

The State of Digital Marketing for SMBs

While many small businesses already use digital marketing tools, there is still room for growth

1. Introduction: Poised for Growth

When something works well in the world of big business, it's usually just a matter of time before smaller companies start adopting the same strategy or some scaled-down version of it. With digital marketing, that process is already well underway.

According to the 2013 *Inc. Digital Marketing Survey*, more than half of small and medium-sized businesses with \$1 million or more in annual sales revenue already use some of the most popular digital marketing tools, and for the top three modalities—website, social media, and email for marketing/promotion—penetration is about 87 percent, 78 percent, and 70 percent, respectively.

However, SMBs still lag behind their larger counterparts when it comes to more sophisticated approaches to digital marketing, such as custom content creation, ecommerce solutions, paid online banner ads and search words, and mobile strategies, although they are making inroads there as well.

As a result, “Digital marketing usage among SMBs is poised for significant and meaningful growth in the near term,” says Brendon O’Donovan, product marketing manager at Vocus, a leading provider of cloud marketing software that helps businesses reach and influence buyers across social networks, online, and through media.

Affordability, accessibility, awareness drive growth

“Large organizations are accustomed to digital marketing—they’ve been doing it for years. However, small and medium businesses during that time have continued with traditional marketing,” O’Donovan explains.

“*During the past few years, the affordability and accessibility of digital marketing tools, coupled with the awareness of digital marketing in general, have opened up digital marketing to smaller businesses as a viable channel to find and engage with their customers.*”

2. Digital Marketing Trends: Data As a Key Driver

The major trend driving increased usage of digital marketing among SMBs is the rapidly increasing availability and accessibility of data, a development that allows marketers of all sizes to understand their customers better, identify leads and potential customers earlier, and respond to their needs by knowing what they are really looking for, O'Donovan says.

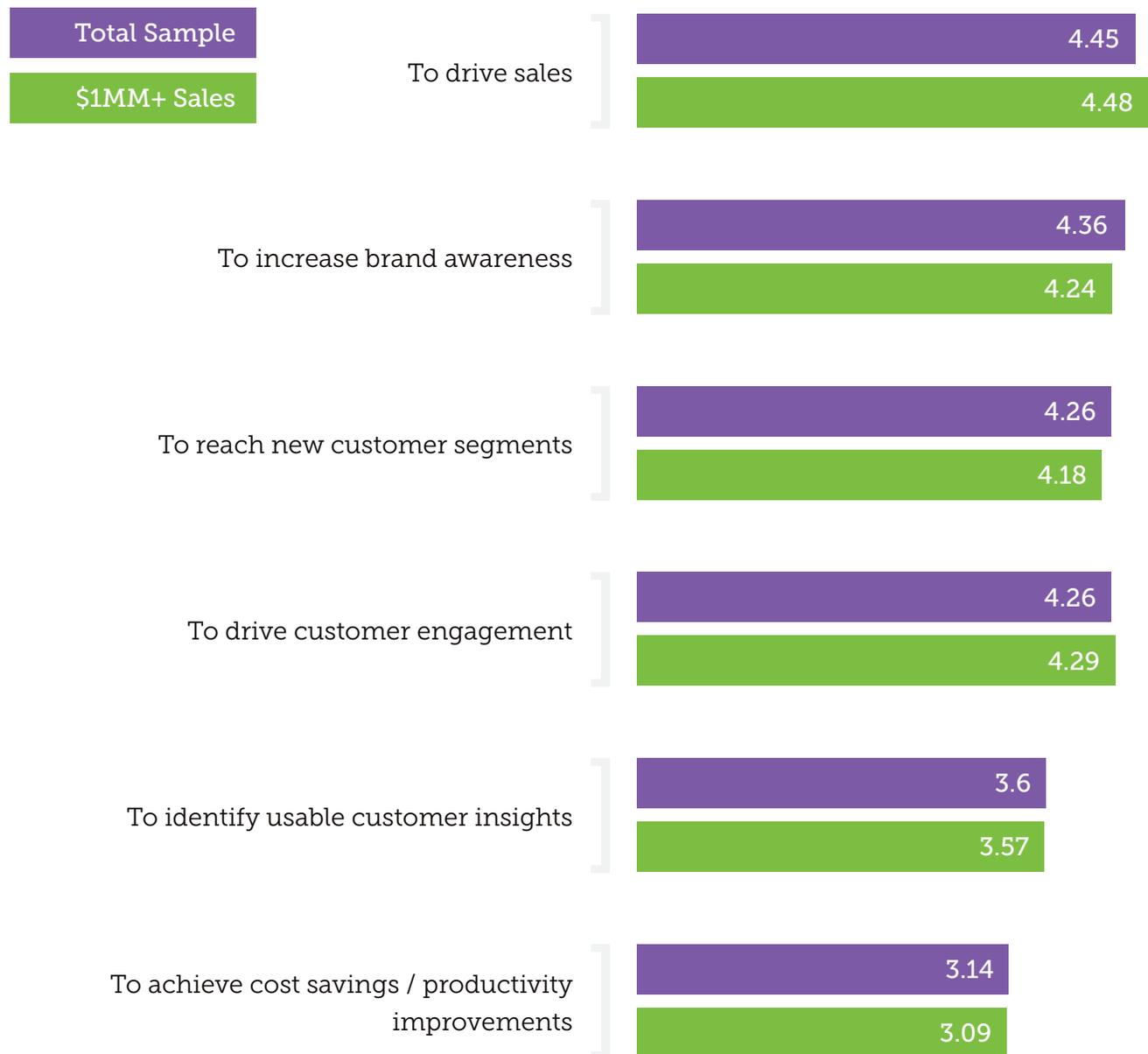
“SMBs are approaching digital marketing with a decidedly practical bent: the number one objective for companies in this space is to drive sales. This goal receives an average importance rating of 4.48 (on a scale of 1 to 5) by firms with more than \$1 million in annual sales and 4.45 by all firms in the Inc. survey.”

