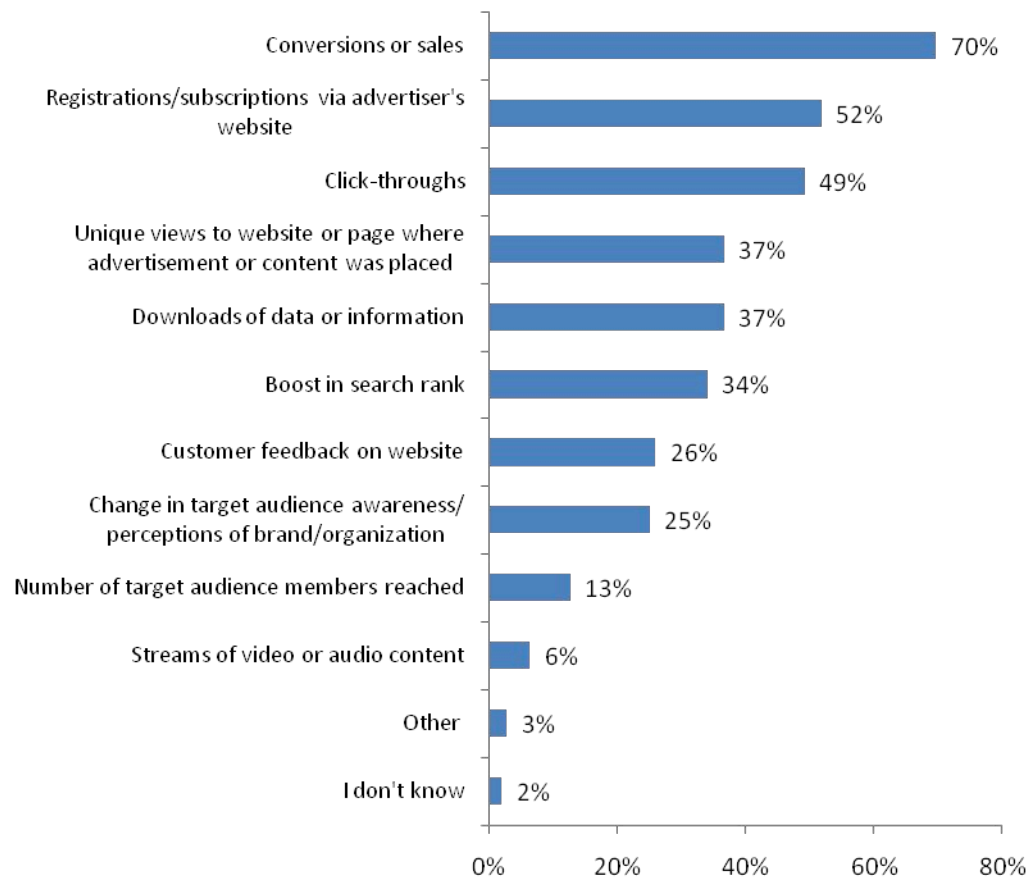
Methods for determining overall success of digital marketing campaigns, budget \$1MM+



- Unsurprisingly, respondents with \$1MM+ budgets appear to measure success using the same metric types as total respondents, suggesting that methods for measuring success are not dependent on budget size or diversity of digital marketing techniques

Action leading to sales is the most important metric for determining success of digital marketing

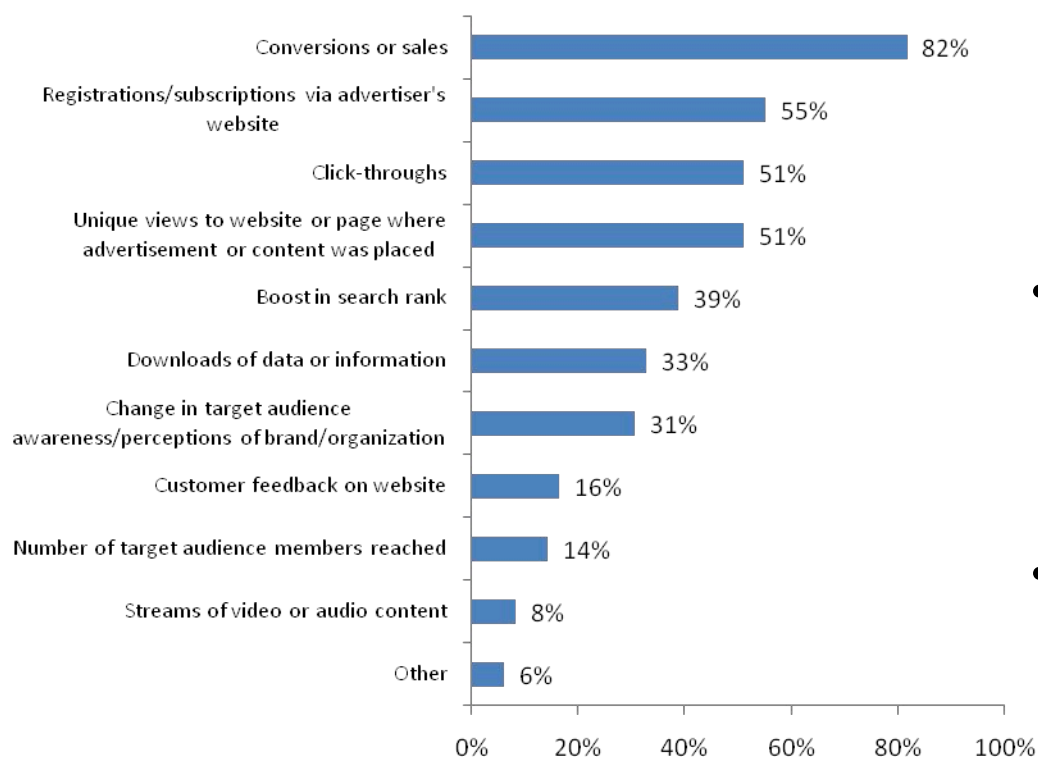
Most important metrics for measuring success



- The success of digital marketing appears to be measured by action, with the bottom line being far and away the most important factor in determining success.
 - 70% of respondents pointed to conversions or sales as the most important metric in indicating success of digital marketing, followed by registrations or subscriptions (52%) and click-throughs (49%).
- Actions or general effects that do not lead either directly or indirectly to sales were less popular measures of success, including downloads of data (37%), unique views to the website (37%) and boost in search rank (34%).

