



GIGAOM RESEARCH

Workhorses and dark horses: digital tactics for customer acquisition

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TABLE OF CONTENTS

Executive summary	3
Introduction	4
Digital-marketing effectiveness	9
Email: the workhorse.....	9
Social media marketing: buying on faith?.....	12
Referral marketing: the dark horse.....	14
Content marketing: the show horse	17
Recommendations for marketers	19
Create a mosaic of tactics to acquire customers.....	19
Let content be your guide.....	19
Apply a balance of social media tactics to make all parts of the funnel effective	20
Push yourself to experiment.....	21
Key takeaways	23
About David Deal	24
About Gigaom Research	24

Executive summary

Digital is a critical source for brand building and direct marketing. But how is digital being used to acquire customers? Gigaom Research addressed this question by surveying 300 U.S. digital marketers to understand how they are using digital-marketing tactics across the marketing funnel, spanning awareness, customer acquisition, conversion, and retention. Our survey affirms that digital marketing is being used consistently across the entire customer experience.

Moreover, marketers are drawing comfortably on a broad palette of digital tactics depending on their objectives. Marketers told us that social media, already well-known as an awareness-building tool, is also particularly useful for customer retention. On the other hand, content marketing is especially useful for awareness and retention. And email is consistently used across the entire marketing funnel. Our survey analysis revealed other key findings, including:

- Nearly 60 percent of companies plan to increase their digital-marketing spend in 2014.
- Email marketing is the digital workhorse, deemed the most effective (relative to other digital tactics) for building awareness, acquisition, retention, and conversion. In fact, 56 percent of respondents identified email as being the most effective at retention, several points ahead of the second-most-effective tactic.
- Social spending is set to increase, but we discern some buying on faith with social. More marketers plan to spend more on social media marketing than any other digital tactic. But when we asked marketers to describe their perceptions of social media marketing, more marketers agreed with the statement "It is difficult to prove ROI for social media marketing" than with any other statement.
- Referral marketing is a digital-marketing dark horse. Only 39 percent of marketers use it regularly, but 43 percent of those who do use it acquire more than 35 percent of their new customers with it. This is double the percentage of marketers who report such acquisition rates using email. Brands that invest in referral can gain a competitive advantage over those investing elsewhere.

Acquiring customers in the digital era is like creating a mosaic: To achieve a beautiful outcome, companies need to find the right blend of tactics. Brands should consider using referral marketing to complement lists created for email campaigns. Marketers must experiment with blending forms of paid, earned, and owned media to acquire customers.

Introduction

In its short history, digital has evolved rapidly as a push-pull marketing channel, with marketers and consumers alike embracing a wide range of touch points such as social media to engage with one another. Within the past few years, digital has shed its reputation as the nascent weak sister to offline marketing. [Digital ad spending alone is forecast to reach \\$137.5 billion in 2014, according to eMarketer](#), representing one-quarter of all paid media spending worldwide (up from one-fifth of all ad spending in 2012).

Digital marketing has also established itself as a useful channel across the entire marketing funnel, with tactics ranging from referral marketing to email being used for awareness, customer acquisition, conversion, and retention. And no wonder: Marketers have at their disposal a growing arsenal of maturing digital tactics to employ. Five years ago Instagram didn't even exist; today [67 percent of the world's top brands are on Instagram](#).

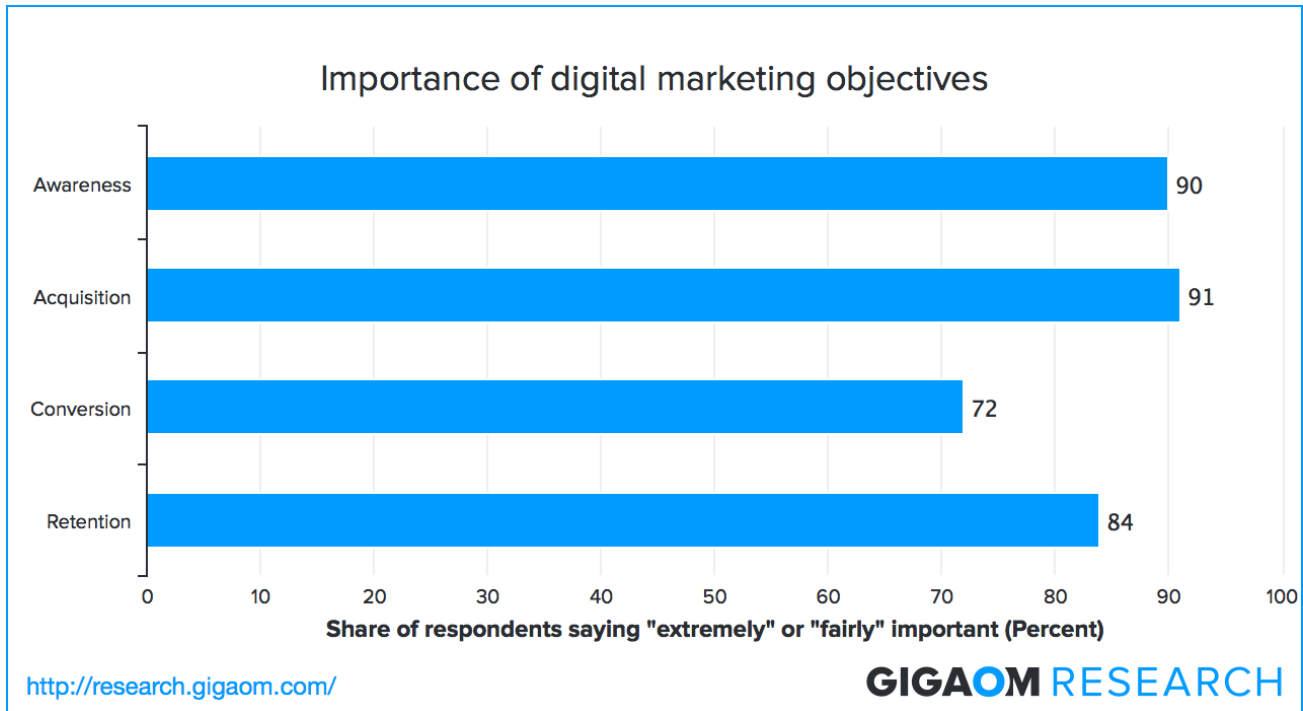
Moreover, digital has empowered marketers to find new and more effective ways to capitalize on time-honored approaches such as content marketing. According to Mass Relevance, [95 percent of CMOs believe content marketing is important to their business](#). Social media platforms have made it easier to rapidly create and produce branded content on a much wider scale than in 1895, when John Deere produced a customer magazine, *The Furrow*.

However, as each new tactic has emerged, marketers have also been challenged to understand where and how to employ it along the marketing funnel. [As consultant Jason Falls noted recently, accumulating Facebook fans is not the same as acquiring customers](#). Gaining Facebook followers can be an important step toward convincing a person to purchase something, but it's a step just the same.

To help marketers appreciate how their peers are employing digital throughout the customer-purchase funnel, Gigaom surveyed 300 U.S. digital marketers. We wanted to better understand the importance of digital marketing across the marketing funnel, spanning awareness, customer acquisition, conversion, and retention. We also asked respondents to discuss their digital spend: Was it increasing, decreasing, or staying the same, and where were they placing their bets on digital? Respondents represented a wide range of industries, sizes, and marketing spend volume.