“Generating leads and sales is very important,” says Jack Groot, a principle in the Midwest Barista School and owner of JP’s Coffee and Espresso Bar. “Without real traffic, and ultimately, profit, there is little or no value for us in digital marketing.”

Other objectives given high average ratings by \$1 million-plus companies include driving customer engagement (4.29), increasing brand awareness (4.24), and reaching new customer segments (4.18). Lead generation and outwitting/outpacing competitors were also called out as important objectives by survey respondents in this size range.

Please rank which are the important objectives for digital marketing at your business:

(Based on five point scale where 5 = Most Important and 1 = Least Important)



Maximizing impact per marketing employee

Pedersen Worldwide is representative of SMBs in its digital marketing objectives. Topping its list is increasing online sales of its two brands, Del Sol color-changing clothing and accessories and Cariloha bamboo-based apparel, says Scott Brady, associate vice president of communications.

Other objectives include increasing the number of email campaign subscribers and social media site followers and fans. Within a year of Pedersen's adoption of an integrated digital marketing strategy, the company's online sales tripled. "And we feel that we still have more room for growth and improvement," Brady says.

“ *One of the most attractive aspects of digital marketing to SMBs appears to be its ability to maximize impact with minimal allocation of resources, especially personnel.* ”

Pedersen, which has more than 140 freestanding retail stores in 26 countries in addition to its ecommerce operation, is achieving substantial gains in both sales and total fan/subscriber numbers with just three full-time employees working on its digital marketing efforts. That puts it right in the middle of the pack among survey respondents, where 69 percent of companies with \$1 million-plus in annual sales (and 65 percent of all survey respondents) reported having between one and five full-time employees working on their digital marketing efforts.

3. Most Popular Tools and Solutions

Not surprisingly, websites are the most commonly used digital marketing tool among SMBs, regardless of size: about 87 percent of all survey respondents report using them.

However, a larger percentage of respondents in the \$1 million-plus category rate websites as their most effective digital marketing tool—38.2 percent vs. 33.9 percent overall.