Action and the bottom line are even more critical for those with higher budgets, as well as web traffic

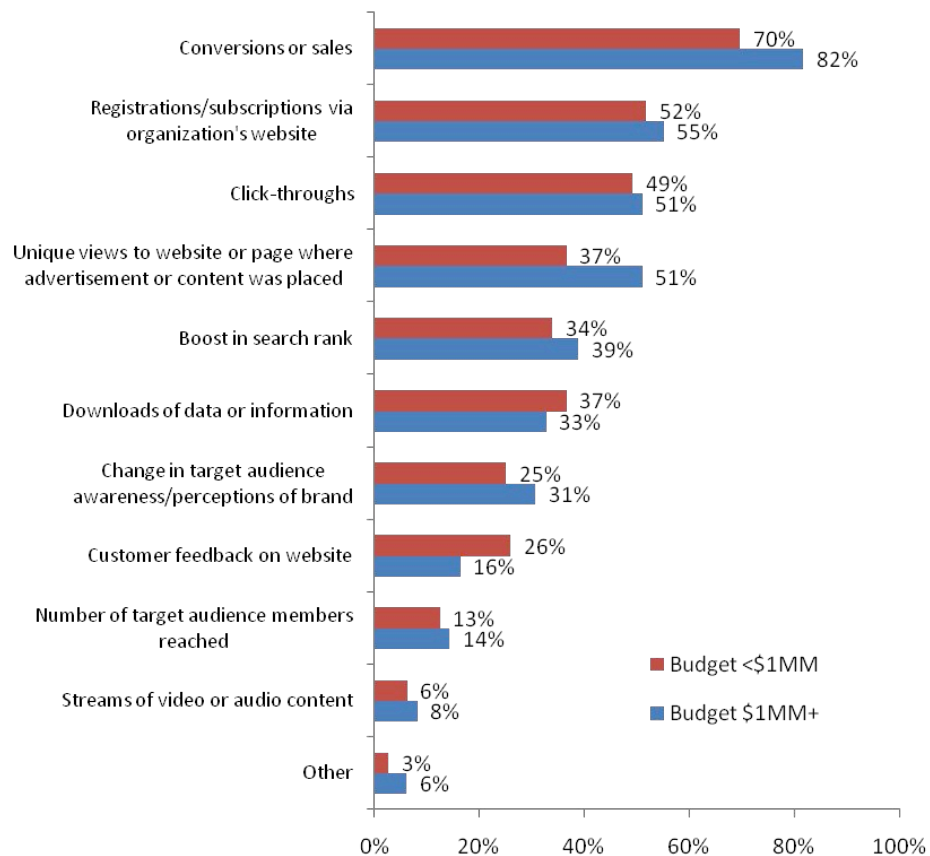
Most important metrics for measuring success, budget \$1MM+



- Conversions and sales are by far the most important measure of success, with 8 in 10 choosing it as the most important metric
- Just over half believe registrations or subscriptions, click-throughs, and unique views are also important
- Interestingly, interest in customer feedback as a metric of success is quite low

\$1MM+ digital spender respondents more interested in action, less interested in customer feedback, as a measure of success

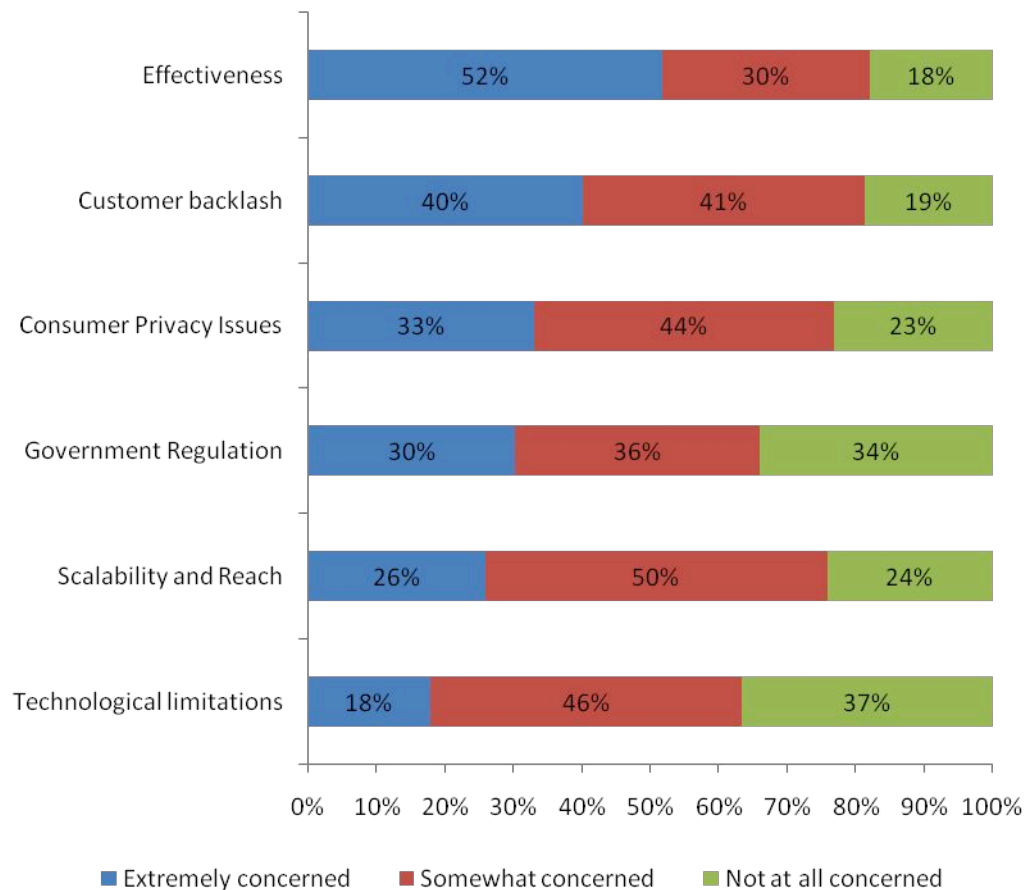
Most important metrics for measuring success, by budget size