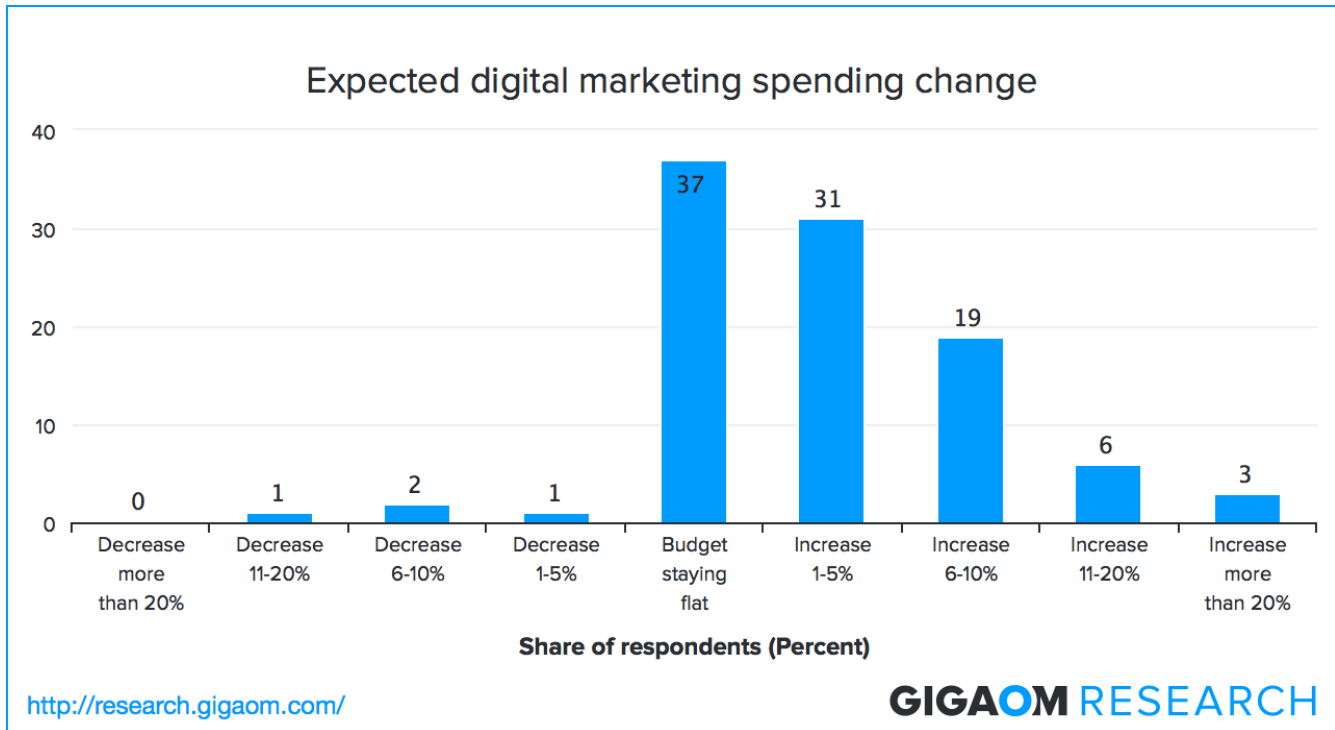
Our survey affirms that digital marketing is being used consistently across the entire customer experience. As shown in the following graphic, for roughly 9 out of 10 respondents, achieving awareness, acquisition, and retention are either fairly or extremely important objectives when using digital.

Figure 1.



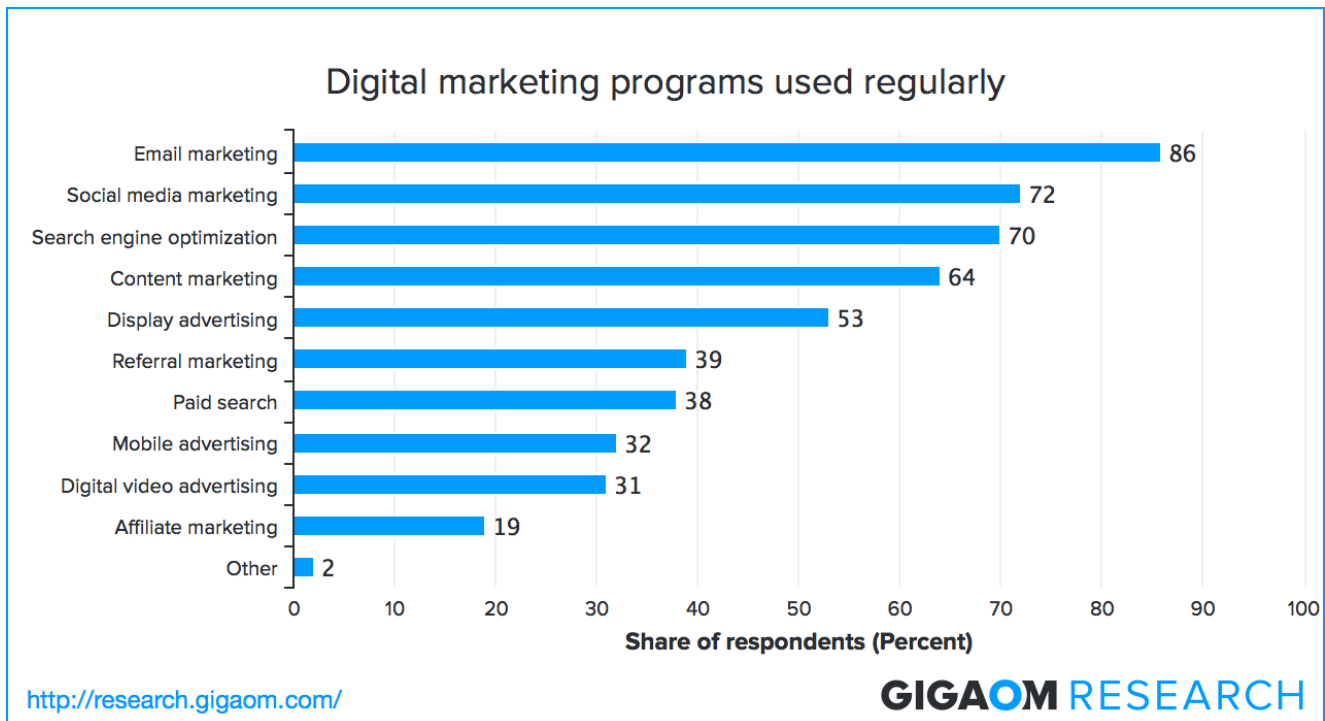
Nearly 60 percent of companies we surveyed said they were going to increase their digital-marketing spending, while 37 percent expected a flat budget. Few are decreasing spending, even in a tough economy with declining CPMs and CPCs.

Figure 2.



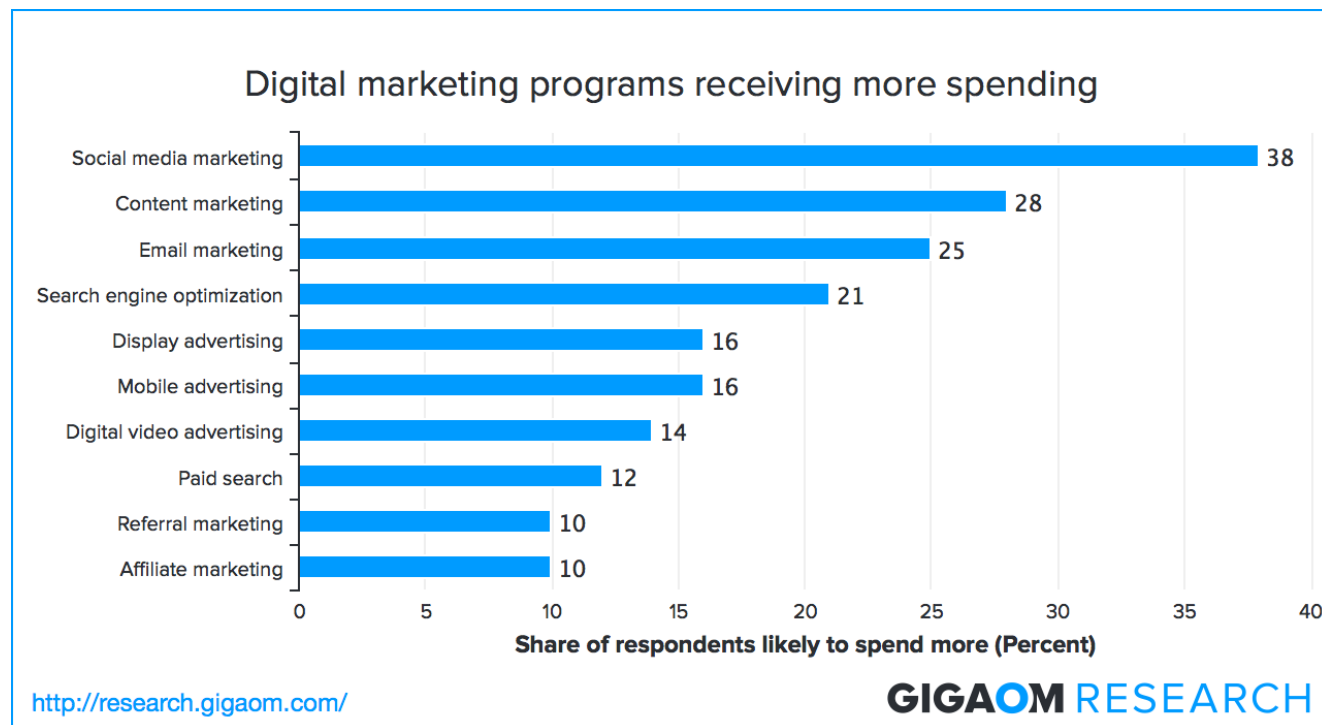
Moreover, our survey suggests that marketers are drawing comfortably on a broad palette of digital-marketing tactics depending on their objectives, with the four most popular tactics being email marketing, social media marketing, search engine optimization, and content marketing.

