

The Eclipse of Online Ads

Why marketers must optimize their efforts by prioritizing content within the digital mix.



By Rebecca Lieb

Includes input from 17 industry leaders.

Prepared for



visually



Executive Summary

With advertising effectiveness on the decline, practitioners are turning to other forms of marketing to better engage customers during their digital journey. Content marketing, and its underlying content strategy, has emerged as the savior in the new marketing hierarchy as leaders seek alternatives to paid media cohorts that no longer produce tangible business results.

Changing customer attitudes toward advertising, combined with data privacy concerns and increased use of new mobile technologies, are also contributing to advertising's steady decline. When marketers focus instead on the content needs and expectations at each stage of the customer journey, they're rewarded with new opportunities for engagement, sales, and retention. These opportunities are also easier to measure, offering another incentive for marketers to focus on content in lieu of incumbent advertising strategies.

In this report, we explore why marketers should build customer-centric marketing strategies that rely more on valuable content and less on media buys. By creating a solid content strategy foundation, investing across the customer journey, realigning the marketing mix accordingly, and building the right team, digital marketers can achieve results that span far beyond click-through rates and brand awareness.

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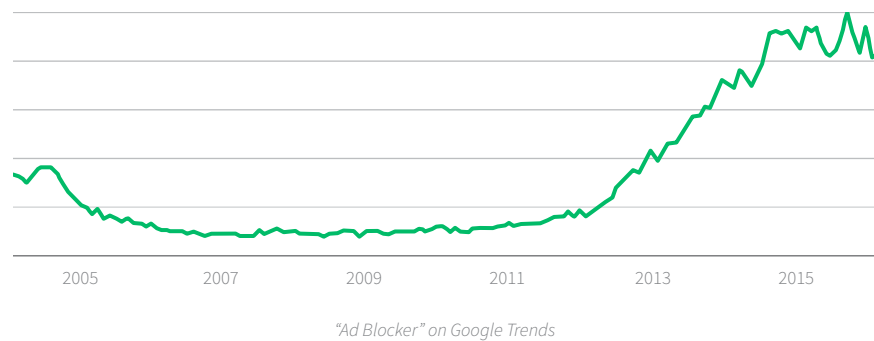
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Organizations Increasingly Favor Content Over Advertising

The rise of digital, mobile, and social technologies has transformed traditional advertising into a commodity, floating in a sea of media buy options and more relevant marketing investments. Its former position as the “boss” of marketing channels and tactics is a memory, as brands respond to new customer expectations or relevant content at every stage of their purchase decision journey. Savvy marketers are exploring other marketing avenues that offer greater control, while advertising remains an expensive dinosaur with diminished returns.

Today’s consumer is both banner-blind and blocking online ads altogether. Click-through rates on standard banner ads plummeted to 0.12% in 2014,¹ as customers demand more engaging and timely brand experiences.



This development has forced marketer attention to content as the fuel for owned and shared marketing channels that are rising in the investment hierarchy. Brands and their agency partners are reconsidering the marketing mix in order to address the entirety of the customer journey and maintain an “always-on” marketing mindset.

Advertising isn’t going away, but its dominance will further decline to make way for real-time, owned, and shared media in the marketing budget.

Declining Ad Effectiveness Causes a Shift in Media Spend

The battle for consumer attention has never been fiercer, or more difficult for marketers. With the increased utilization of browser plug-ins that block ads from loading online, it’s estimated that 12% of display ads are never seen by humans,² translating into \$18.5 billion in ad spend waste in 2015 alone.³ Separate from ad blocker usage, consumers are subconsciously ignoring digital advertising, with 60% suffering “banner blindness,” effectively unable to recall any online banner ads they’re exposed to.⁴



Marketers can no longer ignore the need to shift their marketing spend away from traditional tactics.

Add to these facts that 94% of online video viewers skip pre-roll ads before five seconds has passed,⁵ and 25% of the few video ad views are fraudulent,⁶ and marketers can no longer ignore the need to shift their marketing spend away from traditional tactics toward more engaging content deployments.