- Respondents with \$1MM+ budgets are significantly more likely to point to conversions or sales than are total respondents
 - This suggests they expect a greater return on investment for digital marketing than do their counterparts with smaller budgets
 - It also suggests that they may view digital marketing as an important way to drive sales and new customers, rather than as simply a way to “get the word out” or simply be more visible

Effectiveness and customer backlash: the main concerns with behavioral targeting

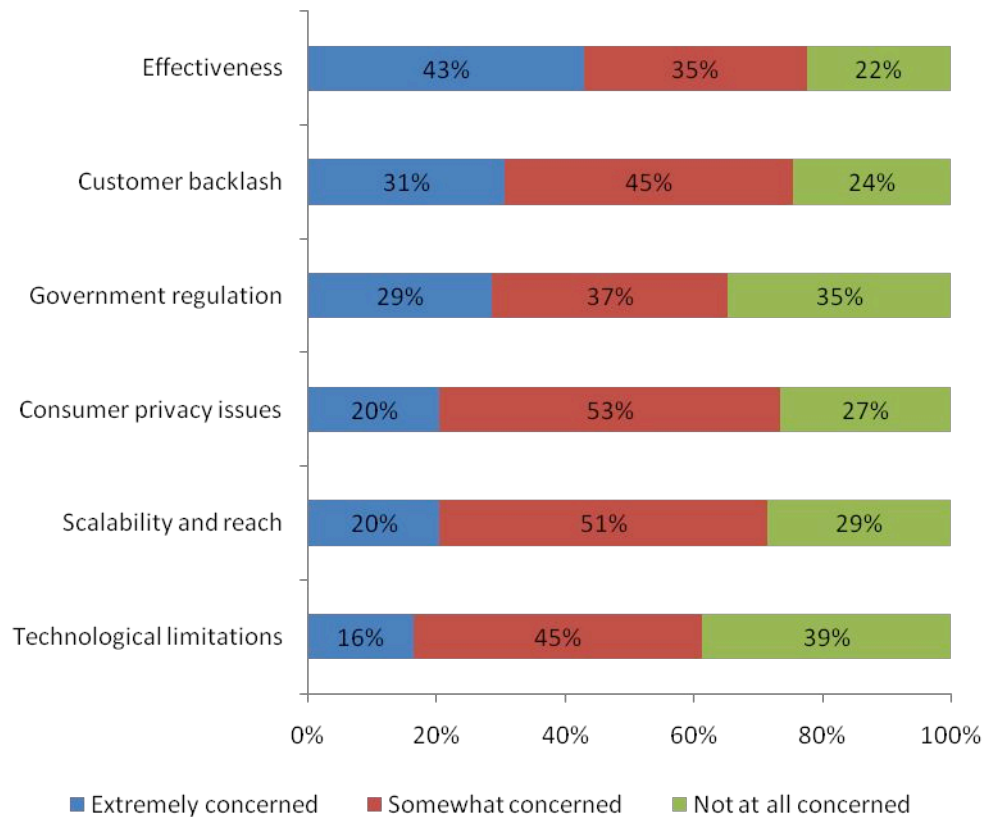
Respondent level of concern about behavioral targeting



- 77% of respondents were concerned on some level with consumer privacy issues and how they are affected by behavioral targeting
- More of a concern than privacy issues was the idea of customer backlash, and potentially losing the positive opinion of customers, at 81%.
- The strongest concern by far among respondents was the effectiveness of behavioral targeting, with 52% “extremely concerned.”
 - This suggests that behavioral targeting as a tactic has not yet been “tested” by many marketers.
- Three-quarters of respondents were concerned on some level about scalability and reach; two-thirds were concerned about regulation

Respondents with \$1MM+ digital budgets say effectiveness is greatest concern with behavioral targeting

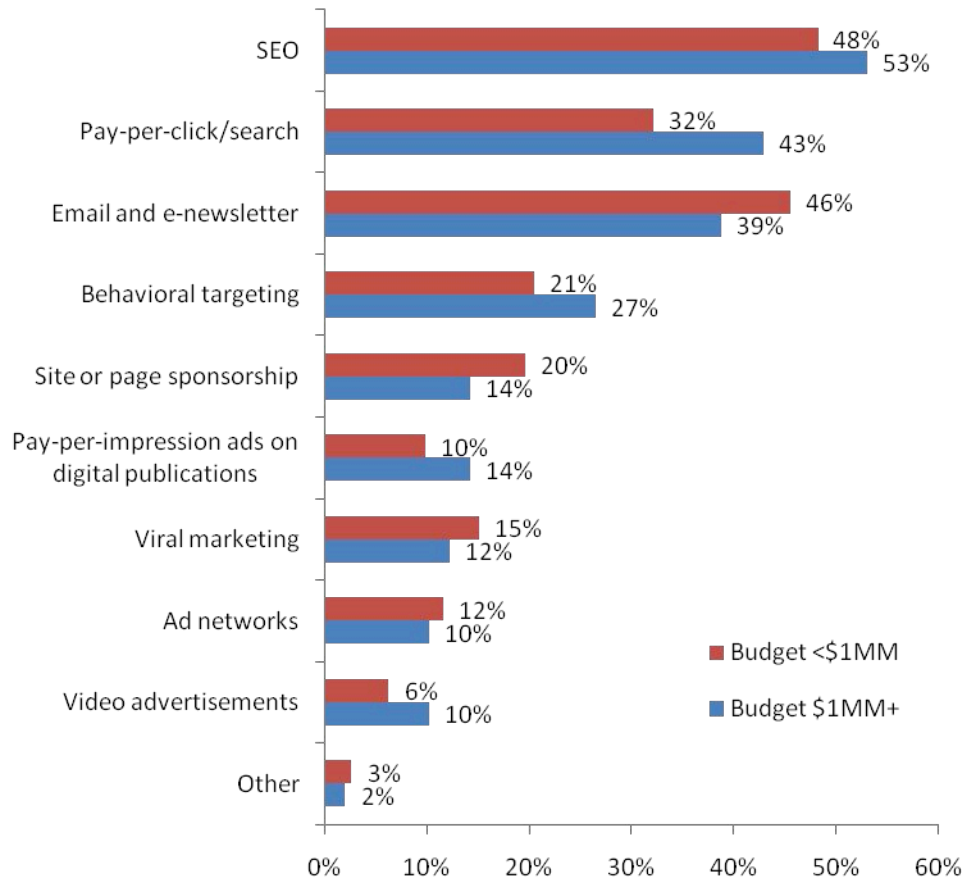
Respondent level of concern about behavioral targeting, budget \$1MM+