Figure 3.



Our study examined not just the most commonly used digital tactics but also where marketers plan to allocate their budgets. In essence, we wanted to know where the money is going in digital marketing. As shown in the following table, the top three digital-marketing tactics receiving digital spend are social media marketing, content marketing, and email marketing, and the three least popular are referral marketing, affiliate marketing, and paid search.

Figure 4.



A closer examination of spending priorities shows that companies that spend over \$1 million yearly on digital marketing (a.k.a., big spenders) are fueling spending on social media marketing. In the meantime companies with smaller budgets are accountable for a large portion of content marketing and email-marketing spending.

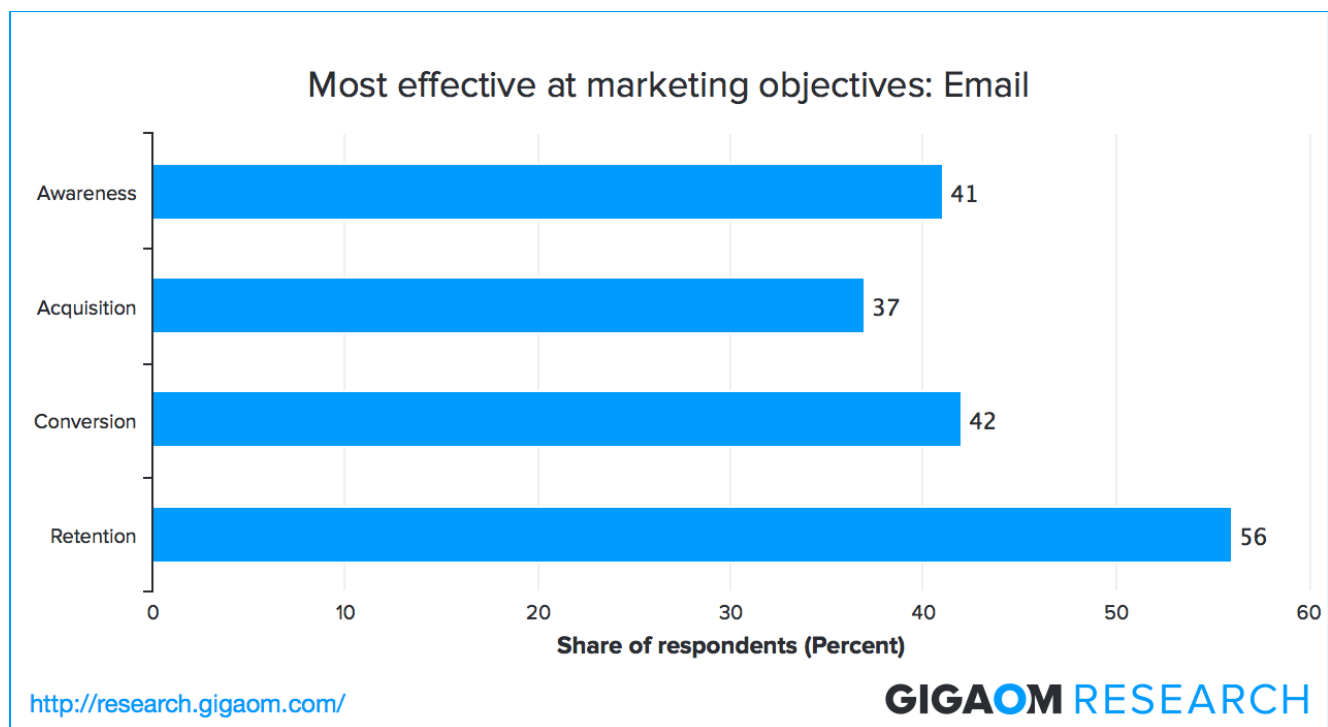
On the other hand, some traditionally popular forms of paid media, such as paid search and display advertising, rank fairly low among marketers' budgeting plans. It's not that brands are abandoning paid media (more than half of brands are regularly using display advertising, according to our survey). Rather, brands (especially the big spenders) have become more sophisticated about integrating relatively newer tactics such as social media into their customer-acquisition mix. The following section digs deeper into the various ways marketers are using digital to build awareness and acquire, convert, and retain customers.

Digital-marketing effectiveness

Email: the workhorse

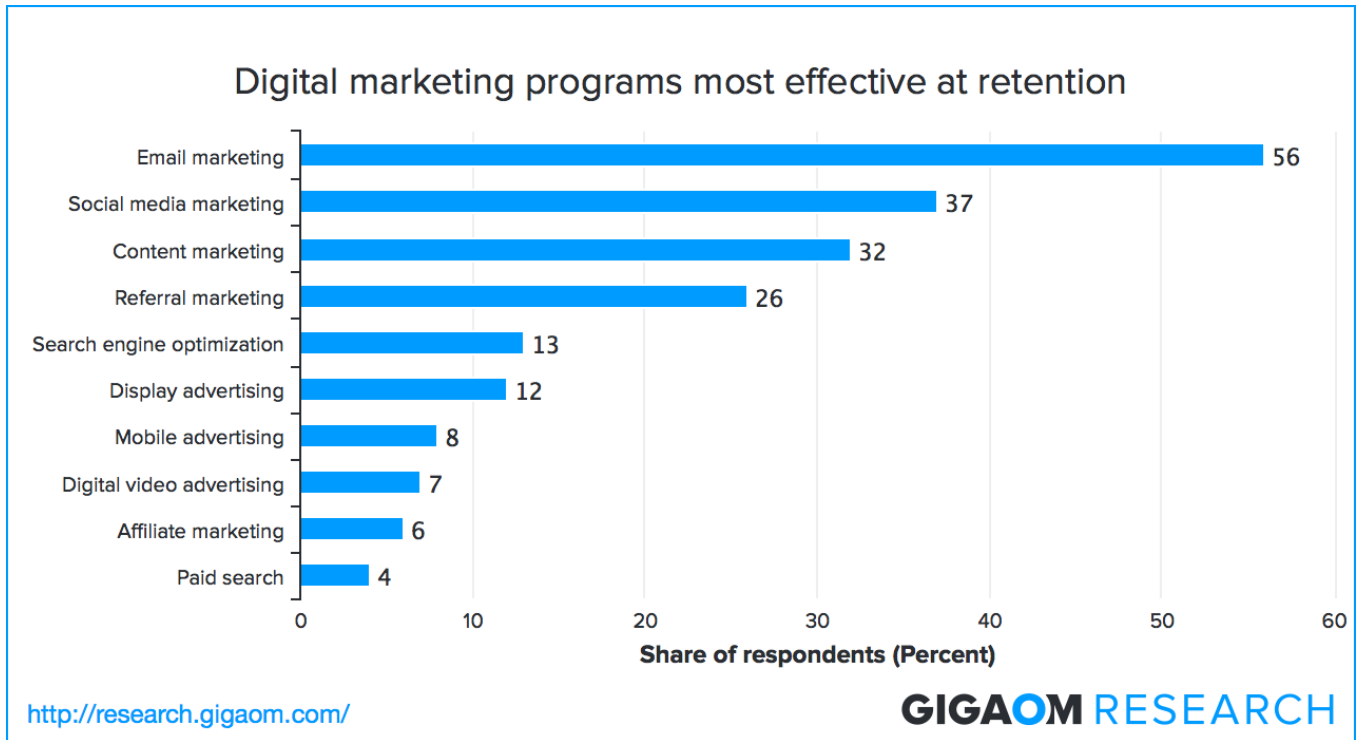
Our survey asked marketers to rank their most effective digital tactics across the marketing funnel. Email emerged as the digital-marketing workhorse, deemed effective for meeting all objectives. In fact, marketers consistently ranked email as the single-most-effective tactic for awareness, acquisition, conversion, and retention. In particular, email shines for customer retention.