Digital consumers aren’t the only ones to blame for declining advertising effectiveness. The ever-increasing level of automation in programmatic digital advertising combined with an increase in programmatic spend⁷ (even as rate card prices plummet) has further depleted effectiveness in favor of a “set it and forget it” mentality among many practitioners.

¹ <http://www.emarketer.com/Article/Consumers-Engaged-with-Rich-Media/1011282>

² <http://appleinsider.com/articles/15/04/22/apples-safari-claims-55-of-us-mobile-browser-usage-105-desktop-share>

³ <http://adage.com/article/digital/ad-fraud-eating-digital-advertising-revenue/301017/>

⁴ <http://www.mediapost.com/publications/article/196071/banner-blindness-60-cant-remember-the-last-disp.html>

⁵ <https://contently.com/strategist/2015/03/12/3-ways-youtube-pre-roll-is-forcing-marketers-to-rethink-video-advertising/>

⁶ <http://www.adweek.com/news/technology/7-things-you-need-know-about-bots-are-threatening-ad-industry-161849>

⁷ <http://site.adform.com/resources/collateral/whitepapers/>

Agencies Experience Increased Scrutiny

Additionally, a lack of transparency from agencies regarding online advertising spending and effectiveness has eroded relations between some of them and the brands they represent. In October 2015, the Association of National Advertisers went as far as to engage former FBI agents to investigate suspect agency practices.⁸ Major advertiser Kraft Foods has also publicly declared its rejection of up to 85% of all impressions offered by real-time ad marketplaces.⁹



“Ads on the internet are not fit for purpose and never have been.”

The media chief of a CPG company, one of the world’s top-five advertisers, is also questioning the effectiveness of advertising in digital channels. “Ads on the internet are not fit for purpose and never have been.”

Jeremiah Glodoveza, formerly of Avaya, a technology solutions provider for team engagement, agrees that brands have joined the fray in blotting out ads. He adds, “We’ve seen failed expectations with traditional advertising. At Avaya we spent a lot on traditional advertising - outdoor, sponsorships, online, print - and we saw no correlation between this increase in spend and any quantifiable marketing metric. At least when we shifted to native and digital we were able to see impact - positive and negative.”

Though digital media is the focus of our research, this trend is hardly limited to online channels. GE CMO Linda Boff recently announced that the company is pulling back from television advertising, excepting live events, due to fragmented consumer attention and a lack of engagement. Meanwhile, the company has doubled down on content marketing initiatives, particularly in digital channels.¹⁰

⁸ <http://adage.com/article/agencies/ana-taps-firms-investigate-rebate-allegations/300803/>.

⁹ <http://adage.com/article/datadriven-marketing/kraft-rejects-75-85-impressions-due-quality-issues/295635/>.

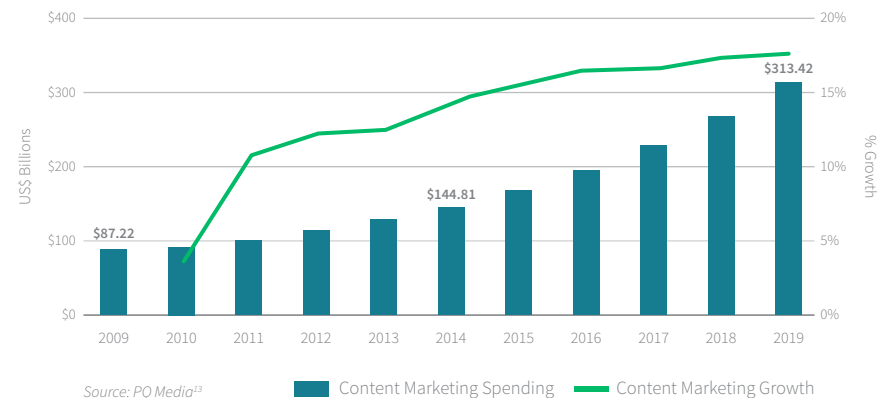
¹⁰ <http://www.businessinsider.com/ge-cmo-im-done-advertising-on-prime-time-tv-2015-12>

More Evidence of Shifting Budget Priorities

GE isn’t alone in its marketing budget reallocation choices. According to a 2015 IBM/CMO Club study, content won the majority of the budget at 13%, trailed by digital advertising at 11%; traditional advertising at 11%; and analog, physical activities at 11%.¹¹

When advertising budgets are increased, it’s most often in support of social media or mobile marketing, as is the case with Johnson & Johnson. VP of Worldwide Digital Strategy Gail Horwood reports that J&J is doubling social ad spending this year, but not allocating more to traditional online display advertising. Native advertising and other forms of converged media are also seeing a larger share of brand budgets, though it’s impossible to assess how much from available survey data on types of media spend.

