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Digital Marketing Research Study Conducted by Research International November 2009

- ¾ of Australian businesses with less than 20 people do not have a stand-alone website
- 40% of small businesses do not use email or the Internet at all for business
- Businesses who are marketing online are looking to increase their online spend because of better return on investment and ability to build brand

Research International conducted research with a representative sample of small and medium businesses (SMBs) to understand how smaller operators were planning to incorporate digital strategies into their marketing mix.

SMBs in Australia make up 80% of the business landscape, with around 1.6 million small to medium operators (businesses with less than 20 employees). They are a group with limited resources allocated to marketing – on average, their marketing spend in 2009 was just \$5,813. This spend is currently focussed around offline sources, with the top three marketing efforts being newspaper advertising, listings with Yellow Pages and direct mail brochures.

Online marketing tools currently make up a small portion of SMB marketing spend. The majority of SMBs are either yet to venture online or are in the early stages of marketing their businesses online. In fact, 40% are offline (i.e. not using email or internet at all for business), and three-quarters (74%) do not yet have a stand-alone website. Only one in four (26%) have ventured into online marketing, having at least their own website, and as they become more sophisticated, moving towards e-commerce and use of other tools such as paid search.

SMBs with a website spent on average 31% of their marketing budget online in 2009 including email marketing, online directories, AdWords and online video. Those who have a website are migrating more of their marketing spend online because of their ability to measure return on investment (ROI) and effectiveness of the channel in building their brand and acquiring new customers. SMBs without a website and poorer methods of calculating ROI are the only group to indicate a decreasing marketing budget in 2010 vs 2009.

SMBs have traditionally been poor at measuring ROI. The majority of SMBs are not tracking ROI, with most simply asking customers how they heard about them, when they remember to. SMBs without a website rely heavily on asking new customers how they found out about their business: a blunt method for measuring marketing spend ROI. SMBs with a more advanced online presence are less reliant on customer questionnaires and rely more heavily on measuring leads and conversions from marketing spend directly through their website. Moreover, those who have a more advanced online presence, using e-commerce or paid search, are more effective at measuring ROI – only 37% of those with a basic presence measure ROI compared to 64% of those with an advanced online presence.

Marketing tools that are experiencing increased use by SMBs include direct mail brochures, local newspapers, email marketing, Yellow Pages online and paid search, namely AdWords. Those who are leaning towards investing more in an online strategy in 2010 see value in committing budget to two key online marketing tools – email marketing and AdWords. The perceptions of those who are using direct mail, email marketing and AdWords were tested in the research. What stood out for direct mail and email marketing was a high perceived efficacy in delivering information to existing customers. While for AdWords the mass reach and acquiring new customers was found to be the key advantage of the tool.



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Amongst the two online approaches a key barrier limiting their uptake has been ease of use. However, these barriers proved to be more about a lack of awareness and knowledge of how to use the tools. Once trialled, continued use was high, suggesting that once understood, marketers are confident in the efficacy of these approaches. Of the two online approaches, AdWords was found to be easier to use than email marketing.

SMBs indicated their greatest growth in marketing spend on any one tool in 2010 would be on AdWords, with use of the tool projected to grow by 53% on 2009. Businesses cited the following reasons for increasing their AdWords budgets in 2010: easy to calculate ROI, effective at reaching a large audience, suitable channel for building brand in the marketplace, great channel to help acquire new customers.

