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Digital marketing and social media: Why bother?

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Abstract Changes in consumer behavior require firms to rethink their marketing strategies in the digital domain. Currently, a significant portion of the associated research is focused more on the customer than on the firm. To redress this shortcoming, this study adopts the perspective of the firm to facilitate an understanding of digital marketing and social media usage as well as its benefits and inhibitors. The second generation of Internet-based applications enhances marketing efforts by allowing firms to implement innovative forms of communication and co-create content with their customers. Based on a survey of marketing managers, this article shows that firms face internal and external pressures to adopt a digital presence in social media platforms. Firms' digital marketing engagement can be categorized according to perceived benefits and digital marketing usage. To improve digital marketing engagement, marketers must focus on relationship-based interactions with their customers. This article demonstrates how some firms are already accomplishing just that.

1. The increasing digital empowerment of consumers

One of the biggest changes in human interaction is the recent proliferation of online social networks. Rapid growth of Web-based platforms that facilitate online social behavior has significantly modified the nature of human activities, habitats, and interactions. Real-world social relationships have been migrated to the virtual world, resulting in online communities that bring people together from across the globe. This movement into the digital dimension allows individuals to share knowledge, entertain one another, and promote dialogues among different cultures (Budden, Anthony, Budden, & Jones, 2011; Kumar, Novak, & Tomkins, 2010). The question is no longer *if* people are signing in; the question is

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what they are signing in to and *why* they use certain applications to do so.

From a consumer's perspective, the use of information communication technologies offers a number of benefits, including efficiency, convenience, richer and participative information, a broader selection of products, competitive pricing, cost reduction, and product diversity (Bayo-Moriones & Lera-López, 2007). Online social networking tends to enhance these benefits, as consumers are able to communicate more proactively. For example, through online social networking, individuals can seek out others' opinions about specific products. In doing so, consumers have been shown to value peer judgments more than firm promotions, indicating a shift in the locus of persuasive power (Berthon, Pitt, Plangger, & Shapiro, 2012; Pitt, Berthon, Watson, & Zinkhan, 2002).

2. Social media: Are firms being pulled or pushed?

If most customers engage with social media, firms should engage with social media as well. In the past, marketers employed e-mail blasts, direct marketing, telemarketing, informational websites, television, radio, and other mechanisms to disseminate information related to the firm or its products. The World Wide Web was used to present marketing messages through page views and advertising to reach large numbers of people in a short amount of time. It served as an advertising tool that shaped surfer behavior (Berthon, Pitt, & Watson, 1996) rather than as a medium that facilitated interaction between buyers and sellers. Despite its utility, this type of marketing strategy is too broad to effectively target connectors, mavens, and salespeople.

If firms seek to establish mutually satisfying long-term relationships with critical surfers (e.g., salespeople or customers), an alternate Web-based strategy is needed. Specifically, firms should seek to develop digital relationships using promotional strategies that emphasize the co-creation of content and meaning. To this end, word-of-mouth communication can be particularly helpful. Of course, firms have always talked to their customers; the critical difference between past and present in this regard is that now, online communication tools allow customers to respond to firms (Mangold & Faulds, 2009). This pressures firms to adopt a more digital presence. In response, some firms have implemented Web 2.0 technologies. Web 2.0 is more than the evolution of Web-based technology: it represents a social revolution in the ways in which those technologies are used. Of particular importance for firms wishing to communicate with their customers is the advent of participatory information-sharing over the Internet. This phenomenon, coupled with global improvements in communication technology and lower costs for Internet access, sets the stage for major shifts in digital marketing strategies, particularly with respect to the promotional-mix dimension.

Although the growth of Web 2.0 provided some tools for relationship-based marketing, the Semantic Web has since spread further and new dimensions have been added (Silva, Mahfujur Rahman, & El Saddik, 2008). The Semantic Web represents an evolution from 'read-only' content to an interface in which content can be read or written ('read-write'), and finally to the 'Executable Web' (Rizzotti & Burkhart, 2010). The latter is characterized by individual-oriented and dynamic relationships based on personalization, intelligent searches, and behavioral advertising (Agarwal, 2009). This phenomenon constantly builds and evolves, shifting the locus of market power from firms to consumers (Berthon et al., 2012; Pitt et al., 2002). Thus, an online, content-based marketing strategy could bridge both consumer—firm and physical—virtual gaps (Silva et al., 2008). In doing so, such a strategy would allow for not only more effective marketing strategies but also a new relationship paradigm.

