

March 27, 2007

Interactive Marketing Channels To Watch In 2007

by Brian Haven

TRENDS

Includes data from Consumer Technographics® and Forrester user interview data



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Interactive Marketing Channels To Watch In 2007

Marketers Still Aren't Comfortable With Emerging Interactive Channels

by **Brian Haven**

with Shar VanBoskirk, Julie M. Katz, and Sarah Glass

EXECUTIVE SUMMARY

Email and search marketing eclipse online display ads as the most prominent elements in the interactive marketing mix, while social media — like blogs, podcasts, RSS, social networks, and online video — are strong up-and-comers. But mobile and game marketing are relatively ignored. Why? Marketers won't adopt until they see proof that emerging channels work. Our advice? Start adopting now to keep up with your customers who already actively use emerging technologies. Advanced online ad targeting, RSS, and blogs provide the easiest entry points.

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NOTES & RESOURCES

Forrester conducted an online survey in December 2006 of 170 interactive marketers from our marketing research panel.

Related Research Documents

["Making Podcasts Work For Your Brand"](#)

January 24, 2007, Best Practices

["Is The US Ready For Mobile Marketing?"](#)

December 27, 2006, Trends

["Interactive Marketing Channels To Watch In 2006"](#)

April 27, 2006, Trends

TARGET AUDIENCE

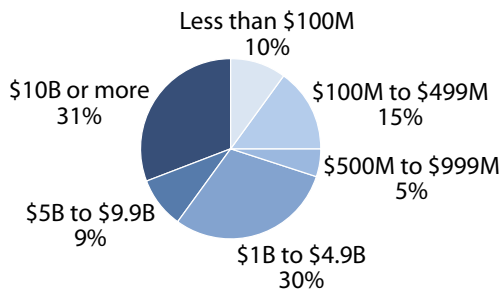
Interactive marketing professional

MARKETERS STICK WITH WHAT THEY KNOW

The myriad of available interactive media has exploded since marketers first met banner ads in the mid-1990s. To fully understand how marketers are leveraging today’s new media, we updated our 2006 look at interactive channel priorities to include a more comprehensive set of Social Computing channels. These include blogs, RSS, podcasts, user-generated content (UGC), and social networks as well as online video and additional specificity around mobile and in-game marketing.¹ Study respondents represent 170 enterprise companies across five primary industries that support a range of marketing budgets and are split in their attitudes toward technology spending (see Figure 1).

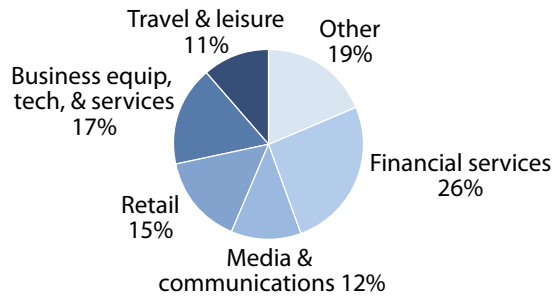
Figure 1 Marketers Have Big Revenues And Small Marketing Budgets

1-1 “What were your company’s annual revenues last year?”



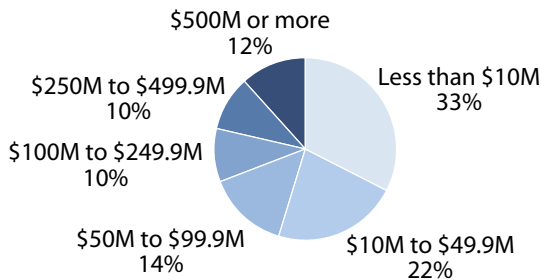
Base: 134 interactive marketers

1-2 “Which of the following best describes your marketing organization’s industry group?”



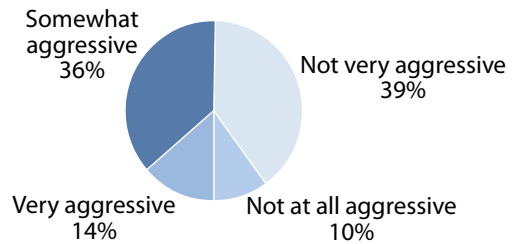
Base: 170 interactive marketers

1-3 “What was your company’s marketing budget last year?”



