



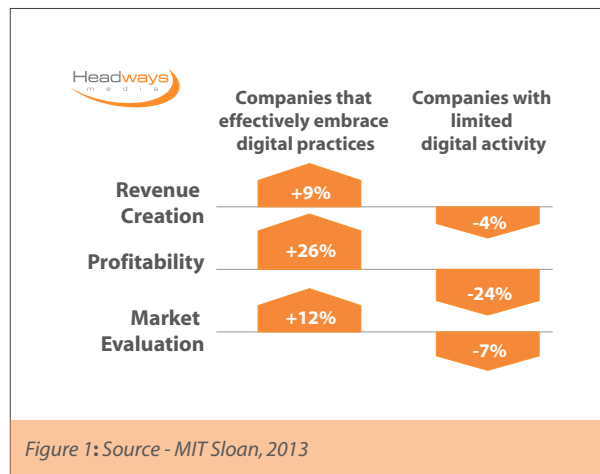
DIGITAL MARKETING: HOW MATURE IS YOUR COMPANY?

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Digital Marketing: How Mature Is Your Company?

Due to the increasing number of digital marketing channels and the constant changes in technology and its applications, digital marketing has evolved to be far more complex than any other type of marketing. But it is this very complexity that presents the greatest challenge to companies when implementing digital marketing campaigns that can make a positive impact in their bottom line.

Nevertheless, this challenge is one that is worth facing. Those companies that successfully adopt digital marketing practices outperform their competitors with limited digital activity. Their profitability is 26% above average, while that of the "digital laggards" is 24% below average.



A company's digital marketing maturity refers to its ability to embrace digital marketing and align the corresponding initiatives with its business goals. The more mature a company is, the more effectively it exploits digital marketing to boost its business.

Although nearly every company conducts some form of digital marketing these days, they vary greatly in the maturity of their digital marketing and the speed with which they improve it. Maturation is an ongoing process

comprised of four basic stages representing a company's typical digital marketing evolution, each stage with its own respective challenges and achievements.

Laggards

Laggards are those companies that largely ignore the evolution of the consumer toward digital media. They have no vision or strategy related to the medium and there is no support from upper management. Digital marketing activities, if any, are a low priority and are carried out as a part-time subordinate function.

Such companies typically have outdated websites with no mobile compatibility. They may sporadically launch traffic-generating campaigns in one or just a few channels. They prefer display advertising with traditional banners to search engine marketing and other channels. Media buying is based on traditional schemes, such as Cost-Per-Time and Cost-Per-Impression models.

Campaign planning and implementation is typically carried out by a traditional media agency as a minor ad-on to a media plan. Performance metrics are comprised of impressions and website visits with no evaluation of their quality. Furthermore, campaigns tend to be static, with little change or optimization during the campaign.

Laggards do not achieve any significant impact on their business results through digital marketing. Companies that remain in this state will become extinct in the near future, as their consumers and competitors continue to evolve.

Digital Marketing Maturity Model

Headways Media		Laggard Missing capability	Developer Developing capability	Optimizer Above-average capability	Vanguard Market defining capability
Strategic Achievements	Strategic Approach	No Strategy	Prioritised Marketing Activities	Defined Vision & Strategy	Holistic, business aligned Strategy and Roadmap
	Management Support	Sceptical or Ignored	Verbal Support, but inadequate Sourcing	Sponsorship & Increased Investment	Integral part of Strategic Planning
	Performance Indicators	No KPIs	Volume-based KPIs	Quality-based KPIs & Last-Click-Attribution	Value-based KPIs, Lifetime-Value & Attribution Models
	Decision Making	Postponing Decisions	Gut-feeling based Decisions	Data-based Decision Making	Automated Analysis providing actionable advice
	Resources & Structure	Part-time subordinate Function	Internal Coordinator & Agency, isolated	Dedicated Team with Inter-area Connections	Adaptive Organization capable of handling Change
Operational Achievements	Web Design	One-size-fits-all	m-Site	Responsive	Device-aware
	Mobile	No mobile Presence	Mobile Site	Standalone Mobile App	Integrated Mobile App
	Analytics	Web Analytics	Enhanced Web Analytics	Engagement & Conversion Analytics	Predictive Analytics
	Email Marketing	None / Spam	Generic Newsletters	Segmented & Personalized	Automated
	Social	Presence in Social Media	Posting & light integration	Listening & Dialogue	Engaging & full Integration
	Search	No Search Marketing	PPC, basic SEO	Strong SEO & Link Building Strategy	Search Remarketing
	Media Buying	CPT, CPM	CPC	CPA, Audience Buying, RTB	Behavioural & Programmatic Buying
	Optimization	None	Sporadic A/B Testing	Software-aided Multivariate Testing	Automated Testing and Optimization
	eCommerce	Catalog	Standalone eCommerce	Integrated eCommerce, audience-based Pricing	Product Offering tailored to digital/eCommerce
Channel Use	Single Channel, typically Display	Multi-Channel	From Multi-Channel to Cross-Channel	Relevant Cross-Channel 1-to-1 Dialogue	
Customer Experience		First online Interaction with Consumer	Personalization	Online Profiling & rule-based Personalization	Full Contextual personalized Experiences and Recommendations across Channels

Digital Maturity

Figure 2: Headways Media Digital Marketing Maturity Model

Developers

Developers prioritize their digital marketing activities to a certain degree. Upper management at least offers verbal support, but does not back this support with adequate funding. Such companies have an internal coordinator or a small team and typically one “full-service agency.”