Content budgets are on the rise and are predicted to continue increasing in 2016. Fifty-one percent of B2B marketers and 50% of B2C marketers plan to increase content marketing spending over the next year, according to the Content Marketing Institute’s 2016 benchmark report.¹² The same study also shows that marketers rank banner ads as the least effective form of paid promotion.



¹¹ <http://thecmocclub.com/resource/marketing-is-a-buyer-journey-not-a-destination-a-cmo-solution-guide-via-the-cmo-club-in-partnership-with-ibm/>

¹² http://contentmarketinginstitute.com/wp-content/uploads/2015/10/2016_B2C_Research_Final.pdf

¹³ <http://www.pqmedia.com/execsummary/PQMediaGlobalContentMarketingForecast2015-19-EXECSUMM.pdf>

Consumer Attitudes, Data Privacy, and New Digital Channels Drive Change

Though advertising fraud and lack of online engagement contribute to the shift from advertising to more content-based marketing, they aren't the sole driving forces. As digital evolves, so, too, do messaging platforms, as well as where, when, and how those messages can be delivered. Marketers must shift their focus to content, the "fuel" of the marketing ecosystem, and away from paid channels. This creates a foundation for delivering right-time, relevant messaging to customers, regardless of platform.

Additional factors spurring the shift from advertising to content include:

Attitudinal

Consumers dislike and mistrust online ads, with 30% reporting online advertising is not effective, and 54% believe web banner ads don't work.¹⁴ Adding adjectives to injury, more than half of consumers apply the terms "annoying," "distracting," and "invasive" to desktop and mobile web ads, according to the same Adobe study.



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Privacy and Safety

TrustE reports that one in four consumers worry about the security or privacy of the data collected on smart devices, and only 20% believe the benefits of smart devices outweigh these concerns.¹⁵ They are also concerned about malware attacks and location-specific surveillance.

¹⁴ <http://techcrunch.com/2012/10/24/online-ad-survey-most-u-s-consumers-annoyed-by-online-ads-prefer-tv-ads-to-online-want-social-media-dislike-button-and-reckon-most-marketing-is-a-bunch-of-b-s/>

¹⁵ <https://www.truste.com/resources/privacy-research/us-internet-of-things-index-2015/>

Attitudinal



Privacy & Safety



Channel & Platform
Proliferation



Mobile



Omni-channel

Channel and Platform Proliferation

New social platforms and converged media formats, like hybrid native advertising, challenge marketers to create not only more content than ever before, but also content that can be easily adapted. It's more challenging (and, complex) to manufacture content that fits paid, owned, earned, and converged media channels than it is to focus solely on advertising.

Marketers today find it increasingly necessary to invest in multiple channels to avoid risk, as efficacy typically waxes and wanes between channels and platforms. Experimenting with new channels can pay off though, as Unilever found that buzz derived from its social content was significantly driving sales. This resulted in the company investing “tens of millions” more into its social presence.¹⁶

Mobile

As mobile overtakes not only desktop computing but also television in media consumption hours spent,¹⁷ marketers are increasingly challenged by the decrease of advertising “real estate” on devices’ smaller screens. Mobile’s intrinsically personal nature also makes interruptive forms of advertising seem all the more invasive. Additionally, there’s an escalating cost to consumers, as mobile advertising becomes bandwidth intensive, eating into data plans more than opt-in content counterparts.¹⁸ According to one research study, half of all clicks on mobile ads are accidental.¹⁹

Omni-channel

There’s a growing realization among even those brands that remain satisfied with digital advertising that the ability to buy, target, and optimize banners is now “table stakes,” as Yext CMO Jeffrey Rohrs tells us, in an, “increasingly complex landscape.” This complexity of multiple channels with complementary content needs raises challenges for brands as they transition from a paid, push-media mindset to creating a thriving content ecosystem. Retailers and CPG brands are expanding content outward from phones and desktop computers and into in-store kiosks and other retail experiences.