Figure 5.



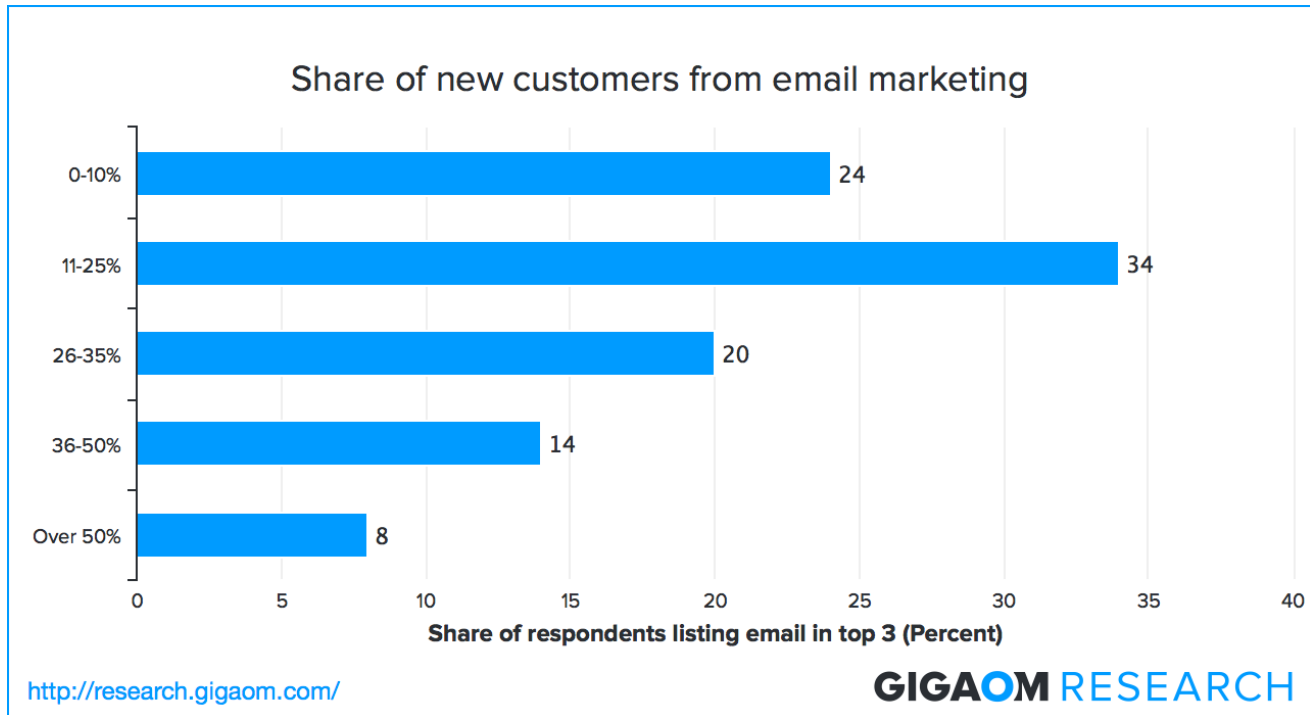
Per the following graphic, 56 percent of respondents identified email as being most effective at retention, several points ahead of the second-most-effective tactic (social media marketing).

Figure 6.



Moreover, marketers told us they embed email as part of a multi-pronged approach. Most marketers get fewer than 25 percent of their new customers from email marketing.

Figure 7.



A number of factors may influence email's popularity. Marketers who employ email are tapping into a familiar consumer behavior: [Email is the second-most-popular online activity in the United States](#), behind social networking. Email is cost-effective, measurable, and adaptable. Depending on their target audience, marketers can reach a mass audience yet retain a sense of personalization by repurposing email content. For instance, a retailer with national outlets can adapt a single email promotion for an in-store holiday across multiple markets and customer types by swapping graphics and editing text.

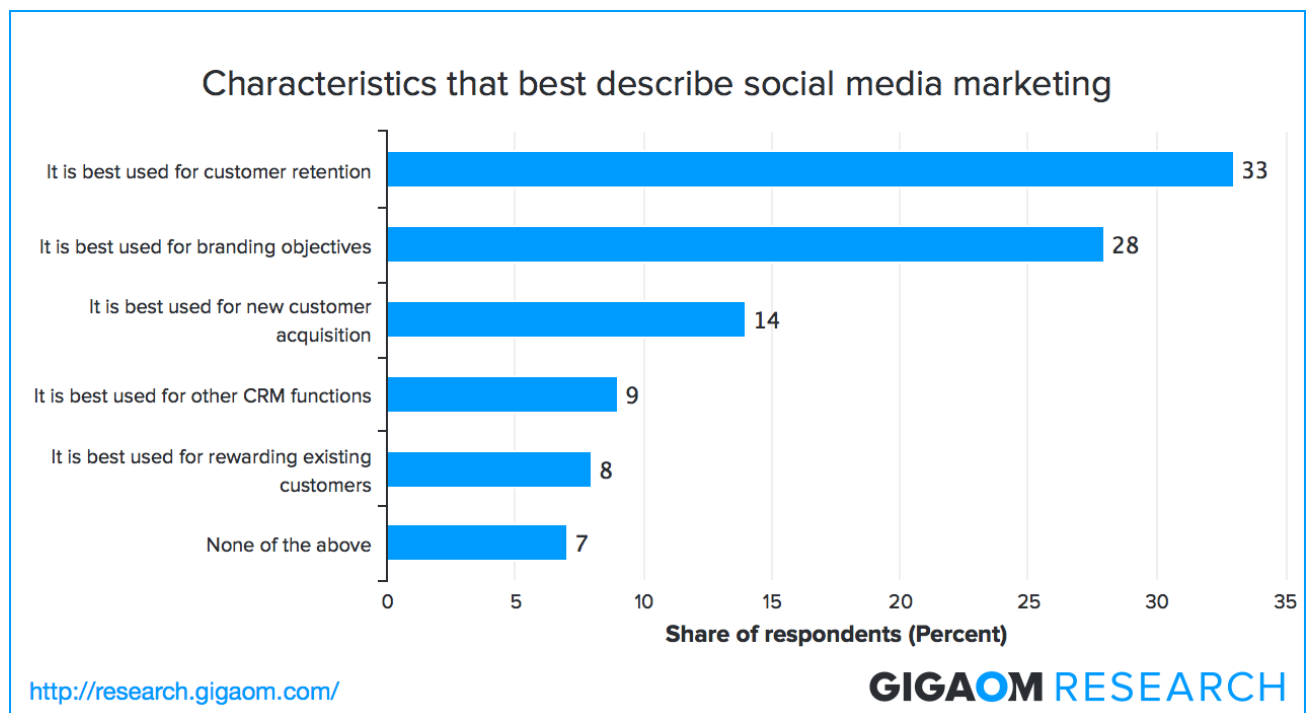
Our survey suggests that marketers with smaller budgets especially appreciate email's value for achieving the nudge effect: Considerably far more respondents with smaller budgets ranked email as the single-most-popular tactic for achieving brand awareness than did brands with big budgets. What we found was that there are a lot of digital marketers — often with smaller budgets — who use email for everything. While they have every reason to be comfortable with the tool — particularly its measurability and relatively low cost compared with direct mail — they may be missing out on the chance to reinforce campaigns via multiple tactics.