Base: 104 interactive marketers

1-4 “How aggressive is your company when it comes to investing in marketing technology?”



Base: 170 interactive marketers

Source: Forrester’s Q4 2006 Marketing Benchmark Survey

41208

Source: Forrester Research, Inc.

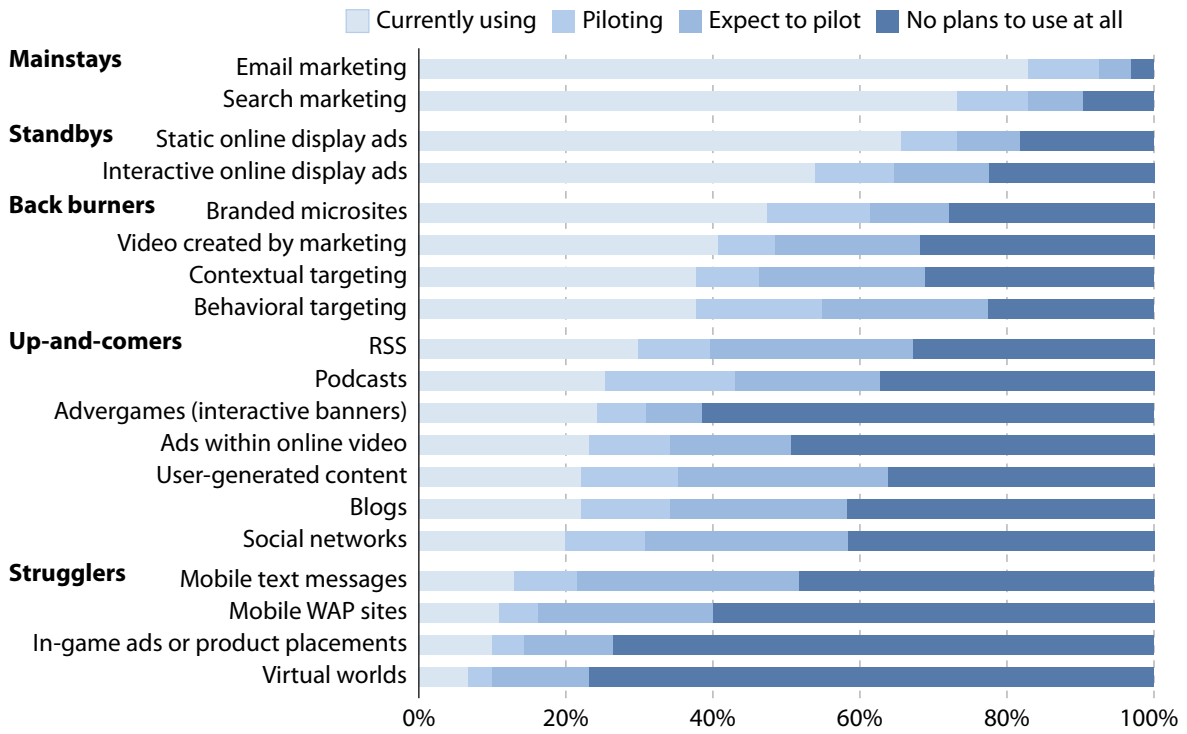
Experimentation Still Makes Marketers Skittish

Our research found that interactive marketers still rely heavily on proven channels but are more willing now than last year to experiment (see Figure 2).² Survey results show that:

- **Email and search still dominate the mix.** With 97% using, piloting, or expecting to pilot email marketing programs in 2007, and 91% doing the same with search programs, more marketers rely on these channels than any other.
- **Online advertising takes second place.** Just three-quarters of marketers are using or piloting static or interactive banner ads — a surprisingly low adoption rate for the medium that has been the foundation for online marketing for nearly 10 years. Additionally, at 38% penetration, behavioral and contextual targeting have seen little growth since 2006.
- **Social media is the biggest up-and-comer.** Adoption of social media has grown significantly in the past 12 months. In 2006, an experimental 13% and 10% of marketers were trialing blogs and RSS, respectively. Today, 40% of marketers are using or piloting RSS, while 34% use or are piloting blogs. One-quarter currently use podcasts, and 22% use UCG; and even social networks — the least adopted social media channel — has 20% penetration currently.
- **Mobile and game marketing still get no love.** Despite the buzz around mobile and game marketing, adoption of these channels is low.³ A more detailed look into this year's survey shows that only 13% of marketers currently use mobile text messages, and only 11% use wireless application protocol (WAP) sites.⁴ We also expanded our questions about game marketing to include advergames (24%), in-game placements (10%), and virtual worlds such as Second Life (7%).⁵
- **Marketer budgets demonstrate marketer reluctance.** Marketers rely heavily on new spending to fund the adoption of emerging channels — except for social media (see Figure 3). Over half of new spending (58%) — funds new rich media (e.g., video created by marketing and in-game ads) organically, while 46% does the same for interactive channels (e.g., branded microsites, behavioral targeting, and mobile text messages). Perhaps because social media is the most risky, traditional budgets (print, TV, and direct mail) primarily fund it. However, email and search budgets go relatively untouched, likely because they are easier to measure — and therefore are more indispensable — than offline channels.

Figure 2 Email And Search Continue To Reign

“Of the following interactive marketing channels and tactics, please indicate which ones you are currently using, piloting, or expect to pilot within the next 12 months?”

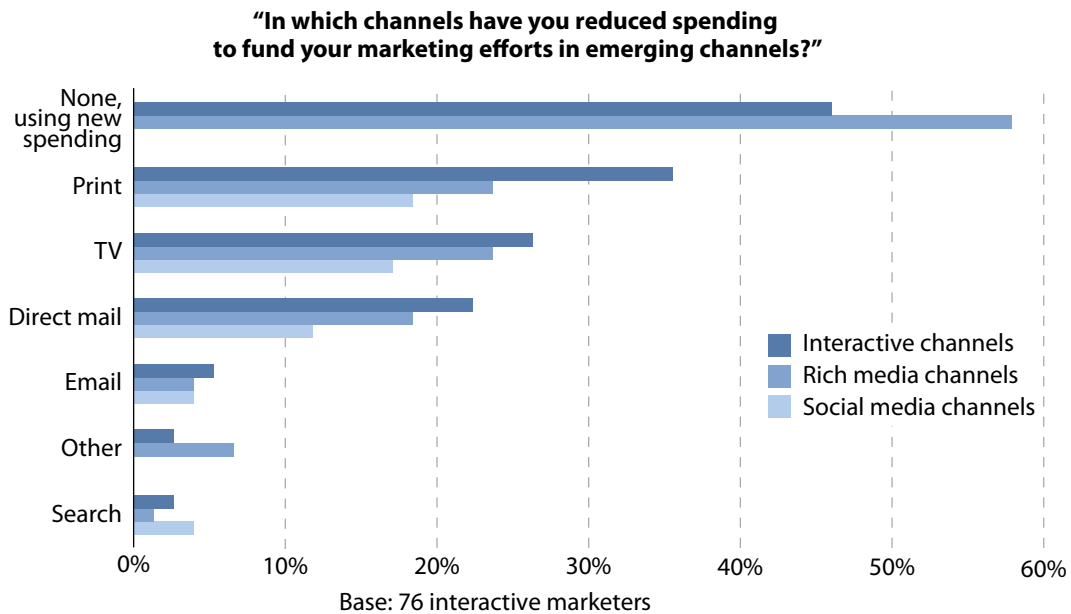


Base: 91-93 Interactive marketers

Source: Forrester’s Q4 2006 Marketing Benchmark Survey

41208

Source: Forrester Research, Inc.

Figure 3 New Marketing Spending Bypasses Social Media Channels

Source: Forrester's Q4 2006 Marketing Benchmark Survey

41208

Source: Forrester Research, Inc.


MARKETERS WANT PROOF BEFORE TRYING NEW THINGS

What keeps marketers from becoming more deeply involved with emerging channels? It's a lack of certainty that new media is being used by their customers and that it can effectively help them drive sales and boost loyalty (see Figure 4). Here is our take on what marketers tell us is holding them back.