- While they are most concerned with the effectiveness of behavioral targeting, \$1MM+ respondents are still less concerned than total respondents, with 43% extremely concerned compared to 52% of total respondents
- They are also less “extremely” concerned with customer backlash, at 31% vs. 40% of total respondents, and with privacy issues, at 20% vs. 33% of total respondents
 - This is likely due to the fact that respondents with \$1MM+ budgets are also significantly more likely to have used behavioral targeting before and are thus more familiar with it

Pay-per-click/Search seen as significantly more effective by respondents with \$1MM+ digital budgets

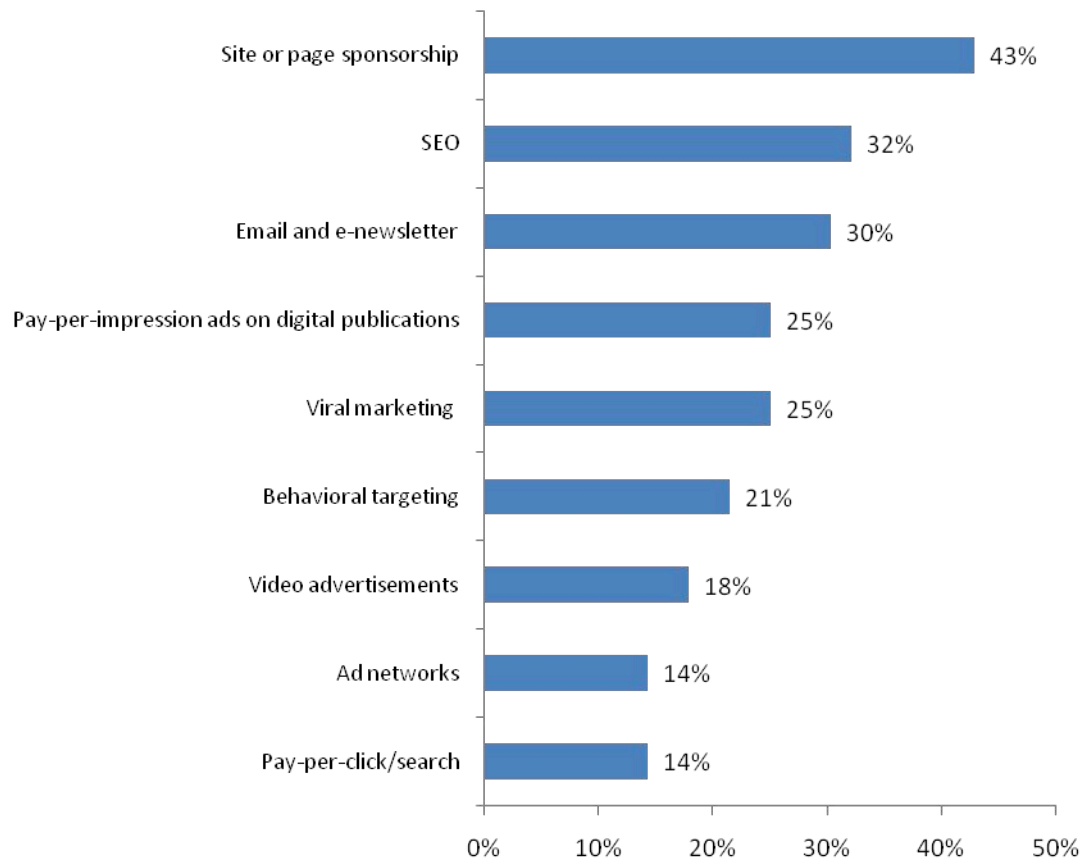
Most effective digital marketing tools for generating conversions, by budget



- Total respondents, on the other hand, appeared to see email and e-newsletter tactics as significantly more effective than did those with larger budgets
- There were no other notable, significant differences between the two groups

Site, page and publication sponsorship were seen as most effective for brand perception

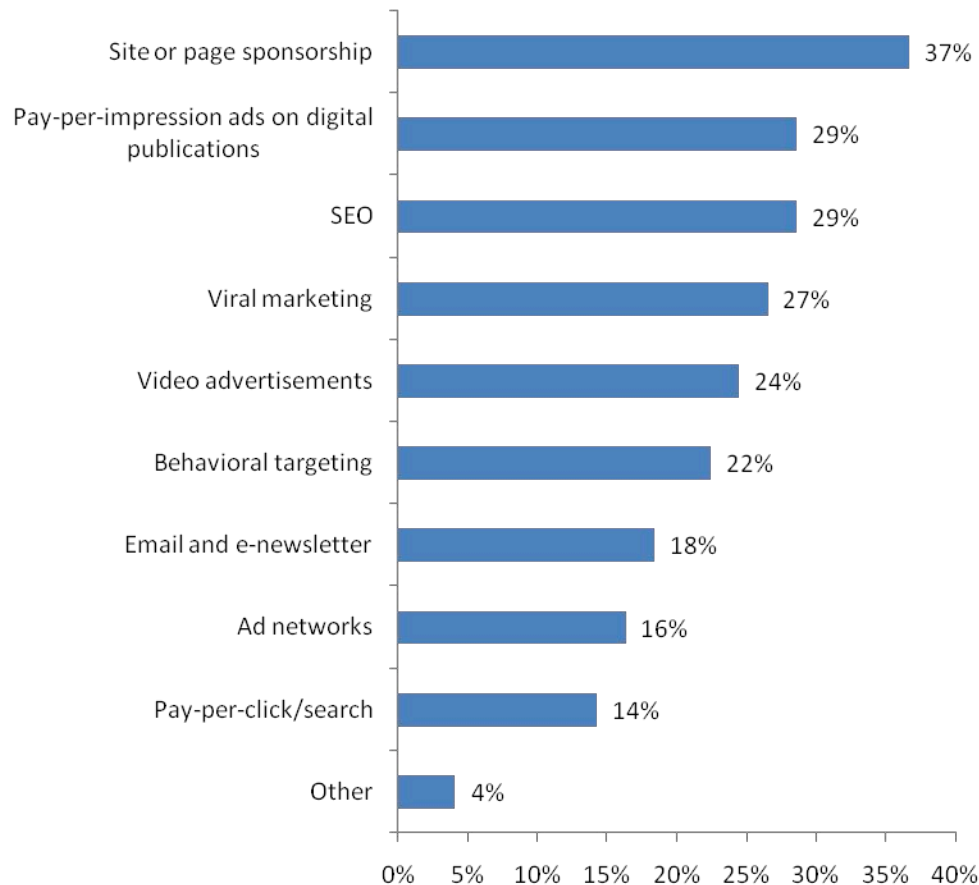
Most effective digital marketing tools for affecting brand perceptions