Brands are continuing to learn how to acquire customers by relying on offline and online channels, such as adding prominent opt-in functions on websites. However, brands still have a long way to go to coordinate other marketing channels with email: [Fewer than half of major retailers ask for customers' email addresses at the point of sale.](#)

Social media marketing: buying on faith?

Our study also casts light on the value of social media marketing for brand awareness and customer retention.

Figure 8.

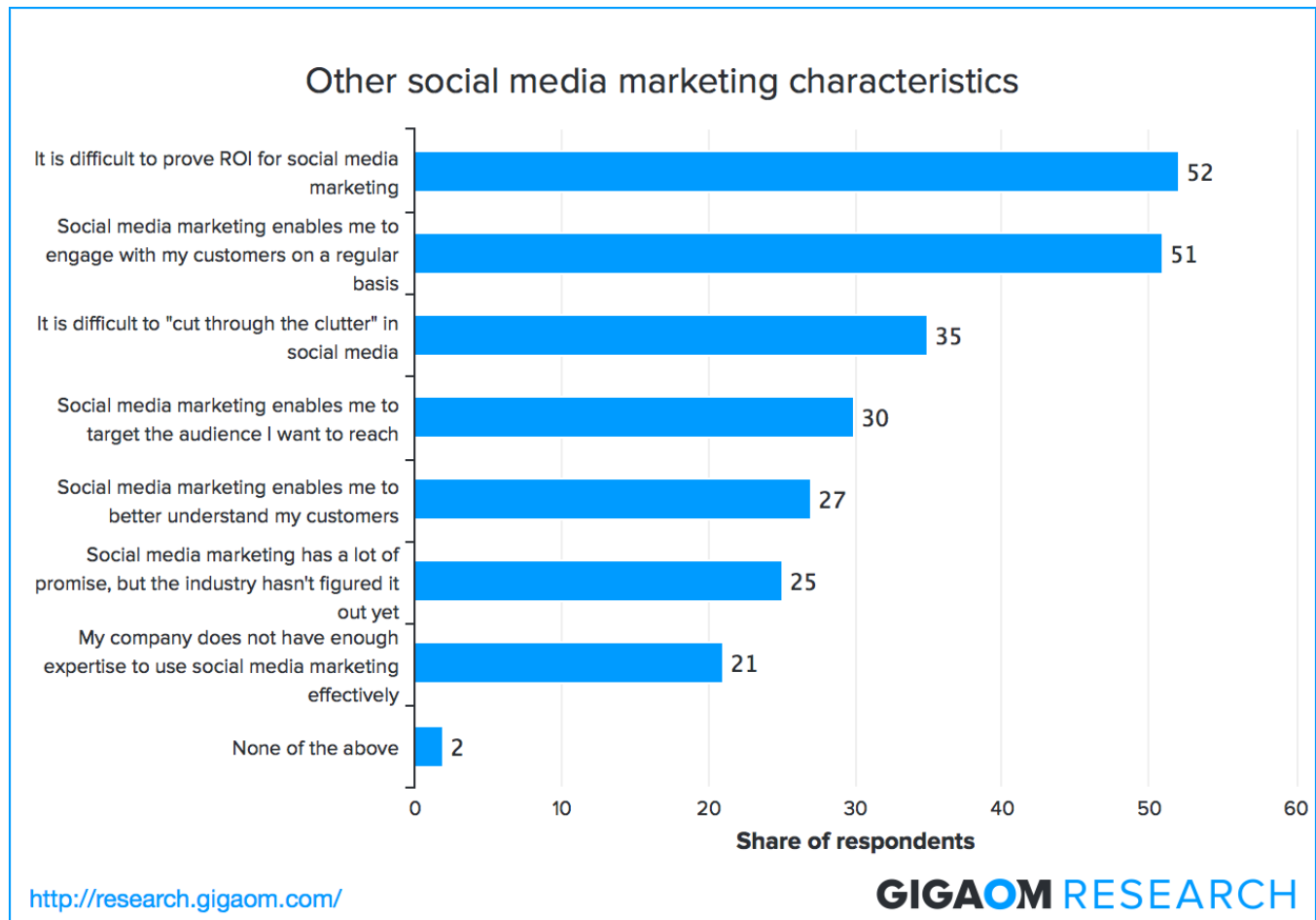


Marketers ranked social behind email as the most effective tactic for brand awareness and customer retention, but perceptions of social's efficacy for acquisition and conversion dipped noticeably: Social lagged behind email, SEO, and referral marketing for acquisition and behind email, referral, content marketing, and SEO for conversion.

Our survey also uncovered a paradox. On the one hand, as noted, more marketers plan to spend more on social media marketing than on any other digital tactic. But when we asked marketers to describe their

perceptions of social media marketing, more marketers agreed with the statement "It is difficult to prove ROI for social media marketing" than with any other statement.

Figure 9.



In other words, marketers may be buying on faith with social: investing in social even as they struggle to prove its ROI. And they have a lot of faith in social for awareness-building and customer retention.

A number of factors might be influencing how brands use social media marketing as well as why they are increasing their social spend even though ROI is difficult to prove.

First, there is a natural pressure for brands to use social media just to keep pace with consumer behaviors. Social is the single-most-popular online activity in the United States, [with the typical American spending an average of 37 minutes per day on a social network](#). Facebook alone has more than 1 billion members. For brands, having a social media presence is just table stakes for keeping pace with consumers.

ROI might be difficult to prove, but on the other hand, establishing a presence on social can be done quickly and cost-effectively. A new or established business can use social media to support brand awareness by creating a presence on Facebook, Google+, LinkedIn, and Twitter in a matter of minutes and repurpose existing marketing content to maintain a site cheaply (even if doing so is not necessarily the wisest approach). Updating content on your Facebook Timeline can be done quickly, with zero bureaucracy involved.

Social media gives brands a more direct and interactive channel with their customers, which may explain its popularity as a retention tool. It's interesting to note that among our survey respondents, the No. 1 characteristic attributed to social was the difficulty of providing ROI but that almost as many respondents also said that social media marketing enables them to engage with their customers on a regular basis. *Social Media Today* consultant Debra Ellis calls customer retention "[the first pillar of social media](#)" because social gives brands a powerful means to deepen relationships in a more personal way. And on a practical level, social has given brands a quick-response mechanism to handle customer queries and complaints, as Comcast has famously illustrated with its successful Comcast Cares customer-service program on Twitter.

It's quite possible that big spenders are willing to invest in social because even though ROI is difficult to prove, they are more likely to have access to tools such as social listening platforms and analytics that make it possible for them to more-regularly use social for monitoring, engagement, and measurement.

Referral marketing: the dark horse

One digital-marketing tactic emerges as an underused but highly valued way to acquire customers: referral marketing. A small but satisfied segment of marketers are investing in referral marketing, suggesting that savvy marketers can get a leg up on their competitors by taking a closer look at this discipline that's social in nature but has elements of direct marketing.

Referral marketing is a more systematic way to monetize time-honored word-of-mouth marketing (the latter of which dates back long before digital). Like other social tactics, referral marketing taps into a long-standing human behavior, and, as in the case of social, digital has helped referral take hold. Refer-a-friend programs are now being used in industries ranging from retail to entertainment. Recently even Google launched its own referral-marketing program that [pays \\$15 bonuses to businesses for each user they sign up for the Google Apps for Business](#).

Our study shows that marketers are getting value from referral, especially for acquisition and conversion. And marketers who use referral give it high marks for rewarding existing customers and generating valuable new customers. It's extremely effective, generating a higher percentage of new customers for its practitioners than other tactics. A sizable number of marketers also believe referral helps them capitalize on their social follower base and capitalize on their existing email user subscriber base.