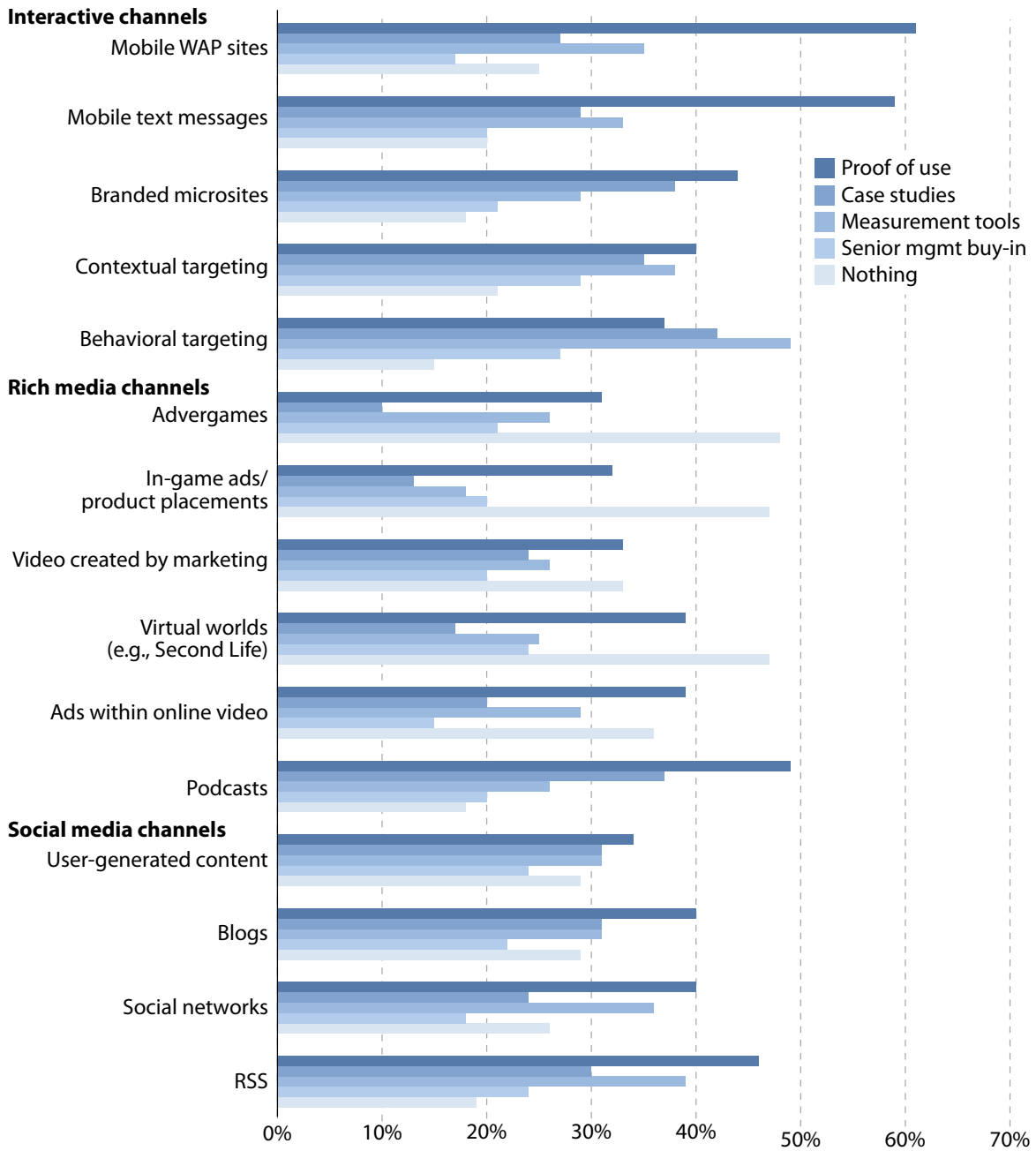
- **Proof of use.** Let's put this one to bed. Consumers are moving so quickly into emerging media that marketers can't keep up.⁶ Mobile data has doubled since 2003, reaching 12% of US households.⁷ Blog readership is at 29% (and growing), and podcasts — the least adopted of the media we investigated — reached 10% in 2006, up from 1% in 2005.⁸

Our take: We bet marketers calling for “proof of use” really need to increase their own familiarity with the medium and its application for their customers. Starwood Hotels' trial in the virtual world Second Life justifies this theory. It built a Second Life version of its new Aloft hotel, gained PR value, and saved time and testing costs by applying the virtual customer feedback to the construction of its real hotels.⁹

Figure 4 Marketers Look To Each Other Before Adopting New Channels

 A spreadsheet with additional data is available online.