3. Digital marketing engagement: The case of Portuguese companies

To explore the motivations behind firms' adoption of online communication strategies, in July and August of 2011 we conducted an online survey of marketing managers from the largest firms in Portugal. Of the 2,000 surveys administered, 170 were completed (response rate: 8.5%). Respondents worked for firms across a variety of industries. The Portuguese market is useful for the purposes of this study because of the high degree to which information and communication technologies and social networking are embraced there. In 2005, Portugal was ranked 15th worldwide in mobile communication penetration at 81.84% (Union, 2009). By the last quarter of 2012, the mobile penetration rate had risen to a record 156.3%, suggesting that the average Portuguese citizen tends to possess more than one mobile phone (ANACOM, 2012). Widespread access to high-speed wireless networks and the growing extent to which mobile phones are used by Portuguese citizens have led to increased use of the Internet, too. According to Eurostat (see Seybert, 2012), Portugal has an Internet penetration rate in excess of 61%.

3.1. Competitive pressure drives digital marketing efforts

As revealed by our study, external competitive pressure plays the most prominent role in a firm's decision to utilize digital media for marketing purposes (56% of surveyed managers rated it as important or extremely important). Internal efficiency represents the second-most influential factor (49% of managers) driving firms to adopt digital marketing strategies, followed by the facilitation of top-down directives (13% of managers).

Digital social media brings several advantages to firms. Ainscough and Luckett (1996), for example, argue that the Web can be used for publishing, online sales, market research, and customer support. Other scholars contend that the Web can assist in brand building, generating word-of-mouth communication among consumers, buzz marketing, and crowdsourcing (Whitla, 2009). In addition to helping with the execution of marketing strategies, the Internet may improve the firm's overall performance (Eid & El-Gohary, 2011).

Managers rely heavily on digital marketing to build their brand (82% of surveyed managers rated it as important or extremely important), improve knowledge (78% of managers), and heighten communication flows (70% of managers). Because social networks are largely based on user participation, it was reasonable to expect that the promotion of social activities would emerge as a key motivator for firms to become involved with social media. However, only 41% of respondents define the promotion of social activities as the primary driver for their digital marketing efforts. In addition—and contrary to the findings of Kaplan and Haenlein (2010)—only 37% of marketing managers recognize an important link between digital presence and internal marketing. These findings suggest that, among the largest Portuguese companies, digital marketing efforts are mainly influenced by external forces.

3.2. Information gathering and feedback tops digital presence benefits

The Web's potential as a sales channel has been well documented (see Kondopoulos, 2011). Benefits derived from the Web depend largely on the company's active engagement in Web-based platforms. Therefore, we asked managers to rate a number of benefits offered by digital presence that have been proposed in past research. Eighty-seven percent of respondents identified digital presence as an effective vehicle for information exchange (see Table 1). One marketing director said that digital media is important for "establish[ing] direct dialogue with the consumer."

Table 1. Benefits of digital presence

Benefit type	%[a]
Improves information gathering and feedback	87
User-friendly tool	85
Increases knowledge	85
Promotes internal and external relationships	82
Supports decision-making process	60
Increases productivity	58
Better outcome measurement	53

Note: N = 170

[a] Percentage of respondents rating 4 or 5 on a 1—5 scale where 5 = extremely important.

Another stated: "[Digital media] helps in evaluating suppliers and. . .partners with whom I work."

Other benefits of online marketing praised by respondents include ease of use, its potential for increasing knowledge, and the promotion of firms' internal and external relationships. One marketing manager claimed that the Internet allows for "knowing consumers' consumption habits [and] preferences and identify[ing] pioneers" while another argued that the Internet helps to "detect or anticipate negative reactions by clients or markets." Although a digital presence has internal positive effects, these are of lesser importance to marketing managers.

Results clearly indicate that communication is a key component in digital marketing. However, digital marketing is not limited to the content of the message; it extends to links with customers and represents a powerful tool for building, consolidating, and maintaining brand awareness. For example, one respondent claimed that the firm for which he/she worked "use[s] the Web to create engagement with customers and promote brand awareness." Another manager reiterated the importance of the Web for promoting interaction, claiming that "digital media enables and improves communication processes."

3.3. Digital media investments: Where the money goes

Marketers recognize the importance of digital marketing and thus invest significant financial resources in its development and implementation (Weinberg & Pehlivan, 2011; Zhao & Zhu, 2010). No standard formula exists for determining how much a firm should invest in digital social media; several firm-specific characteristics—including internal digital infrastructure, media choices, and customer preferences—affect investment decisions (Weinberg & Pehlivan, 2011). Nonetheless, businesses are quickly learning how to reap the benefits offered by digital and social media. One marketing director said: "The most important factor for the involvement of companies in digital media is the very low investment required when compared with traditional media." However, 18% of surveyed firms intend to increase the amount they invest in digital social media.