They are currently developing their capabilities. They have an up-to-date website, a mobile presence and various channels incorporated into their marketing campaigns. Typically, they use display ads, social ads, and basic email

marketing, and implement first search engine marketing (PPC) campaigns. Their media buying models include cost-per-click and cost per thousand impressions.

Developers utilize enhanced web analytics and volume-based KPIs to compare the performance of various channels or mediums within a given campaign. However, they fail to relate their digital KPIs to their bottom line.

Optimizers

Optimizers take a more strategic approach. They have a defined vision and strategy for their digital marketing activities. A dedicated, well-connected internal team is supported and sponsored by upper management.

Their practices are comprehensive, including responsive web design, mobile apps, and integrated eCommerce. Their marketing campaigns are characterized by strong SEO techniques, segmented and personalized email marketing and software-aided multivariate testing of campaign elements. Optimizers profile their customer base and communicate with individuals across multiple channels.

They have a clear understanding of the quality of their interactions and manage to relate online KPIs to business KPIs, a valuable achievement that results in data-driven decision making. However, Developers may not have a complete understanding of channel attribution to overall business results.

Vanguards

Vanguards have market-defining capabilities and even go so far as to become game-changers by implementing new business models. As their digital strategy is a core element of their business, it is integrated into their overall strategic planning.

Vanguards are admired for their quick adoption of new technologies, such as device-aware web design, search retargeting, programmatic buying, affiliate marketing, etc. They also achieve high efficiency through automation, for instance, of their email marketing, testing and optimization.

Campaign planning and evaluation is entirely founded on value-based KPIs, with a crystal-clear understanding of its impact on business. Automated analysis supports and accelerates the decision-making process.

Vanguards reap the most benefit from digital marketing, as do their clients, who enjoy a fully contextual, personalized experience and a relevant 1-on-1 dialogue with their favorite brand.

The Benefits of Digital Maturity

Each stage offers certain benefits. Laggards simply establish an initial digital touch-point without generating significant business results. On the other hand, Vanguards achieve a significant impact on their business while earning positive returns on their investment. They even develop new business models. However, the most important benefit is increased sales growth and therefore an increased market share.

We must realize that this improvement process is continuous. The digital environment is evolving at an exponential pace. Vanguards are constantly facing new challenges, and their current challenges will be the Optimizers' challenges of tomorrow, and so on.

Therefore, improving digital skills is an ongoing task, and it is the ability to quickly adapt to the ever-changing digital ecosystem that matters most. Whereas such abilities were once simply a competitive advantage, today they are a vital necessity.

Digital Maturity Growth Benefits

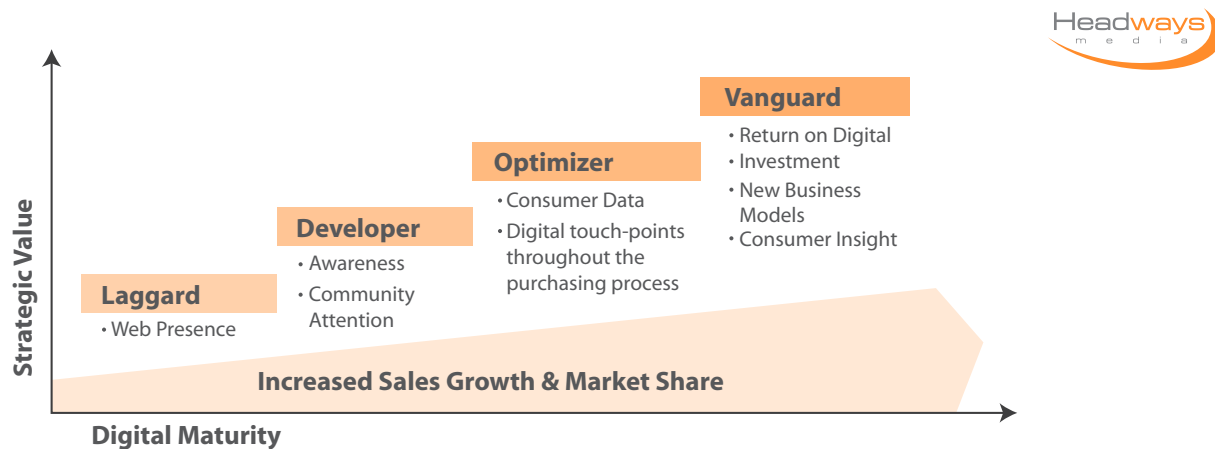


Figure 3: Sales Growth & Market Share based on Strategic Value vs Digital Maturity

The Digital Maturity of Mexican Companies

Most Mexican companies are currently in the Developer stage. However, there are still a significant number of laggards. About 11.6% of the leading companies invest less than \$10,000 USD per year in digital marketing. Only 26% invest more than \$500,000 USD.