“What proof would encourage you to adopt the following channels?”



Base: 34-76 Interactive marketers who are not using or piloting each channel (multiple responses accepted)

Source: Forrester’s Q4 2006 Marketing Benchmark Survey

41208

Source: Forrester Research, Inc.

- **Case studies.** Many marketers refuse to try new channels until they see how they deliver for comparable businesses.¹⁰ For example, 42% of marketers won't try behavioral targeting without case studies, and 38% say they need to see successful examples of microsites before giving them a whirl.

Our take: This is the Catch-22 of all emerging technologies or ideas — no case studies exist until someone is willing to experiment with something new. But Bulova, Sun Oil (now Sunoco), Lever Brothers (now Unilever), and Procter & Gamble didn't let this stop them from sponsoring the first commercial television broadcasts in 1941.

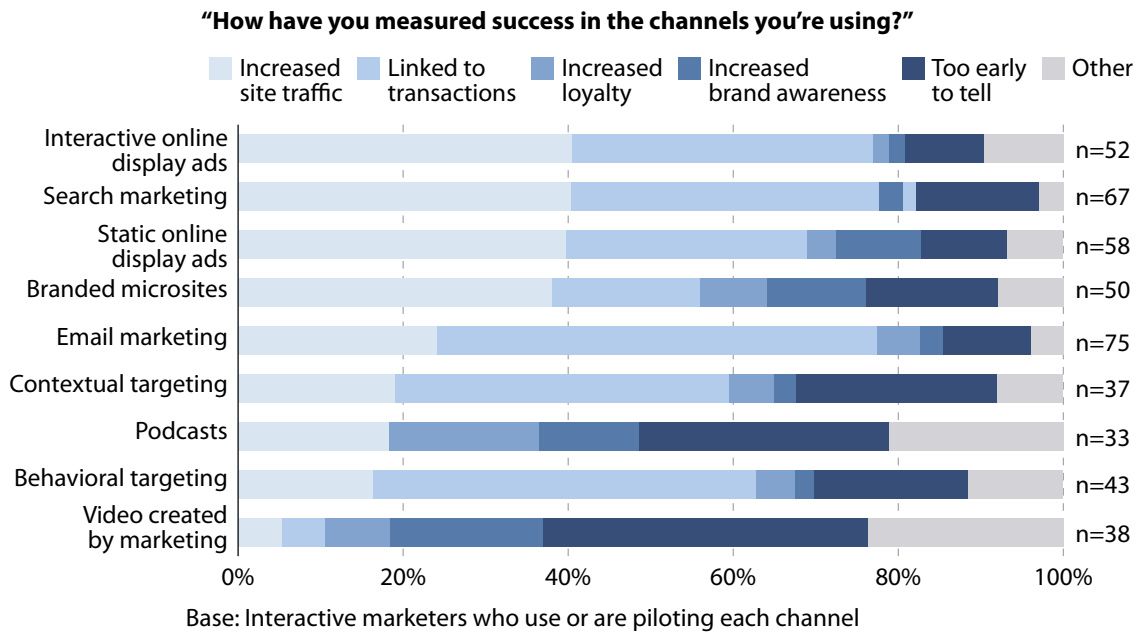
- **Executive support.** Of course, management buy-in for marketing experiments can trump the need for any of the above proof. Almost one-quarter (24%) of marketers say executive support for RSS and UGC would justify the cost of trials. Likewise, 22% agree for blogs, and 18% agree for social networks.