Most dramatic changes in communication technologies have been related to user participation. It is therefore reasonable to expect that firms will dedicate substantial financial resources to facilitate interaction with their customers (Weinberg & Pehlivan, 2011). Table 2 shows that most participants (81%) plan to invest in social networking sites. One participant noted: "More than socializing, it is important to convert social networking into real people, representing consumers, clients, journalists, analysts, current and future employees, partners, and other suppliers." Fifty percent of respondents claim digital advertising as a priority area for investment. This finding matches with worldwide investment trends. ZenithOptimedia anticipates that investment in Internet advertising will exceed investment in other media in the near future (Barnard, 2012). In 2013, worldwide Internet advertising expenditures were predicted to increase more than 14% to an all-time record of $101.5 million. In contrast, monetary investment in traditional media was predicted to increase by only 4% from its 2012 level. With just 18% of managers planning to invest in blogs, this is one of the less important areas of planned investment in digital marketing.

Table 2. Digital investment areas

Area of investment	%[a]
Digital presence	
Social network/apps	81
E-mail marketing	65
Digital ads	50
Viral campaigns	46
Digital brand experiences	39
Mobile	38
Search engine optimization	32
Digital infrastructure	25
Blogs	18
Games	7
Human Resources	
People involved in digital marketing	45
Competencies	
Mobile apps development	39
Video content development	28
Website design	21
Website maintenance and domain	16
Blogs edition	13

Note: N = 170

[a] Percentage of respondents planning to invest in designated areas.

Employees play a key role in digital marketing because they implement the firm's strategy. Not surprisingly, 45% of surveyed firms intend to increase the number of employees whose focus will be digital marketing. One marketing director argued that digital marketing processes should not be outsourced: "I personally don't believe in outsourcing what is strategic. . . .Outsourcing in this [digital marketing] area is like shooting yourself." Although many competencies require greater investment, results show that some areas demand more attention than others; developing mobile- and video-based applications, for instance, commands more time and resources than website maintenance or blog editing. Corporate webpages are the most frequently used digital communication channel (90% of respondents), followed by social networking sites like Facebook (73%), LinkedIn (46%), and Twitter (42%). Digital marketing expenditures currently represent nearly 20% of the total budget among surveyed firms. These expenditures will continue to grow, as 77% of firms report an intention to increase investment in digital promotion in the short term.

3.4. The rising importance of engagement metrics

Gauging the effectiveness of digital marketing can be quite difficult. As one marketing manager stated bluntly: "I'm not sure that it is easy to measure the return on all investments in digital marketing." Nonetheless, some standard metric is needed to justify the money spent. New ROI calculators are being proposed almost as quickly as new social networking sites appear (Fisher, 2009). Zhao and Zhu (2010) proposed a model to assess returns on investments made in digital marketing that includes a series of measures influenced by competitors' actions. Similarly, Hoffman and Fodor (2010) proposed more than 50 metrics for evaluating the effectiveness of social media to promote brand awareness, brand engagement, and word-of-mouth buzz.

To evaluate how marketing managers go about measuring digital marketing effectiveness, survey participants were asked to rank several renowned measures according to their importance. Brand awareness (89%), word-of-mouth buzz (88%), customer satisfaction (87%), user-generated content (80%), and Web analytics (80%) were the most popular metrics. Rather than more-conventional metrics, it seems managers prefer those that promote engagement: page views (66%), cost per thousand impressions (63%), and click-through rate (58%). Ultimately, the metric employed to measure digital marketing effectiveness must suit the firm. "Without clear objectives and strategy definition," one manager opined, "it is better not to use social media at all." The popularity surrounding social media is giving way to a more rational approach.

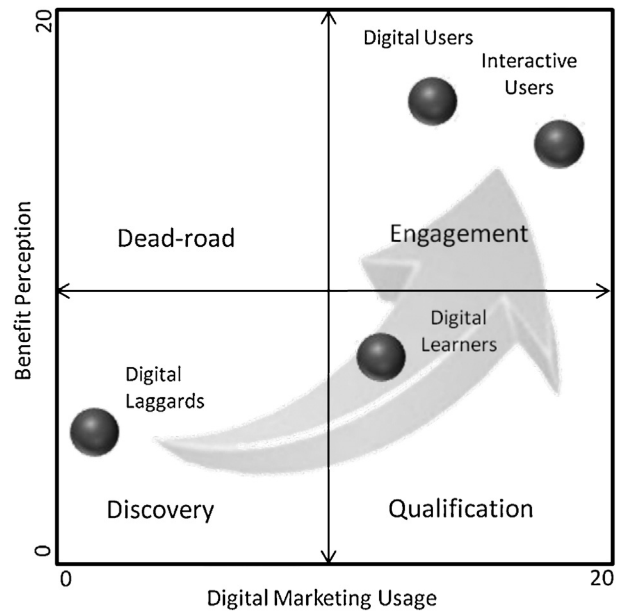
4. A typology of digital media engagement