Although Mexican consumers have quickly adopted the Internet, Mexican companies are struggling to embrace digital marketing techniques in order to keep up.

The percentage of the total marketing budget that is spent on digital marketing has increased slowly from 13% in 2012 to 16.55% in 2014. However, considering media consumption in Mexico, this figure is still low. For example, US companies spend an average of 28.5% of their marketing budget on digital marketing (Gartner, 2014).

Nevertheless, companies are continuing to increase their digital marketing budgets from year to year. 91% of the companies surveyed stated that they planned on increasing their investment over the following 2 years (81% in 2012), while none of the companies had plans to reduce their investment.

The Mexican Internet User

- 51.2 million internauts
- +13% from 2012 to 2013
- Country with the 3rd largest Facebook presence
- 5:36 hours online/day
- 5 out of 10 access the Internet via smartphone
- ECommerce: +42% from 2012 to 2013.

Source: Amipci 2013, 2014

*Source: Digital Marketing Investment in Mexico, Headways Media, 2014

The Quantum Leap

It is important to understand that Digital Maturity is no longer just a “nice to have” feature. The continuous, sustained changes in consumer behavior make it essential for any company to mature digitally in order to remain competitive.

While this is a process that most companies will undergo at some point, the key is the speed at which this maturation occurs. Some companies mature slowly, advancing through trial-and-error. Other companies make a quantum leap by implementing a strategic project, typically including an assessment, a holistic strategy design and focused implementation.

Headways Media Digital Strategy Roadmap

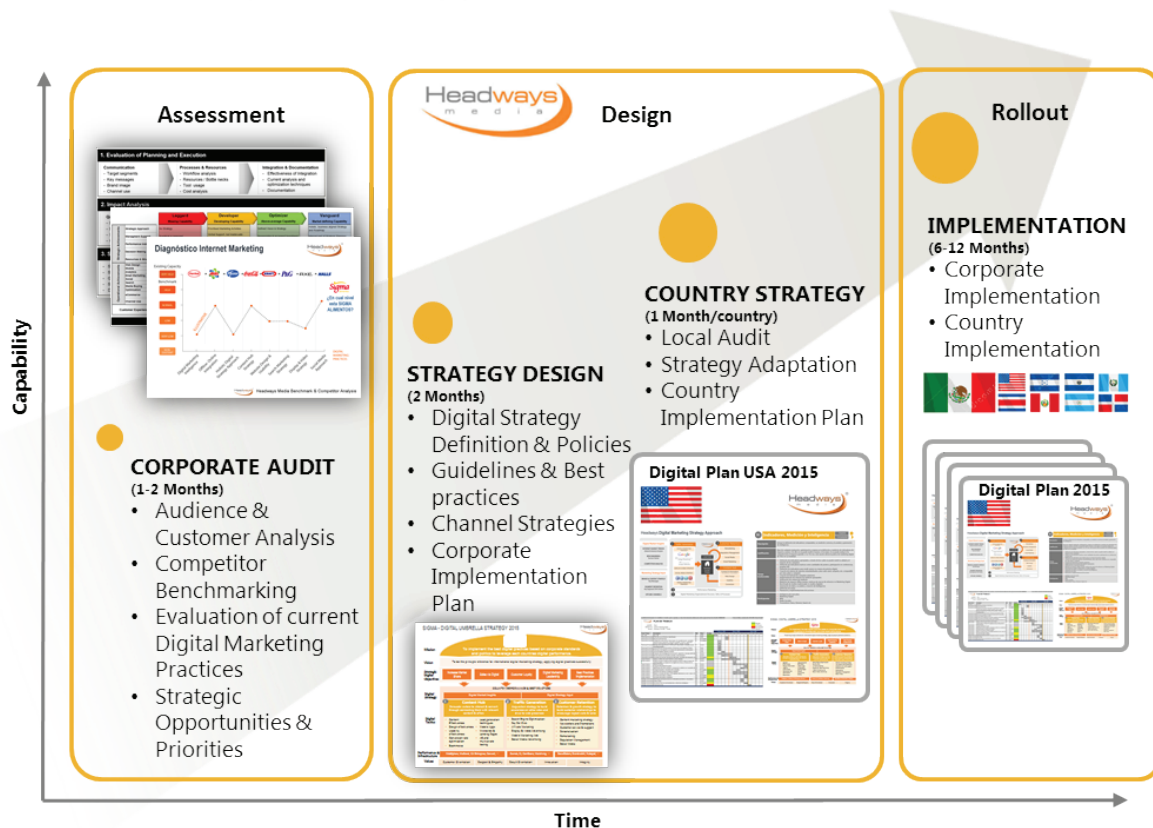


Figure 4: Headways Media Digital Strategy Roadmap

About Headways Media:

Headways Media is an international Digital Strategy Marketing consulting firm founded in Germany. Headways Media has its main global offices in Frankfurt, Mexico City, and Monterrey. The firm is consistently focused on providing global trends and implementing the best digital practices in the leading global and regional firms.

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