“As far as digital marketing tools go, traditional non-interactive websites represent “old” technology. Digital marketing tools that incorporate social interaction online are emerging as a much more powerful and effective alternative.”

That SMBs are getting this message is evident in the high number of survey respondents embracing social media—almost eight in 10 of all companies, regardless of size. “I first came into the digital marketing world through free social media platforms,” says Hart Roberts, marketing manager at Telluride.com. The ability to have a voice for free in the travel industry was extremely beneficial for a small company with a limited marketing budget. “As our fan base grew, so did our referrals, website traffic, conversations, engagements, and even purchases.”

An expanding tool kit for digital marketers

Other digital marketing tools and solutions currently being used by more than half of survey respondents include email for marketing/promotion (used by 70.2 percent of \$1 million-plus companies and 65.8 percent of all respondents); search engine optimization (57.9 percent/53.8 percent); email for customer service (62.4 percent/61.3 percent); videos and photos (60.1 percent/54.6 percent); blogs and white papers (55.1 percent/52.7 percent), and email for prospecting (53.4 percent/48.2 percent).

Lucas Group, a premier executive recruiting firm focused on the mid-tier to Fortune 500 market, engages on a variety of platforms, including social media marketing on Facebook, Twitter, LinkedIn, YouTube, Google+, and SlideShare.

“Our general managers and managing partners use our Career Watch blog to develop and share industry-related posts that are targeted toward candidates, whether they are engaged in a career search or ultimately seeking advancement in their current position,” says Tami McQueen, marketing project lead. “We keenly focus our efforts on SEO initiatives and rigorously monitor (all) these platforms.”

Multiple goals, careful measurement

Objectives for Lucas Group’s digital marketing efforts include lead generation, driving website traffic, highlighting events, creating awareness, and furthering brand development. It seeks to provide a snapshot of life at Lucas Group and share its collaborative culture among its readers and potential Lucas Group associates, McQueen explains. It tracks its success by using a Vocus dashboard and analytics to measure performance of social media platforms through which it actively engages, and by monitoring Google Analytics, website traffic, and conversations.

“*The engagement and conversation on our social media sites provides an opportunity to monitor the digital communications that are most effective, including videos, blogs, white papers, and imagery,*” says Tami McQueen, marketing project lead at Lucas Group.

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Digital tools and solutions being used by smaller numbers of SMBs in the Inc. survey include online events such as webinars and shows (30.3 percent/26.3 percent), paid banner ads on search engines and/or other websites (29.8 percent/22.7 percent), paid search words (28.7 percent/23.2 percent), online store or other ecommerce solution (23.6 percent/26.3 percent), mobile apps (23.6 percent/18.2 percent), and mobile/SMS communication (18.5 percent/19.6 percent).



Which of the following tools/solutions does your firm currently use in its digital marketing strategy? Which are found to be the most effective?

Total Sample (Ranked on % Most Effective)	% Currently Use	% Most Effective
Website	86.6%	33.9%
Social Media	77.3%	24.9%
Email for marketing/promotion	65.8%	19.6%
Search engine optimization (SEO)	53.8%	16.2%
Email for customer service	61.3%	14.0%
Blogs and white papers	52.7%	13.4%
Videos and photos	54.6%	13.2%
Online store or other ecommerce solution	26.3%	10.9%
Online events (webinars and shows)	26.3%	10.1%
Paid banner ads on search engines and/or other websites	22.7%	9.8%
Email for prospecting	48.2%	9.5%
Paid search words	23.2%	8.4%
Mobile apps	18.2%	6.2%
Mobile/SMS communication	19.6%	3.4%

Company \$1MM Sales (Ranked on % Most Effective)	% Currently Use	% Most Effective
Website	86.5%	38.2%
Email for marketing/promotion	70.2%	25.3%
Search engine optimization (SEO)	57.9%	20.8%
Social Media	78.1%	20.2%
Email for customer service	62.4%	16.9%
Videos and photos	60.1%	16.9%
Blogs and white papers	55.1%	14.0%
Paid banner ads on search engines and/or other websites	29.8%	13.5%
Paid search words	28.7%	12.9%
Online events (webinars and shows)	30.3%	12.4%
Email for prospecting	53.4%	11.8%
Online store or other ecommerce solution	23.6%	10.7%
Mobile apps	23.6%	7.9%
Mobile/SMS communication	18.5%	3.9%

4. Spending Levels and Resource Use

As mentioned previously, most SMBs participating in the 2013 Inc. Digital Marketing Survey have between one and five full-time employees currently working on their digital marketing efforts.