Some have argued that investments in digital marketing evolve in parallel with perceived benefits such that high levels of digital marketing usage are indicative of higher levels of digital interaction, and low levels of digital marketing usage indicate a more traditional Web presence. Therefore, digital marketing usage and perceived benefits are dimensional variables that may effectively capture a firm's digital engagement.

Using an optimization-partition method on two synthetic indicators—perceived benefits and digital marketing usage—we performed a cluster analysis to identify groups of firms with similar digital marketing usage and benefits perception. To this end, we developed a digital marketing usage synthetic index. Specifically, we selected a number of Web 1.0, Web 2.0, and Web 3.0 activities as indicators whose values ranged from 0 (inexistent) to 1 (used). These indicators were: (1) institutional website or microsite; (2) website or microsite for clients; (3) chat/voice/video over IP; (4) mobile network; (5) mobile applications; (6) discussion forum; (7) Facebook; (8) Twitter; (9) Orkut; and (10) blogs. Following their selection, we applied weights to most indicators: indicators (5) and (6) were given a weight of two; indicators (7) through (10) were given a weight of three; and all remaining indicators were not assigned a weight.

We also calculated the perceived benefits dimension with a synthetic index comprised of a set of benefits indicators whose values ranged from 1 (not relevant) to 7 (very important), composed in a general index of base twenty. These benefits indicators were: (1) information gathering; (2) competition follow-up; (3) customer data obtainment; (4) information supply about innovations; (5) information/knowledge sharing; (6) communication with customers; (7) awareness creation; (8) internal communication; (9) socialization; (10) response to information requests; (11) communication with partners/suppliers; (12) employees' training; (13) conversation/activity monitoring; and (14) employees' recruitment. The resulting matrix was composed using a multidimensional scale analysis with the synthetic indicators. The final digital engagement matrix suggests four distinct digital marketing usage/benefits profiles (see Figure 1):

Figure 1. Digital engagement matrix



- **Engagement**: Acknowledges high digital marketing usage and high benefits from it. *Interactive users* are mostly from the IT and telecom sectors. These companies have the lowest digital marketing budgets (less than 30% of global marketing expenditures) and show no intention to increase them. This group emphasizes marketing through mobile and networking apps, yet does not neglect the potential of traditional webpages to market its products: social media engagement enhances the relative efficiency of these firms' institutional webpages. Interactive users received 15 points (in a scale from 1 to 20) on benefits perception (BP), and 19 points for using a large set of digital marketing tools (DMU). Relative to interactive users, *digital users* (BP = 18; DMU = 17) perceived greater benefits from digital marketing but used fewer tools. Digital users include a large number of IT firms, retail firms, and financial services.

- **Qualification**: Invests significantly in digital marketing tools but has low expectations regarding its benefits. Dubbed *digital learners* (BP = 8; DMU = 16), firms in this quadrant use mostly institutional websites, although some evidence suggests they also use social networking as a marketing tool. Firms in the qualification quadrant include IT and retail firms.

- **Discovery**: Has weak digital marketing usage and low benefit perception. Named digital *laggards*, firms in this quadrant are typically public services and utilities that perceive limited benefits from digital marketing (BP = 4) and show low adoption rates of digital tools (DMU = 2). Most common digital activities involve the use of institutional webpages, chat, and voice-based communication over IP.

- **Dead-road**: Reflects the inefficiency of an unbalanced approach—high perceived benefits but, nonetheless, low commitment to digital marketing. No firms were found in this quadrant.

5. Managerial implications

The Web can be an extremely useful tool for marketers in creating strong brands and gaining competitive advantages. To effectively utilize the advantages offered by the Internet, though, firms must adopt social media as a channel of providing information to customers; connecting with stakeholders; and, ultimately, generating sales.

As marketing communications become increasingly integrated with the digital space, marketers can use social media to create digital linkages with customers. There are two main methods for developing these linkages: (1) perform as a *digital* or *interactive* firm, thereby maintaining or reinforcing the high levels of digital marketing usage, or (2) adopt various kinds of social media interaction to increase usage of digital marketing. All efforts in this domain should lead to increased engagement, stronger relationships with customers, and subsequent customer engagement.

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