Intel has partnered with Turner and Mark Burnett to produce a reality show spawning a cosmos of content, offline and off.²⁰ “A consumer seeing 10 sequential pieces of content is more valuable to us than seeing the same banner ad 10 times,” said Becky Brown, Intel’s vice president, global marketing and communications and director, Digital Marketing and Media Group. Marriott’s David Beebe also shared (at a recent conference) that the company has repurposed content that resonates on its owned digital media channels for out-of-home billboard executions, quipping, “a multi-tiered paid model for digital content is as juicy an opportunity as a brand could hope for.”

¹⁶ Unilever Finds Social Media Buzz Really Does Drive Sales - Ad Age Sept. 18, 2015

¹⁷ <http://techcrunch.com/2014/08/21/majority-of-digital-media-consumption-now-takes-place-in-mobile-apps/>

¹⁸ <http://www.nytimes.com/2015/10/01/technology/personaltech/ad-blockers-mobile-iphone-browsers.html>

¹⁹ <http://www.businessinsider.com/error-rate-for-mobile-ad-fat-finger-clicks-2012-10>

²⁰ <http://www.hollywoodreporter.com/live-feed/mark-burnett-turner-intel-partner-816036>



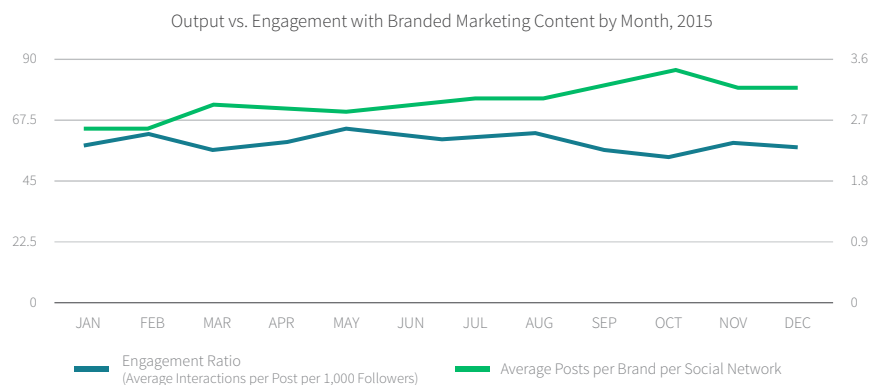
Mobile’s intrinsically personal nature also makes interruptive forms of advertising seem all the more invasive.

Focusing on the Customer Journey Yields Engagement Opportunities

With customers consuming more digital content than ever, their expectations shift with each brand experience. They quickly realize which companies deliver content at the right time, when they need it most, and which brands continue to push the square peg of advertising into the round hole of new technology experiences. Consumers expect contextual relevance in messaging that's based on their existing relationship with the company, their purchase history, and the mode of communication—which is increasingly mobile in nature.

In order to deliver an effective content mix, companies must become intimately aware of every stage of the digital customer journey, for multiple personas (if not complete personalization). “Who, What, Where, When and Why” are critical factors for consideration from awareness through advocacy, as attention is scarce and fragile through every step. This trend toward hyper-personalized content during “micro moments” of the brand experience is spurring a retreat from programmatic advertising that automates the experience, as consumers grow skeptical of brands that simply pretend to know their needs based on browsing data.

Brands that respond to this shift by simply producing more content are likely to miss out on the opportunity content provides. For example, new research from TrackMaven shows that increased social media posting is inversely proportionate to engagement rates:²¹



Brand Messaging Must Mirror the “Always On” Consumer

As screens and devices proliferate, together with growth of in-store beacons and near-field sensors, marketers are beginning to lean heavily on real-time messaging in owned and earned channels. The ability to swiftly respond to events and triggers is critical to capitalizing on sporadic consumer behaviors. Visa’s Shiv Singh, SVP marketing, is leading efforts to be more “in the moment” with consumers, explaining, “real-time messaging is about to be the primary interface for everything we do.”