Figure 10.

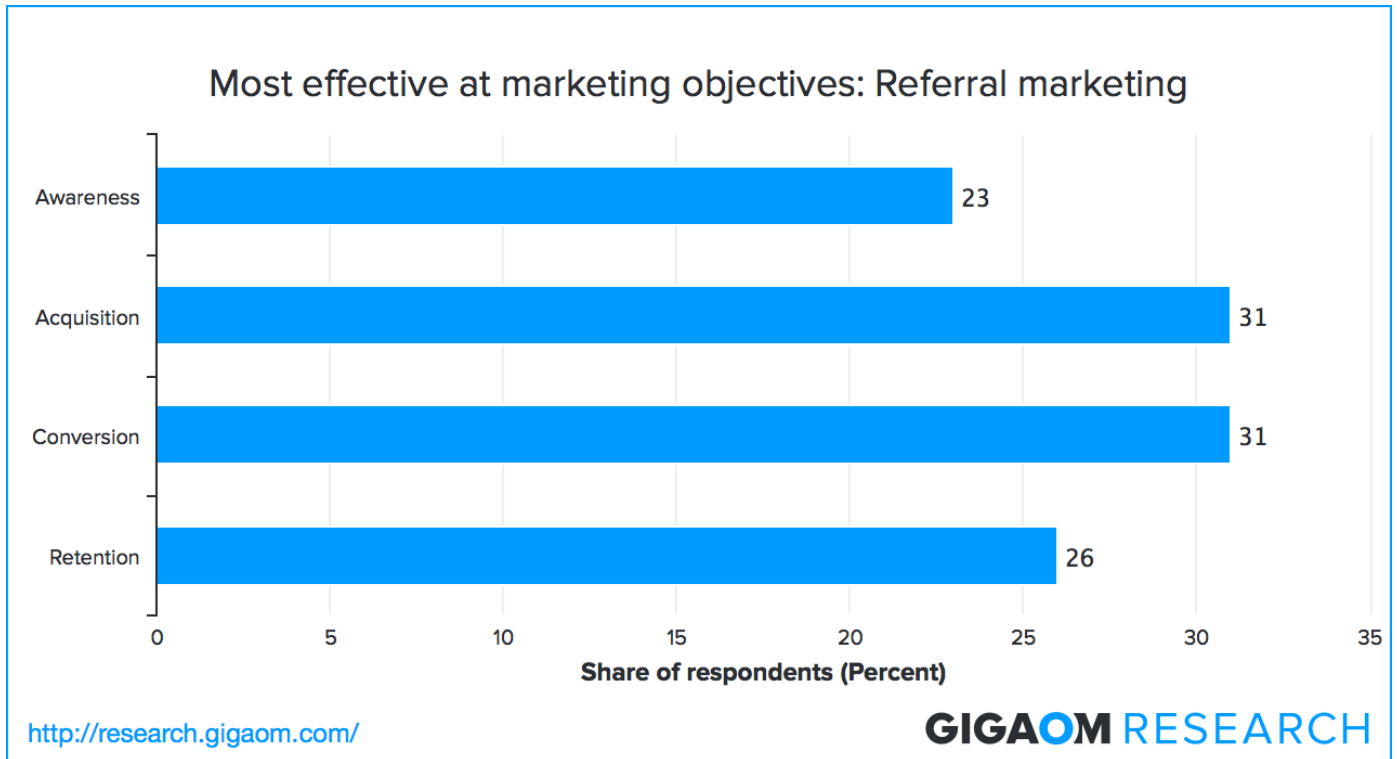
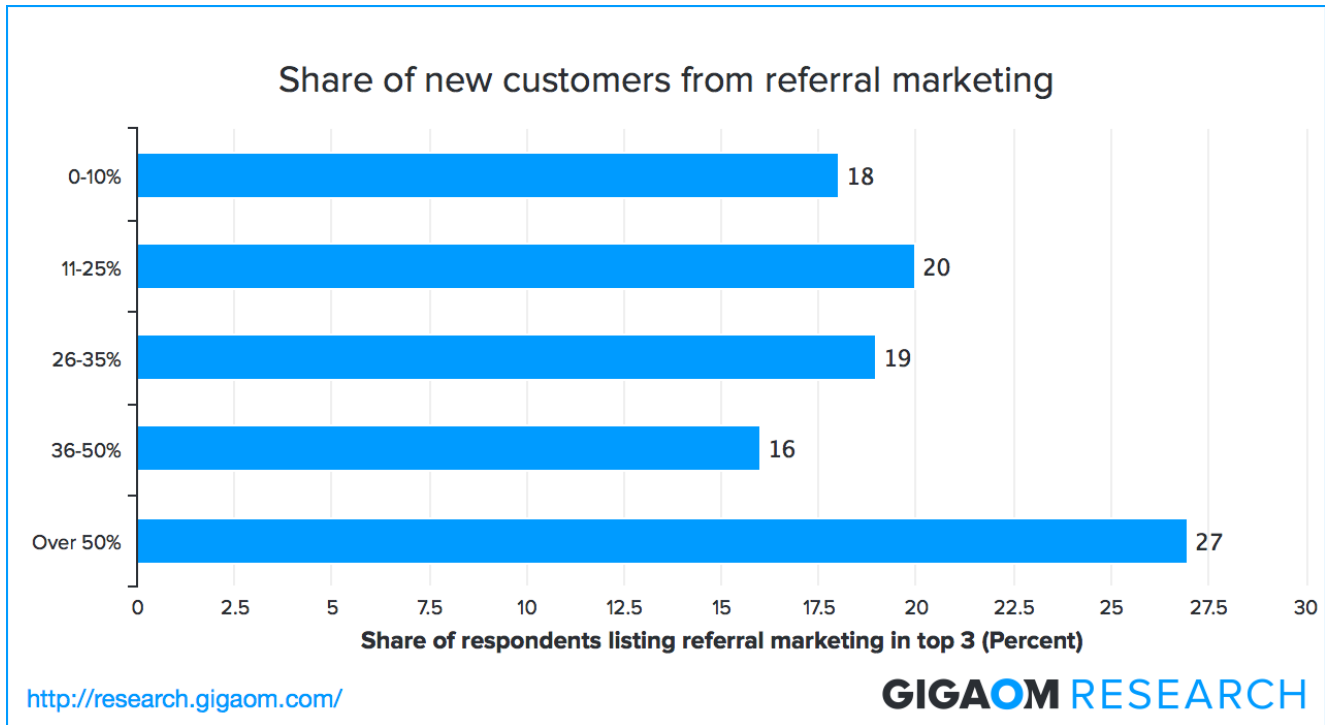


