

## 2009: The Year in Digital Marketing

### EXECUTIVE SUMMARY

2009 promises to be a critical year for the digital marketing industry.

Bigmouthmedia's analysts believe that the next 12 months will have a pivotal role in shaping the sector, with a number of factors ranging from challenging trading conditions to advancing technology combining to make 2009 a landmark year in the industry's development.

While the economic downturn will continue to have an impact on every sector, digital marketing businesses will focus on digital's cost benefits and demonstrable ROI in an effort to buck the trend.

With such arguments set against a backdrop of steadily increasing corporate use of social media, video and online PR, we predict that the year will also see increased investment in digital marketing as cost-conscious companies seek to improve the quality of commercial content and access new channels such as mobile marketing.

In search, 2009 is also expected to prove a defining year. With the free PPC management tools provided by the major engines expected to continue improving, commercial third-party technologies could be under threat.

### TRADING CONDITIONS

The economic downturn has sharpened competition for new business and is undeniably having an impact upon budgets in nearly every industry. With value for money paramount on the business agenda, however, the digital marketing sector is uniquely placed to exploit the constrained trading conditions expected in 2009.

As clients demand increasingly cost-effective campaigns and seek to justify their marketing spend, accountable and flexible digital campaigns will become increasingly attractive. The fact that you can track online marketing, measure the response to it and place a precise figure on the returns it is producing makes it hard to ignore, and in this light it seems likely that we will see an increased reliance on digital marketers in the coming year.

In order to realise that potential, however, the sector must successfully argue that cutting a marketing budget during a recession is rarely considered a smart move and is often one of the big mistakes a business makes. As money becomes tighter, the need to hold on to your customers and find new ones is even greater, so many believe spending the same budget more wisely is the way ahead.

There is ample evidence to support such a hypothesis. In the US, there were three recessions between 1973 and 1991. During those recessions, the companies who increased their marketing budget were as profitable as ones who cut back. The difference was that after the recession the return on capital employed (ROCE) increased to 4.3% against -0.8% for those who cut their budgets.

Two years after recovery, the ones who invested in marketing were experiencing ROCE rates that were on average 3 times higher than those who didn't.

This is the message the marketing industry as a whole will look to make the central theme of 2009: In the short term cutting your budget might make the balance sheet look better, but in the long term it could be killing the business.

Another issue set to hit many online marketing initiatives is the withdrawal of Google's Best Practice Funding on December 31<sup>st</sup>. Until now UK agencies have seen from 3% to 8% of their AdWords spend returned each quarter depending on how much money they place with Google and other qualifying factors, but that windfall will disappear in 2009.

For those agencies - particularly the traditional media buyers - that have based their business model on using BPF money as profit in place of the traditional discount for volume buying, this means client contracts will have to be drastically overhauled.

Google's decision last year to lift their ban on gambling keywords is also likely to hit home in 2009. There's already been a major increase in activity, but online gambling has the potential to be a top 3 vertical for Google within the next 3 months.

The search optimisation sector has been in the grip of gradual change throughout 2008 and this seems set to intensify in 2009. The practice of using paid links to boost your search engine rankings has come under fire and Google has tightened a lot of its policies in this respect, meaning that many of the practitioners who weren't prepared for this are now having to radically revise their approach.

## **TECHNOLOGY & REPORTING**

The months ahead promise to be extremely interesting for the search marketing sector, and already some pundits are predicting that it's going to be a 'Beta Max Year' for the technology that underpins it.

In PPC we've seen a question mark appear over the automated bidding technologies which have previously dominated the market. Traditionally the major search engines provided only the most basic interfaces and if you wanted to automate the process then you had to sign up to a contract with one of the third party service providers. 2008 has seen a great improvement in the free tools provided by companies like Google however, and that's caused many advertisers to reevaluate their reliance on paid services.

Many experts will argue that while it has often made a lot of sense to go to a third party for a technical solution to enable automated PPC bidding and management in the past, which will not necessarily be the case in 2009. Given Google's release of its updated analytics package and

Microsoft's major investment in its AdCenter technology, marketers will be far less willing to sign-up for expensive third party solutions.

We also believe the digital marketing sector will begin to re-focus on other aspects of technology, in particular with regards to reporting capabilities.

Measurable ROI is hugely important to clients, and given that they increasingly want up-to-the-minute data at their fingertips, we're likely to see the major players investing in the development of advanced tools.

2009 will see search becoming more focused on numbers. In PPC Multi-variant and A/B testing is becoming increasingly common, clients are becoming more interested in synergistic campaigns and as demand for cross channel tracking grows, significant developments are inevitable.

As more companies seek to implement a co-ordinated approach to their online marketing strategies, we expect to see increased demands for campaigns that integrate both paid and natural search strategies. With the pressure to justify budgets and demonstrate ROI intensifying, savvy clients are going to want to ensure that they are driving maximum value from digital campaigns by leveraging synergies wherever possible.

With many UK online retailers now shipping goods to mainland Europe and beyond, the importance of running multi-lingual campaigns across multiple territories is on the increase. Digital strategies spanning several countries at a time are becoming more common, and that looks set to benefit agencies with a global footprint.

The SEO business is also becoming increasingly complex. Blended Search, Yahoo Search Monkey, Google's SearchWiki, personalisation, social media and internationally coordinated campaigns have all become central to running successful online strategies, and as a consequence many smaller agencies are struggling to cope with the almost daily developments. That's an issue marketers will be facing a lot more often next year.

## **AFFILIATES**

Now practiced by a raft of major international companies, affiliate marketing is rapidly joining the digital marketing mainstream.