Among companies with more than \$1 million in sales, two to five is the most common staffing level (36.3 percent); among all respondent companies, it's one (35.3 percent). About one in 10 \$1 million-plus businesses have no full-time employees assigned to digital marketing, although it's likely that some of these are among the 5.8 percent that outsource to a digital agency or consultant. Slightly more than 20 percent of all respondents have no full-timers overseeing digital marketing, but 5.3 percent outsource. Among all companies with no full-time employees working on digital marketing, some have part-timers assigned to it, some combine part-timers and outsourcing, and some owners do it themselves.

Most companies responding to the survey spend less than \$100,000 a year on all types of marketing, specifically, 71 percent of all businesses and 53.8 percent of \$1 million-plus firms. About 22 percent of the latter have marketing budgets of \$100,000 to \$499,000 a year, as do almost 12 percent of the total respondents.

Among the larger SMBs, almost 22 percent allocate less than 10 percent of their marketing budget to digital, about 19 percent allocate between 10 and 24 percent, 13.5 percent allocate 25-49 percent, and 14.6 percent allocate 50-74 percent. The percentages for all firms are 21.7, 16.1, 11.4, and 14.4, respectively.

Some go "all in" ... or nearly so

“ A substantial portion of both million-dollar-plus and smaller SMBs devote an overwhelming share of their total marketing spend exclusively to digital. ”

How many full-time employees does your firm have currently working on its digital marketing efforts?

Answer Options:	Total Sample Response %	\$1MM+ Sales Revenue Response %
More than 10	4.1%	6.4%
6-10	3.5%	6.4%
2-5	29.4%	36.3%
1	35.3%	32.7%
None	20.6%	11.7%
This function is outsourced to a digital agency or consultant	5.3%	5.8%
Don't Know	1.8%	0.6%

Just under 10 percent of the larger firms, and almost 11 percent of all firms, earmark 75-90 percent of marketing expenditures for digital; 8.8 percent of million-dollar-plus companies and 11.7 percent of all respondents spend more than 90 percent of their budgets on digital marketing.

Groot's companies, with combined annual sales of about \$1.25 million, are in the latter camp, with almost the entire marketing budget going to digital. In terms of generating sales and leads, driving profitability, building brand awareness, and keeping his competitive profile high, digital marketing—especially social media, blogging, website, and SEO—give him greater bang for the buck than any other type of marketing, he says.

5. Defining and Measuring Success

SMBs of all sizes are clear about what constitutes successful digital marketing in their eyes, and their responses echo the goals and objectives they rank as most important.

Topping the list is increased sales, singled out by more than 71 percent of all respondents and almost 67 percent of million-dollar-plus respondents, followed by generating leads (about 54 percent and 59 percent, respectively).

Another indicator of digital marketing success in the eyes of SMBs is achieving a top rank in search, mentioned by about a third of all companies, regardless of size. Publicity, comments/social network following, and influencer buzz are important to 30-34 percent of total respondents, but less so to companies with annual sales of \$1 million or more. About 9 percent of all SMBs and 11 percent of larger ones use recruitment as a success indicator. Two other factors mentioned by million-dollar-plus respondents are event attendance and retention rates.