- Respondents seem to understand and appreciate the halo effect that advertising in a good website or publication can have on their brand.
 - 43% said that sponsoring a website, page or digital publication is the most effective digital tool when it comes to affecting perceptions of their brand.
- This was followed distantly by SEO (32%) and email/e-newsletter marketing (30%).
- One-quarter also pointed to pay-per-impression ads on digital publications.

Pay-per-impression on digital publications among most effective in affecting impressions for respondents with \$1MM+ budgets

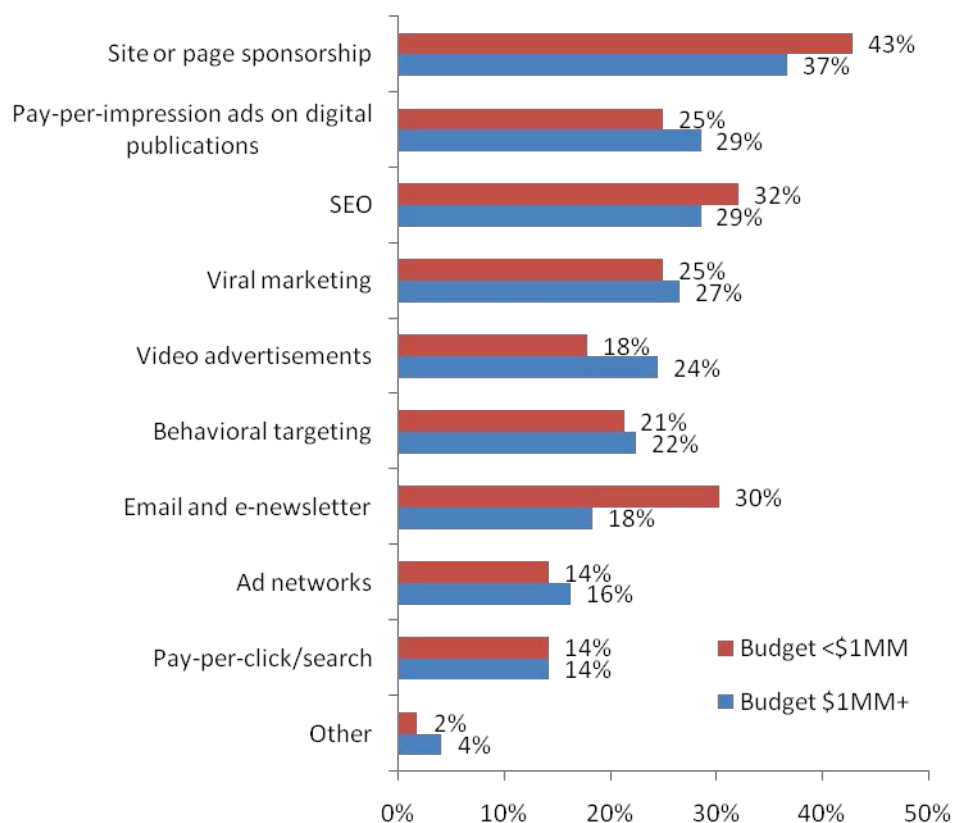
Most effective digital marketing tools for affecting brand perceptions, budget \$1MM+



- Site or page sponsorship was most effective for brand perceptions among \$1MM+ respondents (37%), followed by pay-per-impression ads on digital publications (29%) and SEO (29%)
- Ad networks and pay-per-click/search were seen as least effective, at 16% and 14%, respectively

Respondents with smaller budgets place significantly more stock in email and e-newsletter marketing

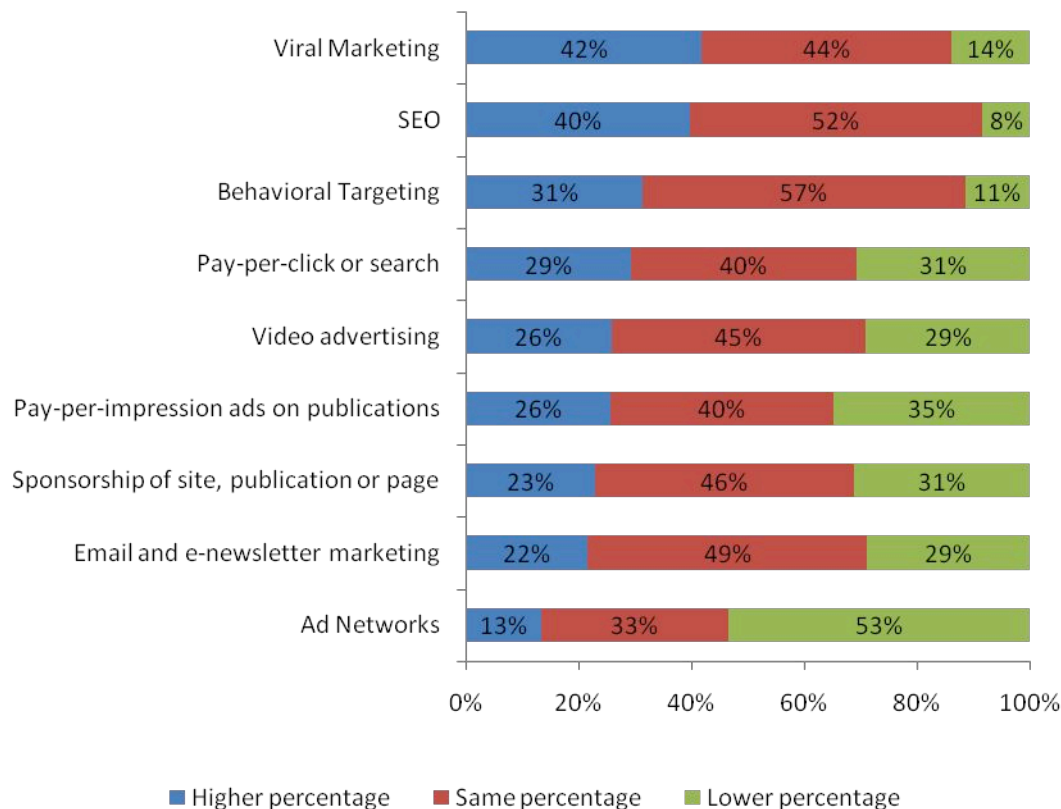
Most effective digital marketing tools for affecting brand perceptions, by budget