Increasingly, blue chip companies are attracted to a channel where there are no fixed budgets and where affiliates are seen as a cost of sale rather than a marketing cost. As the economic downturn continues through 2009, we expect to see large numbers of advertisers shifting their budgets into the sector.

Cashback sites are becoming more and more important and as a result are expected to become subject to more regulation within the industry in 2009. Terms & Conditions relating to such sites will become the norm - as is already for the case for PPC activity - and IAB Affiliate Marketing Council has already issued its best practice guidelines on the issue.

Many affiliates are 'early adaptors', so have been using social media for a long time. In 2009 advertisers will need to understand the benefits of engaging with these affiliates to get support for their brand and their programmes. Campaign Managers will also need to understand the different tools available to help them do this, such as building widgets or tools that allow brands to be promoted through Facebook and other social networking sites.

Programmes are also becoming more sophisticated and will require bespoke solutions for different types of service to ensure that all affiliates have the ability to optimise the benefits of a programme.

It is likely that 2009 will see a consolidation of online marketing channels so that advertisers use one agency to manage all of the online activity – thus enabling them to fully understand the value of each channel and therefore allow more effective use of budgets.

Technology and network innovation will be key in allowing the sector to grow. The UK market is unique in that there are multiple networks, each with slightly different things to bring to the table and to be successful, practitioners will have to continue to develop new and more flexible tools, while reporting will similarly need to become more sophisticated.

As the need for professional management of relationships with affiliates deepens, we also expect to see many marketers placing greater reliance upon expert specialists when it comes to this increasingly important channel.

## **ONLINE PR**

Increasingly, brands are placing greater weight on what's said about them online, how that impacts their reputation, how their search results are influenced by it and how they can be part of the online conversations.

Research shows that traditional PR agencies have struggled to embrace the online media. According to a recent bigmouthmedia survey of Britain's 100 leading press and public relations agencies, 79% of the industry's major players have yet to develop a set of online and social media services.

Meanwhile - despite the steadily increasing importance of blogging as a media tool - a surprising 89% are still failing to publish their own blogs.

The internet has become an essential part of the media landscape however. Millions of readers now turn to the web first for news, and to remain truly effective every press and public relations campaign must be complemented by a comprehensive online PR strategy.

Although the fundamental principles of PR remain the same, the methods, tools and tactics employed in an online campaign are very different from those used to achieve targets in the world of traditional press and broadcast relations. To make them work, you need a whole new level of digital expertise.

For this reason it is likely that while 2009 will see traditional PR agencies try to offer an increased range of digital services, many will struggle to cope with the new discipline.

## **SOCIAL MEDIA**

The use of social media and online PR as marketing tools increased greatly in 2008 and that upwards trend is expected to continue as brand managers seek new and more cost effective ways of reaching their core audiences.

While major brands have traditionally hesitated to embrace the phenomenon, projects such as British Airways' MetroTwin - an online community and information portal built around the airline's transatlantic services – have successfully demonstrated the potential power of social networks. As a result, we expect 2009 to witness an exponential increase in marketers' use of the channel.

However, if not applied with suitable expertise social marketing campaigns can have a negative impact. No brand has yet to successfully mount a defensive campaign via the social networks, and the practice is coming under increasing scrutiny.

Google's continued tightening of its policies on paid links will impact upon the ways digital marketers approach campaigns. Meanwhile, updated UK Fair Trading regulations mean that it is now illegal to pay someone to create links on forums or blogs without declaring an interest. This will have an obvious impact upon in-house social media campaigns, and as the SEO sector becomes increasingly complicated both legally and technically, we expect to see a trend towards utilising agencies with demonstrable expertise across the digital marketing spectrum.

## **VIDEO**

While the application of online video as a marketing tool as been growing steadily for a number of years, we expect to see a further explosion in its use over the course of 2009.

As consumers continue to flock online for video entertainment, an expanding range of techniques has been applied by major brands seeking to harness the upsurge in interest. While Lloyds TSB's television adverts now appear on YouTube, Barclays successfully encouraged users to make their own films in one of its student campaigns.

In the coming year, YouTube is likely to intensify its efforts to encourage brand interaction with the world's most popular video site. The company is working hard on persuading organisations to maintain their own branded channels on the service, and an increasing number of firms are expected to make use of this option in 2009.

## **MOBILE**

It is a buzz industry that has yet to produce anything to match the hype, but the mobile search marketing space could well begin to live up to its early promise in 2009. Apple's iPhone, Google's Android and a raft of new touch screen devices have reignited both public and commercial interest, and we expect to see the sector take great strides in the coming year.

While new phones are awakening consumers to the mobile content market, various technical breakthroughs have similarly enlivened the space. Google now offers location-specific mobile

search results, YouTube has made its entire catalogue available in mobile format and Yahoo has expanded its mobile voice search offering.

With a range of new handsets and dynamic applications now converging, the evidence suggests that 2009 will see unprecedented levels of activity as marketers move to exploit the new channel. According to a recent survey conducted by 02, brands will have increased their spend on mobile marketing by 150% by 2013 and do not anticipate any impact on budgets as a result of the economic downturn.

## CONTENT QUALITY

Traditionally, text content created for SEO purposes has not been noted for its quality. Written specifically with search engines in mind, the emphasis has justifiably on target keywords rather than literary style.

There is evidence to suggest that this is changing however. An increasing number of brands are now demanding content of similar quality to that consumers are accustomed to reading offline.

Given that the traditional media has invested heavily in its online services, competition for eyeballs will increase greatly in 2009. In order to compete, we expect to see brands accelerate their use of bespoke content, custom news services and professional blogging services to improve search rankings and attract new traffic.

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