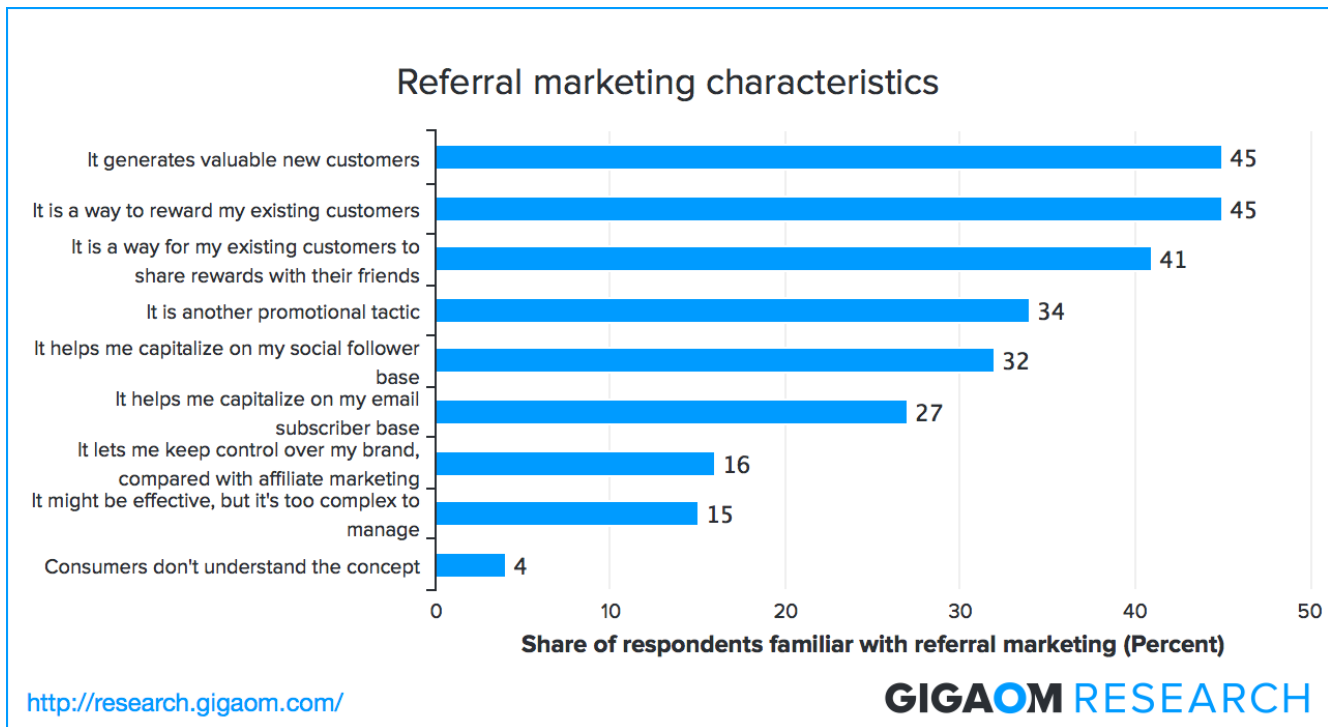
Figure 11.



Those findings suggest a number of attributes about referral:

- Referral is efficient, providing a double reward to a business. When a transaction occurs as a result of a referral, the business gains a new customer and also builds loyalty with an existing customer.
- Referral enriches social media by complementing social's awareness and retention value with the elements of acquisition and conversion.
- Referral can provide more value to marketers when integrated with social and email rather than when used in isolation.

Figure 12.

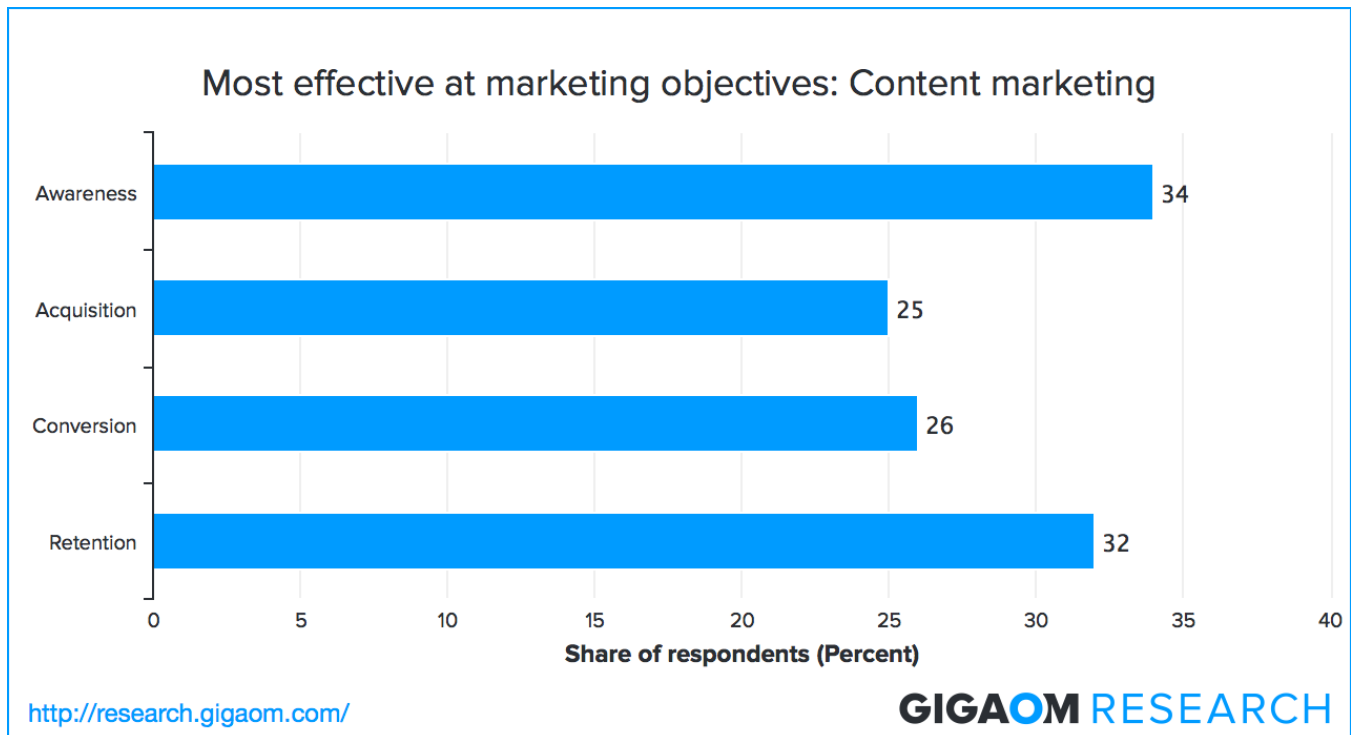


However, our study also shows that referral marketing still has a long way to go in order to become mainstream. The majority of marketers do not use referral marketing, and 35 percent have not tried it. Marketers may do well to revisit referral marketing, especially by combining referral with social and email to make referral more effective.

Content marketing: the show horse

As noted earlier, content marketing is not new, but in the digital era, content has become a CMO-level priority. [According to Mass Relevance](#), 95 percent of CMOs surveyed say that content marketing is important to their business in 2014. Our own study shows that marketers are spending on content marketing, too: Content marketing is second only to social media as a popular tactic for digital-marketing spend. As with social, marketers find content marketing especially useful for awareness and retention.

Figure 13.



It seems fitting that the uptake of content mirrors that of social, according to our survey. First off, the two disciplines are interrelated, with social having emerged as a cost-effective and efficient way for marketers to share branded content. (Think of social as the quick-release publishing platform for content.) Second, in both cases, marketers are emulating a popular consumer behavior. Just as brands have become publishers, so have consumers: More than 76 million blogs exist on WordPress (see disclosure) alone, and new publishing platforms (both visual and text-based) emerge constantly. Tumblr did not even exist seven years ago. Today Tumblr hosts more than 184 million blogs. And by and large, consumers have accepted brands becoming content publishers, too: [Seventy-four percent of consumers trust content from businesses that aim to educate readers about a particular topic](#), and 94 percent of consumers have shared "educational information from a company" with a friend or loved one in the past.

Disclosure: Automattic, the maker of WordPress.com, is backed by True Ventures, a venture capital firm that is an investor in the parent company of Gigaom.

Recommendations for marketers

Brands that seek to use digital for awareness, attraction, conversion, and retention would do well to take one of three approaches.

Create a mosaic of tactics to acquire customers

Acquiring customers in the digital era is like creating a mosaic: To achieve a beautiful outcome, you'll need to find the right blend of tactics. Don't fall in love with one tactic. For instance, brands may want to combine referral marketing with, say, email. iPhone case manufacturer Lunatik acquires customers by [combining referral marketing with email and a mobile app created especially to generate customers through word of mouth](#).

Brands should also be open to blending forms of paid, earned, and owned media. Despite the fact that our survey ranked paid media fairly low amid 2014 marketing-spend priorities, it can and does continue to provide ROI for brands — especially when combined with unpaid media. For example, [Cedar Creek Cabin Rentals](#) improved its rate of inbound leads by shifting from an over-reliance on paid search to a more sophisticated blend of paid search, email, and in-bound marketing tactics. The brand decreased (but did not eliminate) its paid-search spend while improving acquisition performance.