- Aside from email and e-newsletter marketing, there were no real significant differences between total respondents and those with \$1MM+ budgets when it came to perceptions of most effective tools for brand perception

Expected change in allocation of marketing spend over the next 6 months

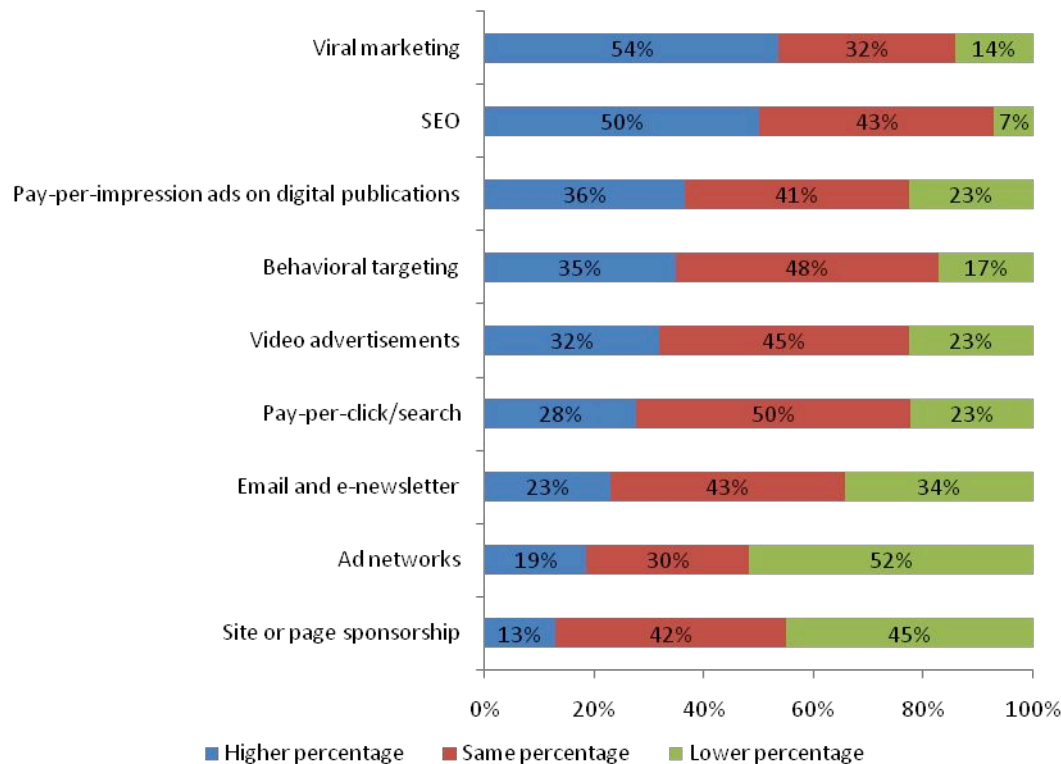
Expected shifts in marketing spend allocation over the next 6 months



- By far, ad networks are expected to see the biggest declines in allocation of marketing spend
- Viral Marketing and SEO will likely see the biggest increases in their percentages of marketing spend
- Behavioral Targeting is the category that is least likely to see any changes in spend; 57% of respondents say they will neither increase nor decrease the percentage of spend devoted to the tactic.

\$1MM+ digital spender respondents expect to spend more on viral marketing, SEO, pay-per-impression and behavioral targeting

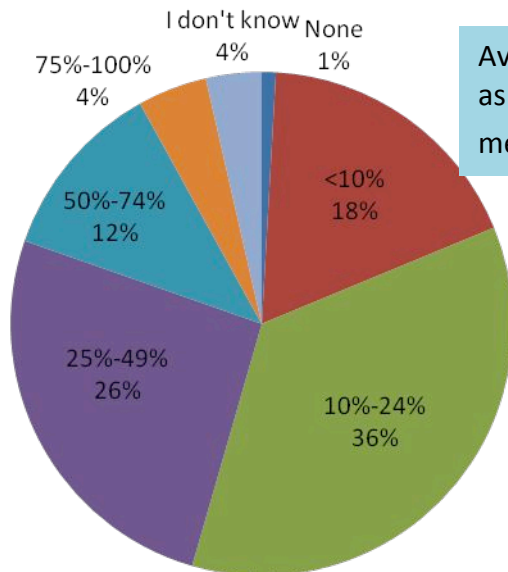
Expected shifts in marketing spend allocation over the next 6 months, budget \$1MM+



- \$1MM+ respondents are significantly more likely than total respondents to point to viral marketing (54% vs. 42%), SEO (50% vs. 40%) and pay-per-impression ads on digital publications (36% vs. 26%) as areas where investment is expected to increase over the next six months
- They did not differ significantly from total respondents with regard to other digital marketing tools