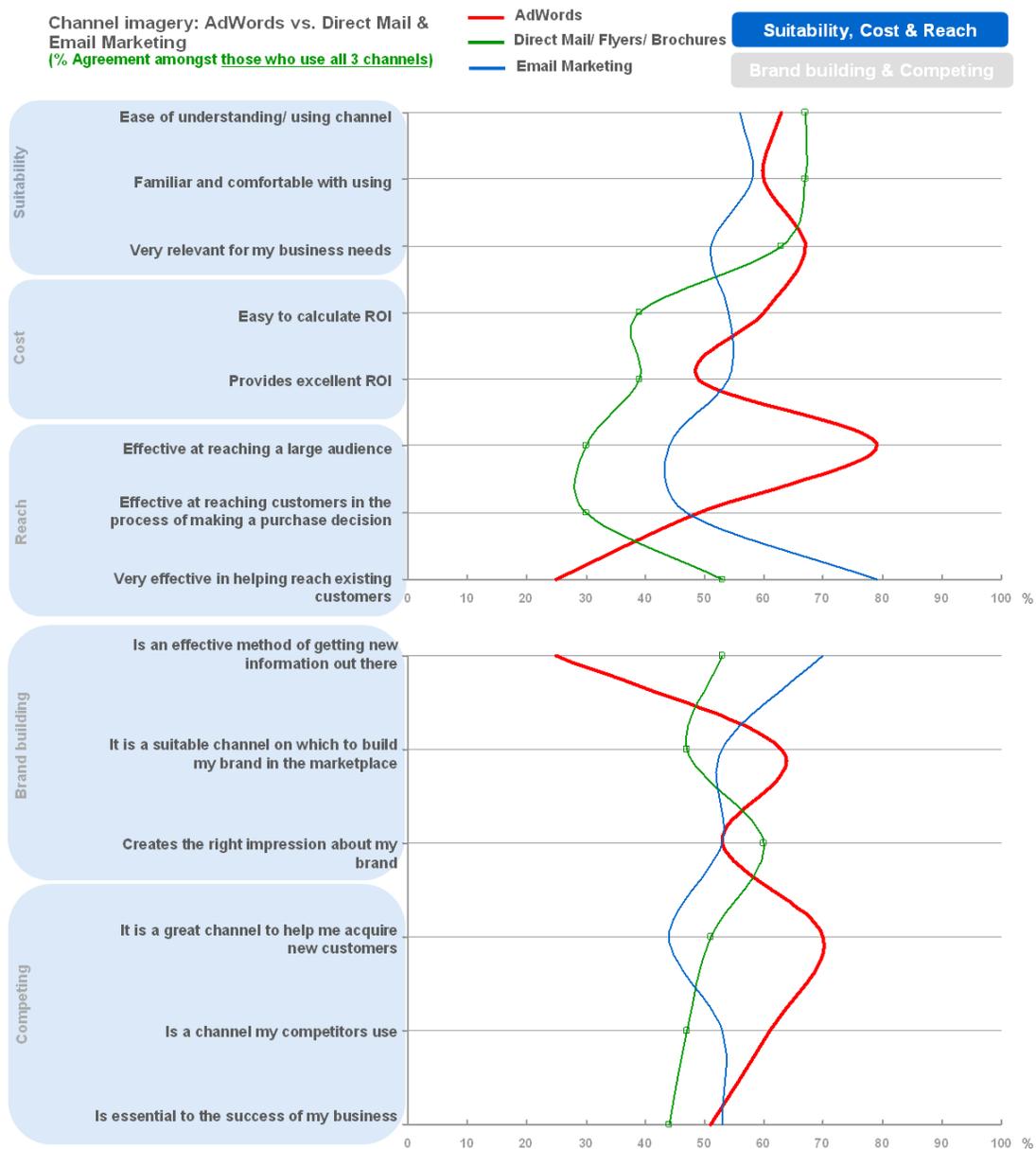


Figure 1: Perceptions of suitability, cost, reach, brand building and competitiveness across direct mail, email marketing and AdWords



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About the methodology

Research International conducted research with SMBs to understand how smaller operators were planning to incorporate digital strategies into their marketing efforts in late 2009. It was conducted with a representative sample of 524 primary or joint decision makers in SMEs recruited to be representative of both size and industry type, according to ABS statistics. SMBs were defined as sole traders and businesses employing up to 20 employees, excluding not-for-profit organisations, trust funds, franchisees and government agencies. A subset of the sample comprised of 235 Google AdWords customers recruited to add depth of insight around one of the emerging strengths of online marketing – paid search.