Our take: Winning over executives should definitely be a priority but need not limit innovation. General Motors' blogging efforts began with an informal, low-risk blog for fans of the small block engine — and paved the way for the success of General Motors' high-profile and now-popular FastLane Blog.¹¹

- **Metrics and measurement tools.** Marketers have been conditioned to expect hard metrics of any interactive medium due to its direct response nature. Yet metrics and approaches to measurement are continually evolving for all interactive media (see Figure 5). More than 40% say it is too early to tell if they can measure success from their interactive display ads and search marketing programs — two of the most heavily adopted interactive media.

Our take: Marketers will, and should, never stop seeking ways to measure marketing effectiveness, even with established metrics in place. For example, Net Promoter Scores for gauging customer satisfaction and loyalty are incomplete measures of the value of an entire customer program.¹²

Figure 5 Established Online Metrics Hamper Emerging Channels



Source: Forrester’s Q4 2006 Marketing Benchmark Survey

41208

Source: Forrester Research, Inc.

RECOMMENDATIONS

ADOPT ADVANCED TARGETING, RSS, AND BLOGS NOW

Marketers should stop waiting for all the stars to align before trialing new channels. But we understand that identifying the right time to try which channels and where to look for help can be daunting. To get started, we recommend that you:

- **Start behavioral and contextual targeting immediately.** Improving the targeting of your online media buys is a no-brainer. And yet, behavioral and contextual targeting saw sluggish adoption between 2006 and 2007. If applied strategically, both behavioral and contextual targeting can improve response rates — often at a lower overall cost — for any marketer.¹³ Ads targeted through behavioral ad network TACODA raised the purchase intent for Panasonic plasma televisions among target customers. But your generalist ad networks like 24/7 Real Media or BlueLithium can also easily integrate contextual and behavioral targeting into your existing geographically or demographically targeted buys.
- **Make your first strides into social media with RSS and blogs.** Last year, we said holding off on social media was OK. But rapid consumer adoption of these channels indicates that the time is now to enter this space. How to dive in? RSS is a relatively simple first step for marketers with mature email marketing programs in that initial RSS feeds can consist

of repurposed email content.¹⁴ Likewise, email or RSS content can also create initial blog posts. For example, interested users can find insights from interactive agency One to One Interactive from its blog, via RSS, or in email alerts.

- **Evaluate subsequent emerging channels on a case-by-case basis.** Once you have your stock social media engine purring, you can begin to soup it up with more options. Determining when to move into other areas like social networks, online video, podcasts, or in-game ads is a matter of understanding your audience. Online video is a natural fit for retailers and media companies, as consumer online video-viewing in these verticals is at more than 30% and 45%, respectively.¹⁵ And game marketing works well for entertainment and consumer goods marketers. Determining who fits podcasting is not as obvious. Marketers interested in this media should watch competitors or market leaders like iTunes to evaluate if podcast content in your market exists and is valued by your audience. Then survey or test and monitor use. Forrester's podcasts on marketing are an in-progress test to see how well this medium will be received by our users.¹⁶
- **Monitor customers to stay abreast of new opportunities.** Given the rapidly changing nature of emerging interactive channels, it's critical that you continually monitor your customers' (and potential customers') ongoing activities. Several research sources — like ethnographic studies, surveys, and Web analytics data, as well as active immersion and involvement in key social media sites, will help you collect quantitative and qualitative information in order to understand and adjust to the activities and goals of your customers. For example, in addition to traditional market research tools like surveys and focus groups, P&G does brand monitoring and actually observes how consumers use their products at home.
- **Aggregate metrics to measure engagement.** Consistent monitoring is just one piece of measuring the effects of emerging media. Forrester believes that marketers should embrace a new measurement framework incorporating user presence, intent, actions, and interactions to measure customer engagement with their brand. Stay tuned for future research from Forrester explaining this approach.

SUPPLEMENTAL MATERIAL

Methodology

Forrester surveyed 170 interactive marketers from our ongoing marketing research panel. The panel consists of volunteers who joined on the basis of interest and familiarity with specific marketing topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firm's revenue, marketing budget, and marketing organization.

Forrester fielded the survey online from December 2006 to January 2007. As an incentive, respondents were offered a copy of research generated from the survey and a chance to win a gift certificate in a drawing.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

In addition to sampling error, one should bear in mind that the practical difficulties in conducting surveys can introduce error or bias into the finding of opinion polls. Other possible sources of error in polls are probably more serious than theoretical calculations of sampling error. These other potential sources of error include question wording, question ordering, and nonresponse. As with all survey research, it is impossible to quantify the errors that may result from these factors without an experimental control group, so we strongly caution against using the words "margin of error" in reporting any survey data.