Digital efforts constitute about one-quarter of total media spend

Media Spend Dedicated to Digital Efforts

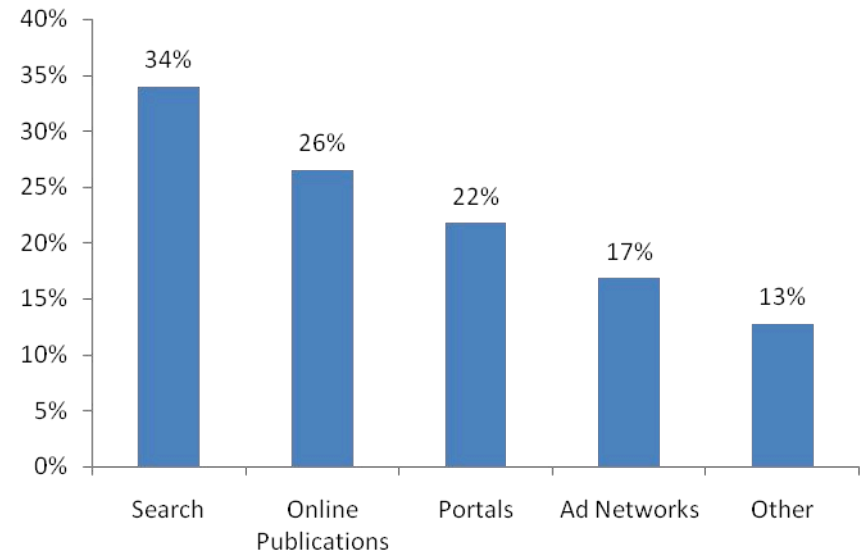


Average digital spend as proportion of total media spend: **28%**



Average Percentage of Digital Spend per Outlet

(note: Due to averaging, totals add up to >100%)



- 81% of respondents have Digital budgets of less than \$5 million, with the average at \$4.7 million.
- 55% of respondents spend less than 25% of their media budget on digital efforts.
- One fifth spend half or more of their budgets on digital efforts.
- When it comes to digital spend by type,
 - 52% say that ad networks constitute 10% or less of spend.
 - 26% spend between 20% and 30% of their budget on online publications.
 - 35% spend less than 10% on portal marketing, while 27% spend between 20% and 30%.
 - One-third spend between 30% and 60% on search marketing.

Question: Approximately what percentage of your media budget is dedicated to digital efforts?

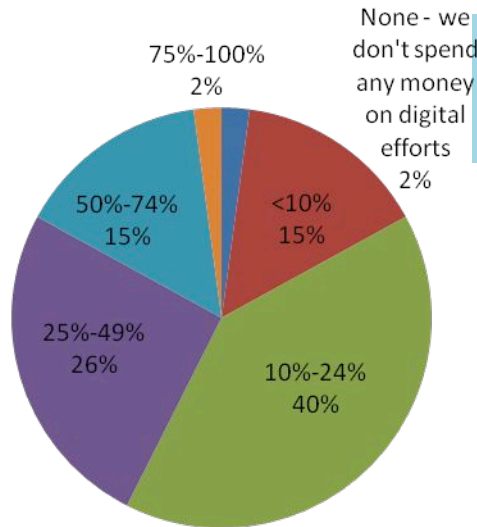
Please estimate percentage to the best of your ability. AND Approximately what percentage of your digital media budget is spent in each of the following channels?

Please estimate to the best of your ability. N=98-112

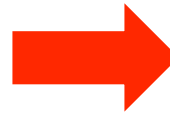
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Digital efforts constitute about one-quarter of total media spend

Media spend dedicated to digital efforts, budget \$1MM+

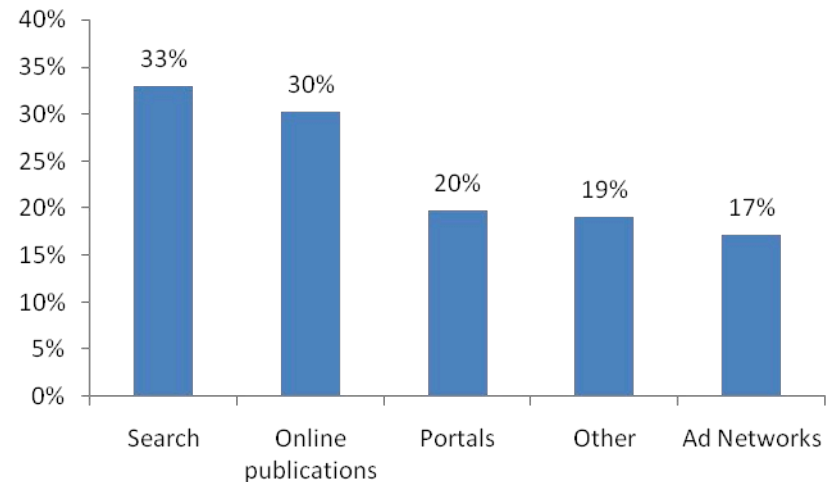


Average digital spend as proportion of total media spend: **30%**



Average Percentage of Digital Spend per Outlet, budget \$1MM+

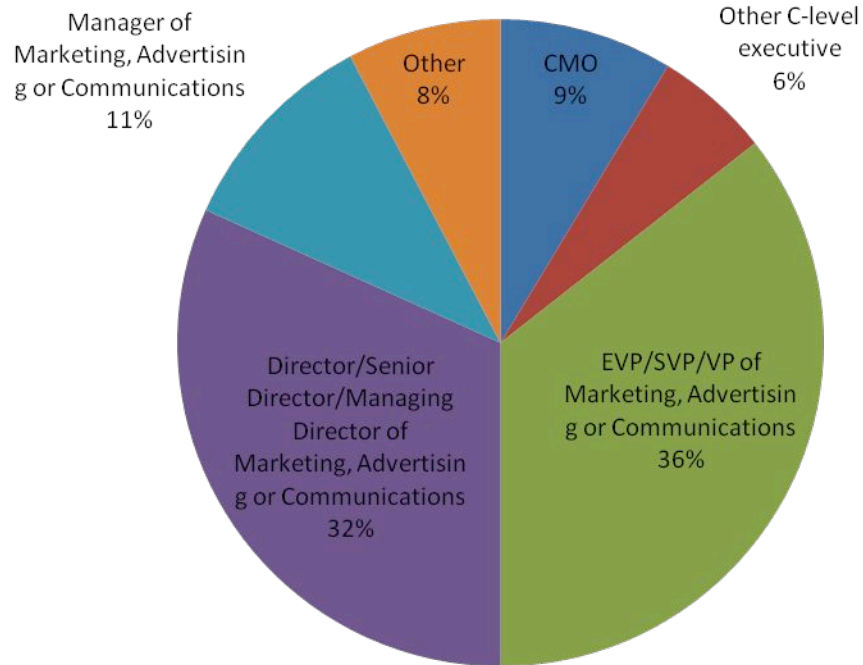
(note: Due to averaging, totals add up to >100%)