“Real-time messaging is about to be the primary interface for everything we do.”

More screen use on the go also increases the difficulty of targeting consumers as they channel hop to purchase. No longer does one message, meant for one paid medium, suffice. Marketers are discovering that a robust content strategy is critical, one that addresses the different behaviors, needs, and expectations at every step of the digital decision journey. Successful strategies rely heavily on multiple data sources and address different demographics, personas, and geo-segments, with different journeys mapped for every relevant platform and channel.

As mobile traffic is expected to multiply tenfold by 2019,²² these trends will only accelerate as the need for small-screen content outweighs the pressure of securing traditional advertising budgets. Companies are expected to gravitate toward mobile and social content marketing in coming years, as their high effectiveness and low cost prove to increase consumer trust and improve the customer experience.

²¹ <http://trackmaven.com/resources/content-marketing-paradox-revisited/>

²² http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html

Better Content Analytics Combat Advertising's Foothold

Measuring advertising's effectiveness is an age-old puzzle that has yet to be fully resolved. Many advertisers claim click-through rates prove effectiveness of digital banners, while other die-hards stick to "increased brand awareness" as their mode of measurement. The analytical grey area of advertising is pushing marketers toward content, as they can more easily measure their yields in multiple channels using methods that tie directly to business results.

Content metrics can be intricately examined at each phase of the customer journey, assuming the correct technologies are in place to track customer behaviors (i.e. CRM, loyalty program, social sign-in, app profiles, etc.). Curata provides a model for categorizing the plethora of content metrics available, grouping them into two categories: performance and operations metrics. Example performance metrics are centered on consumption, retention, sharing, engagement, marketing pipeline impact, and sales pipeline impact, while operations metrics are tied directly to production and cost.²³ Including measurement as part of an over-arching "content journey" strategy is necessary to prove results and justify investments.

Promises of brand awareness or nebulous engagement metrics no longer cut it when fighting for company resources. As one source, who prefers to remain anonymous, elaborates "a lot of CMOs earned their seat at the table because of their contributions to brand awareness, but when they started talking about other metrics, everything got super fluffy." The interviewee continues, "CEOs are demanding more, requiring other data-driven metrics that can directly correlate activities and align human and capital resources to business objectives. Knowing the data side means more job security."

²³<http://www.curata.com/blog/the-comprehensive-guide-to-content-marketing-analytics-metrics/>



Next: Recommendations

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Recommendations: Build a Customer-Centric Marketing Strategy

Shifting the media mix away from advertising and into content marketing requires just as much cultural change as it does resource reallocation. We recommend marketers follow three key recommendations to refocus their company around more engaging content that satisfies customer needs and business goals.

1 Create a foundational content strategy before pursuing specific tactics.

Although 70% of B2B marketers are producing more content this year than last, a corresponding amount of organizations are doing so without a documented content strategy in place first.²⁴ This results in inefficiencies and missed opportunities, as well as an inability to measure success due to a lack of concrete goals. For B2C marketers, lacking a documented strategy also means being significantly less likely to be successful.²⁵

Investing in content marketing requires an investment in a content strategy that outlines plans for the development and management of content. It should encompass persona development, content creation, repeatability, delivery, governance, and the ability to achieve business goals by maximizing the impact of content. Focus on outcomes, not volume, and how to there operationally and organizationally.



...Lacking a documented strategy also means being significantly less likely to be successful.

A solid content strategy foundation also sets the stage for the adaptation of appropriate technologies and platforms. When a content strategy is tied directly to overarching company and departmental goals and processes, brands are able to more efficiently respond to new media that may emerge. “Future proof” your content strategy today to be prepared for the inevitable content marketing needs of the Internet of Things, wearables, beacons, sensors, and even smaller mobile devices.

2 Invest across the customer journey, realigning the marketing mix accordingly.

Although traditional marketers may be more familiar with focusing advertising tactics on the top of the funnel, content marketing thrives when it's applied differently to every phase of the entire digital customer journey. Content marketers push to create an engaging brand experience during all phases of decision-making, purchase, and post-purchase support.