ENDNOTES

- ¹ Marketers were enthusiastic about emerging channels last year but still stuck with the channels that were the most proven. See the April 27, 2006, Trends "[Interactive Marketing Channels To Watch In 2006](#)."
- ² The established interactive marketing channels include email marketing, search marketing, static online display ads, and interactive online display ads. While our panel survey data is not directly comparable with last year's data, the percentage of marketers currently using the established channels hasn't changed much. This year's survey included expanded detail such as the addition of interactive and static online display ads. See the April 27, 2006, Trends "[Interactive Marketing Channels To Watch In 2006](#)."
- ³ Google's acquisition of AdScape Media, a myriad of press around brands like Starwood Hotels entering Second Life, and a great deal of discussion about the potential of mobile marketing drive much of the conversation about mobile and game marketing. Even though well-executed mobile campaigns can produce high response rates, 79% of consumers are still annoyed by the possibility of mobile marketing, further scaring away marketers. See the December 27, 2006, Trends "[Is The US Ready For Mobile Marketing?](#)"
- ⁴ Mobile phone users send text messages by entering a special code provided by a marketer and sending it to a short number (also called a "shortcode"). Marketers can also use multimedia messaging (MMS) to send opt-in messages to customers' phones. Mobile WAP sites use a lightweight Web browser on the mobile phone to display stripped-down, simplified Web pages.

- ⁵ Advergates typically look like standard banner ads but employ interactivity for game play (for example, the Orbitz miniature golf banner game). In-game placements are ads that are inserted into video games played on PCs and console games (such as billboard ads within the game *Grand Theft Auto*). Virtual Worlds look like 3D environments where the user creates an avatar, moves around in a virtual space, and interacts with others (best represented by Second Life for the entrance of brands, but other examples include *World of Warcraft*, *There.com*, and *The Sims Online*[™]).
- ⁶ Just as marketers began to respond to broadband influence on increased consumer online activity, consumers shifted their focus again to Social Computing. See the May 2, 2005, Trends “[US Online Marketing Forecast: 2005 To 2010](#).”
- ⁷ Mobile service adoption has seen significant growth since 2003. See the December 27, 2006, Trends “[Is The US Ready For Mobile Marketing?](#)”
- ⁸ While podcasting has seen mild growth in the past year, there are still plenty of opportunities for marketers. See the January 24, 2007, Best Practices “[Making Podcasts Work For Your Brand](#).”
- ⁹ More information about the development of the Aloft Hotel in Second Life can be found at <http://www.virtualaloft.com>.
- ¹⁰ Marketers must clear the slate to truly implement an integrated marketing strategy. See the February 27, 2003, Brief “[The Essentials Of Integrated Marketing](#),” and see the March 13, 2003, Brief “[The Integrated Marketing Self-Test](#).”
- ¹¹ The GM FastLane Blog is located at <http://fastlane.gmblogs.com>.
- ¹² Limitations to the Net Promoter Score include the absence of which promoters and detractors matter the most, what action you should take as a marketer, and the direct correlation between word-of-mouth marketing and overall financial results. See the February 2, 2007, Best Practices “[Net Promoter Scores: Good, But Not Enough](#).”
- ¹³ Marketers should make a point to implement behavioral targeting because it increases click-throughs and improves conversion rates. See the March 10, 2006, Best Practices “[The Reality Of Behavioral Ad Targeting](#).”
- ¹⁴ A marketer’s approach to both RSS and email should overlap. Both can be customized and in many cases rely on a single vendor. See the March 12, 2007, Best Practices “[Email Can Start Your Social Computing Engine](#).”
- ¹⁵ Many brands in retail and media have audiences that view large numbers of online videos, but these companies aren’t offering video themselves. See the October 3, 2006, Trends “[Should Your Brand Use Online Video?](#)”
- ¹⁶ Forrester’s podcasts can be found at <http://www.forrester.com/podcasts/im>.

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