Let content be your guide

When your customers encounter your brand across the digital world, they should see content that guides them along a path to acquisition and conversion as opposed to a random collection of disconnected product offers, blog posts, and real-time content sprinkled across your website and social spaces.

For instance, Conn's HomePlus, a consumer-products retailer based in Texas, works with agency ethology to build its financing business with digital consumers by sharing search-optimized content that is appropriate for each stage of the buying process. To raise awareness for its financing options, Conn's relies on display ads layered on top of a paid-search program as well as on offers published on its Facebook page for its socially savvy audience. The Conn's website prominently features popular products alongside an easy-to-find "Get Credit Today" button to hasten the path to purchase and credit application. Conn's also relies on its Facebook page for customer care after the sale and an opt-in email program to share information about new products and credit programs.

Apply a balance of social media tactics to make all parts of the funnel effective

So many companies are involved in social media now that simply having a social media presence is merely table stakes for brands, and it's arguably more difficult to build awareness amid the social clutter. (As noted earlier, nearly 7 out of 10 of the world's top brands are on Instagram already.) Offering product promotions on your Facebook page or linking to your corporate blog from Twitter are fairly ordinary and common tactics for deploying social. Cutting through clutter now requires more-imaginative and sophisticated use of social tactics across the marketing funnel, including the integration of social with paid media.

Simply raising awareness through social has become a more sophisticated and rapidly changing exercise in which new approaches can make an impact and then become passé in a matter of weeks. Oreo's brand building on social has become something of digital-marketing legend. Its Daily Twist campaign [celebrated the brand's 100th anniversary by turning pop culture moments into shareable social content](#), and Oreo [used Twitter to create real-time marketing during Super Bowl XLVII](#). But awareness-building on social changes so much that within weeks, attempts by other brands to capitalize on events to create real-time content [came under fire](#) for failing to deliver the same impact as Oreo's own Super Bowl XLVII marketing. Forward-thinking brands have forged their own paths rather than followed the social media marketing flavor of the day. For instance, Joe Boxer and Peanuts court social-savvy consumers by working with popular Vine users such as [Josh Peck](#) and [Khoa Phan](#) to create original content and leverage their large Vine following. Don't know Josh Peck or Khoa Phan? You might not need to if the Vine demographic is unimportant to you. But for brands relying on visual storytelling platforms like Vine to court digital audiences, Josh Peck and Khoa Phan are brand partners.

In the meantime online retailer [CafePress](#) relies on paid and organic social media as the backbone of its customer-acquisition strategy. CafePress offers personalized products such as T-shirts and coffee mugs that consumers can custom-design, buy, and sell. According to chief digital officer Jason Falls, "Our product consists of user-generated designs. We pick the ones that are relevant, topical, and funny, and create a never-ending stream of content across Facebook, Google+, Pinterest, and Tumblr. Sharing new designs can organically engage consumers on social without constantly pushing product at them."

For instance, on Pinterest, CafePress features fresh designs on a [Design of the Day](#) board and injects a little hip-hop-inspired humor in its [I Like Big Books](#) board, focused on designs and products readers will

love. On Facebook and Pinterest, CafePress also offers more transaction-oriented content, such time-sensitive product deals and discounts, which it amplifies on Facebook via sponsored posts.

By combining organic content with paid ads on social media, CafePress can raise brand awareness while targeting audiences such as moms with more-customized product offers.

"To target an audience such as new moms, we use search engine marketing and social advertising," Falls says. "We are a test-and-iterate company. We use analytics to hyper target products to finely defined audiences such as, say, doctors who like coffee. If the approach for a given segment works, we convert customers. If it doesn't, we kill the campaign and move on."

CafePress' use of paid content and sponsored posts on Facebook may be the future of customer acquisition with social media marketing. According to Tari Haro, the CMO of the agency iCrossing, "Facebook's ongoing changes to its algorithm, which discourage organic social media sharing, demonstrate how more important paid social is going to become. Social media could transform into more of a performance media."

Indeed, Pinterest recently dipped its toes into the waters of performance media in two major ways:

- Unveiling an [advertising offering through which brands may post banner ads](#) (akin to native advertising) alongside the organic content that Pinterest users pin on their boards. Think promoted pins that have the look and feel of everyday user pins.
- Launching a [self-service advertising program](#) through which marketers bid to display promoted-pin content on Pinterest. The self-service targets smaller businesses that pay when users click on ads.

The path to success with social media marketing is becoming increasingly clear: pay to play, and play creatively.

Push yourself to experiment

By its nature, digital is evolving as a channel and a form of marketing, too. Consequently, digital lends itself to experimenting with fresh tactics to gain a competitive edge. As noted elsewhere in this study, platforms like Instagram, Pinterest, and Vine did not even exist a few years ago, and already savvy, quick-thinking brands such as Dunkin' Donuts and Nordstrom are capitalizing on those channels to advertise and launch seasonal products in fresh ways that create engagement. On the other hand, because digital

changes so quickly, getting too comfortable with tried-and-true approaches can put you at a disadvantage to those who constantly adapt.

One way a brand can gain a competitive advantage is to try an underutilized approach that others might be overlooking. The findings of our survey suggest that referral marketing is a case in point, given that most marketers don't use it even though its practitioners report relatively high levels of satisfaction with referral marketing.

[Referral marketing has helped snack provider Graze disrupt the snacking industry](#). Graze aspires to be "reinventing snacking, one delicious nibble at a time" by home-delivering healthy snacks that customers can customize by rating and tweaking ongoing orders. The company aggressively relies on a referral program that integrates print advertising, product inserts with offers and invite codes, and online referral through email. Customers receive \$1 (or can donate \$1 to the Graze School of Family Farming in Uganda) for each friend who becomes a customer, and friends get their first and fifth boxes free.

Similarly, referral has helped Airbnb disrupt the lodging industry and Dropbox to compete more effectively in the digital-storage market. In 2011 [Airbnb launched a referral program](#) that offered travel credit to existing customers for each friend that booked a trip or posted their own place and received a booking. A test with a private group of 2,161 existing members brought in 2,107 new members. Meanwhile [Dropbox switched from traditional digital practices such as paid search to referral marketing](#) and increased sign-ups by 60 percent. (Befitting the nature of Dropbox's service, Dropbox offered free storage space to the referrer and referred friend.)

Digital marketing long ago went from Wild West to a more orderly way of acquiring customers. But for open-minded brands, digital remains a strong source of innovation and commerce.

Key takeaways

- Email is the digital-marketing workhorse. It is measurable and cost-effective.
- Social media marketing is an important retention strategy, but here we see some buying on faith. It's being used a lot, but it's difficult to prove ROI for social.
- Referral marketing is the customer-acquisition dark horse. It's not used a lot, and it comes in dead last in terms of spending plans. But those who do use it get rewarded for it. And referral is especially efficient for both acquiring and retaining customers. If you are not spending on referral marketing, you're making a mistake.
- Content marketing is an important priority. It's not new, but it's popular because digital makes it easier. Customers are creating and distributing content via social. Brands are emulating that behavior.

About David Deal

David Deal is a marketing executive who helps companies improve their brands through content marketing and thought leadership. He has lived at the intersection of content and branding for more than 20 years. As head of marketing for Razorfish, he oversaw the agency's thought leadership and developed its employee social media program. In 2012, he created a co-branding relationship for music mogul Jermaine Dupri and digital agency iCrossing, which relied on the co-creation of content to drive membership for Dupri's Global 14 community and build visibility for iCrossing. His recent client work includes the development of content-marketing and visual-storytelling strategies for businesses and individuals. Deal writes his own blog, Superhype, and has contributed to publications such as American Express OPEN Forum, Fast Company, Portada, and PSFK. He has also edited books such as *You Say You Want a Revolution: Rock Music in American Culture* by Robert Pielke. His speaking appearances include events conducted by Forrester Research, MarketingProfs, PSFK, and O'Reilly Media.

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