Successful customer retention and advocacy strategies are dependent on customizable (ideally, personalized) content that continues to serve consumers and build favorable brand reputation far after any purchase is made.

Rather than strategizing around channel targeting, focus on the behaviors and the needs your customers have during each phase of their journey. Advertising focuses on where you can push your message for the greatest impact, whereas content marketing considers how the message will be consumed, by whom, when, under what circumstances, and to what end. Content marketing asks, “When will the message deliver the most value?”

Make marketing commitments according to customer connection goals in order to add that ultimate value. To do this, marketers must construct detailed content plans that map out how modular content can be repurposed across owned, earned, and paid channels, depending on where a customer turns in his or her time of need. These plans should sync with internal editorial calendars and process workflows to ensure efficient resource allocation.

²⁴ <http://contentmarketinginstitute.com/2014/10/2015-b2b-content-marketing-research/>

²⁵ http://contentmarketinginstitute.com/wp-content/uploads/2015/10/2016_B2C_Research_Final.pdf

3 Build the right team with the right resources at its disposal.

Leaders looking to beef up their organizational content engine should examine the skillsets of the employees and third-party partners (agencies and vendors) in their marketing arsenal. It's likely that existing teammates were hired for skillsets that skew toward traditional advertising and media needs, with some marketing crossover, or for a very specific channel-oriented purpose (social media management, for example). Similarly, large agencies typically have evolved to offer digital, social, or mobile services over time, with strong roots in advertising and PR.

Conversely, experienced professionals that stand out and contribute to a well-oiled content machine include journalists, bloggers, and—most recently spawned—the content “storyteller.” Storytellers are well versed in understanding both brand messaging goals of the traditional marketer and how to best convey them to customers, depending on their lifestyle and purchase data. If existing employees and partners don't have these skills, leaders should consider offering a continuing education program or hiring from the outside to fill the gaps.

Once the ideal team is built, it needs to be equipped with the tools to succeed, too. Aim to integrate any existing measurement tools wherever possible, focusing on those that measure specific ROI metrics and allow for efficient customer data analysis and action.

Content Marketing Job Growth on Indeed.com



²⁶ <https://moz.com/blog/the-inbound-marketing-economy>



...focus on the *behaviors* and the *needs* your customers have during each phase of their journey.



Appendix

Methodology

This report includes input from marketing influencers who were formally interviewed by the author during the course of this research in late 2015. Some quotations are from informal discussions or were made at digital marketing events. Not all interviewees are included in this list due to request for anonymity. Input into this document does not represent an endorsement of the report by the companies listed below.

Avaya – Jeremiah Glodoveza, former Global Communications Leader

Cofactor – Jeff Fagel, CMO

FleischmanHillard – Robert Winslow, Managing Director of Global Technology

Intel – Becky Brown, VP Global Marketing & Communications

Ion Technologies – Scott Brinker, CEO & CTO

Johnson & Johnson – Gail Horwood, VP Worldwide Digital Strategy

Marriott – David Beebee, VP Global Creative + Content Marketing

MasterCard – Adam Broitman, former VP Global Digital Marketing, now managing partner at MEC

MRY – David Berkowitz, CMO

MXM – David Brown, former EVP now CEO, The Content Catalysts

Politico – Stephanie Losee, former Executive Director of Brand Content

PR Newswire – Ken Wincko, SVP Marketing

Save the Children – Susan Ridge, VP Marketing and Communications

Story Worldwide – Kirk Cheyfitz, Co-CEO

Visa – Shiv Singh, SVP Marketing

Yext – Jeffrey Rohrs, CMO

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Rebecca Lieb (@lieblink) is an analyst, strategic advisor, and author covering digital advertising and media, encompassing brands, publishers, agencies, and technology vendors. In addition to her background as a marketing executive, she also led some of the leading digital marketing trade publications as editor-in-chief. She's written two books on digital marketing: *The Truth About Search Engine Optimization* (2009) and *Content Marketing* (2011). Rebecca blogs at rebeccalieb.com/blog.

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