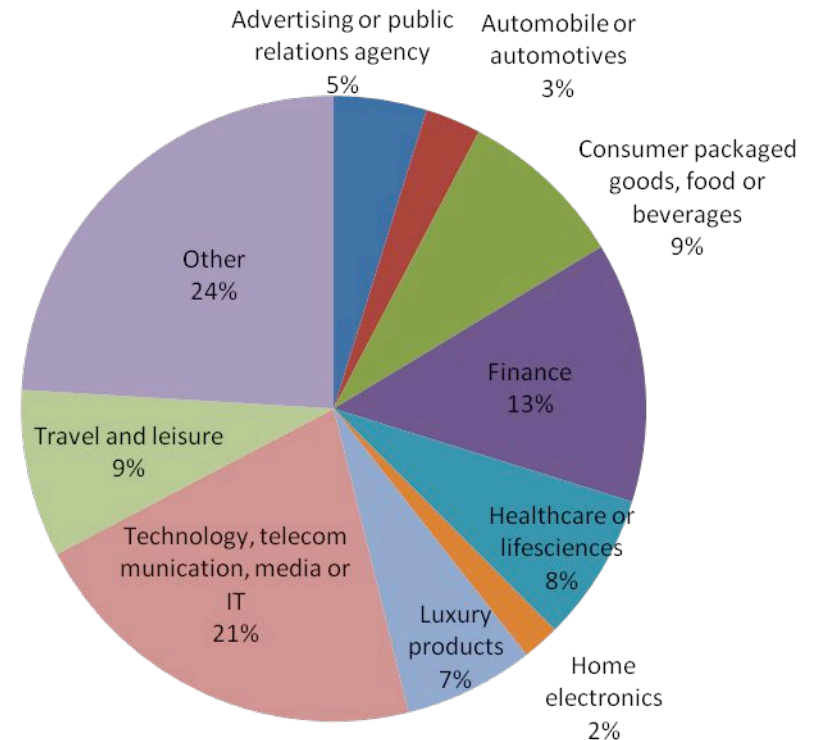
- 53% of \$1MM+ Digital Spender respondents have budgets of \$1-\$4.9 million, with the average at \$10.1 million.
- 57% of respondents spend less than 25% of their media budget on digital efforts.
- 17% spend half or more of their budgets on digital efforts.
- When it comes to digital spend by type,
 - 52% say that ad networks constitute 10% or less of spend.
 - 26% spend between 20% and 30% of their budget on online publications.
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Total Respondents by Title, Industry

Respondent Titles



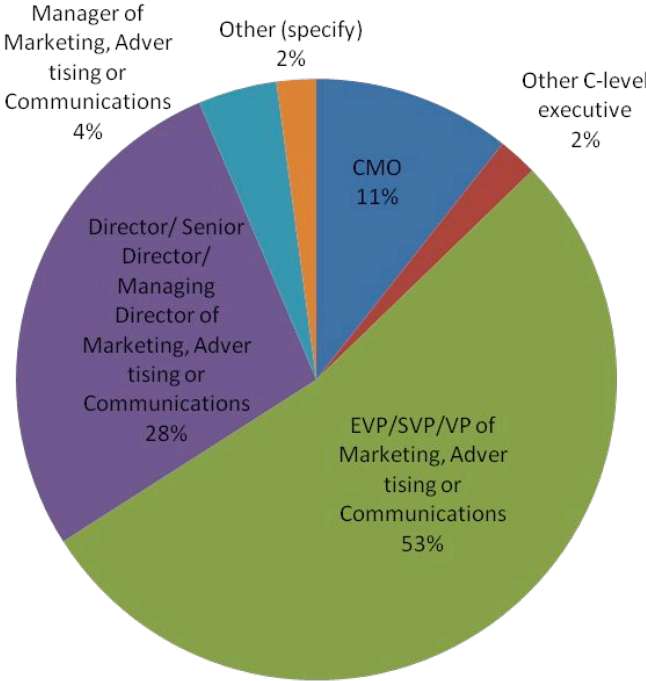
Respondents by Industry



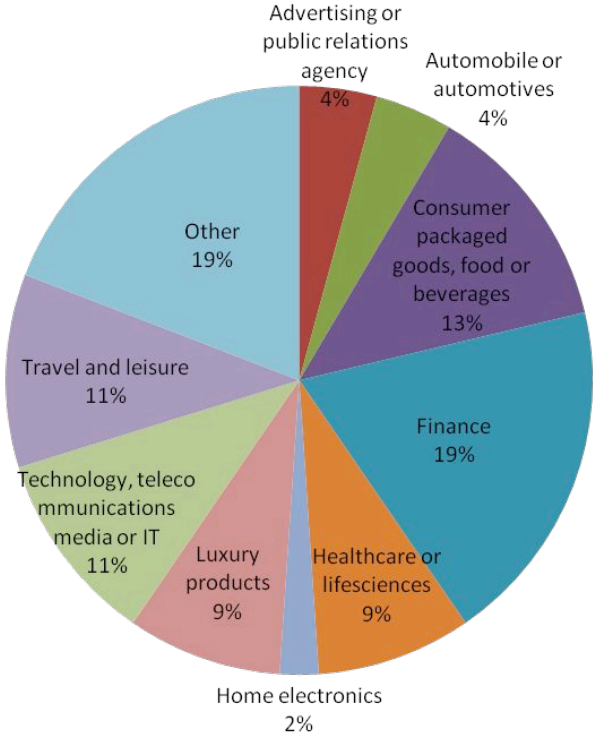
- 83% of respondents were Director level and above; 15% were C-level.
- Technology/telecom/media/IT and Finance were the industries most represented, followed by CPG, Healthcare and Luxury Products.

\$1MM+ Digital Spender Respondents by Title, Industry

\$1MM+ Respondent Titles



\$1MM+ Respondents by Industry



- Respondents with marketing budgets of \$1MM+ were more senior than the total respondent pool
 - 66% were VP or above, compared with 51% of total respondents.
- Technology made up a smaller share, at 11% vs. 21% of total respondents, while Finance and CPG comprised larger share, at 19% and 13%, respectively, compared with 13% and 9%, of total respondents.