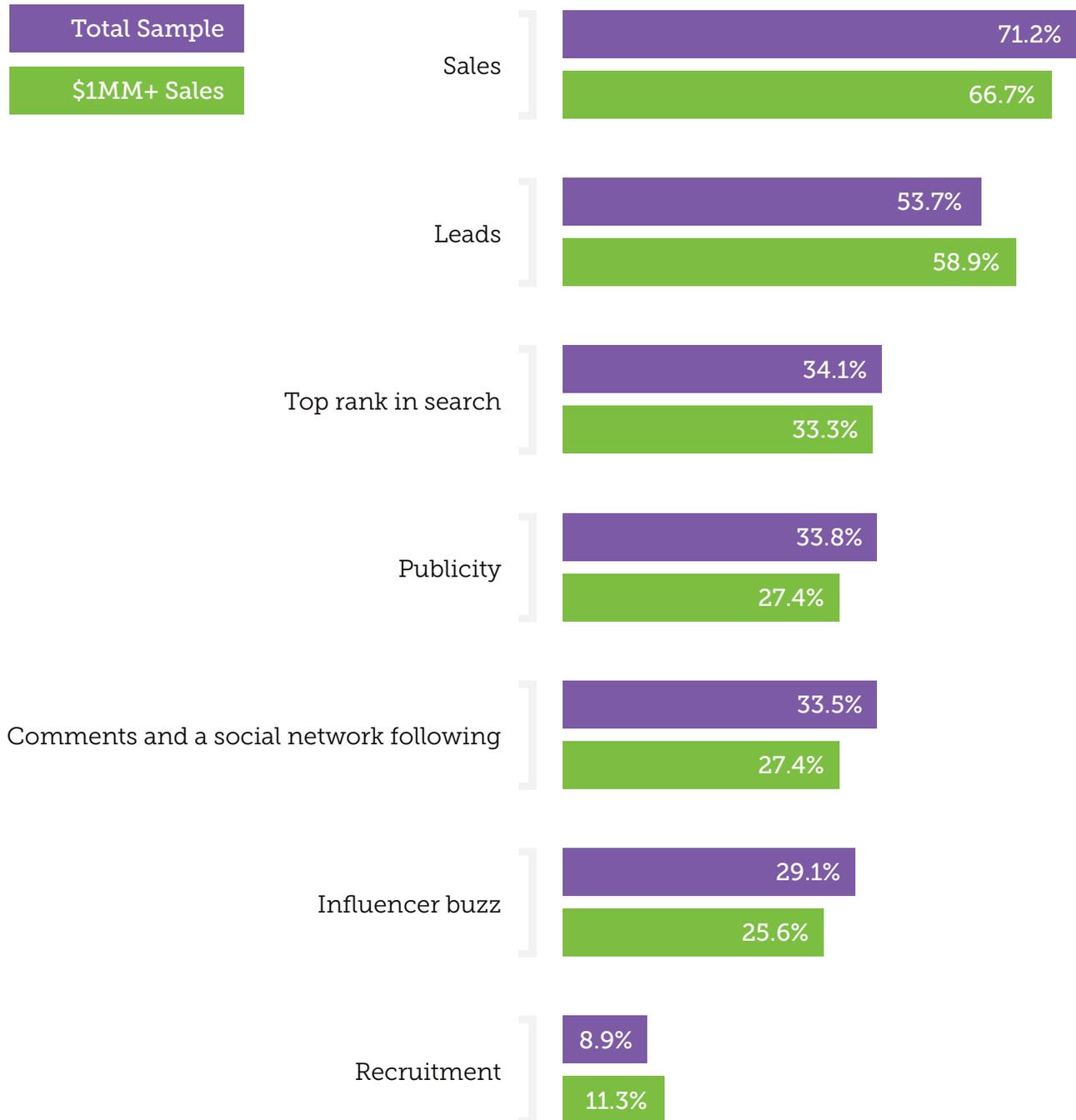
Metrics and benchmarks vary by size

There is a noticeable difference between million-dollar-plus companies and all SMBs in the emphasis they place on various metrics and benchmarks used to measure success. Most tellingly, half of the larger firms give top consideration to leads generated and click-thru rate (CTR) vs. about 43 percent and 41 percent, respectively, for the overall sample. The larger companies also put more weight on unique visitors (47.7 percent vs. 43.8 percent) and leads converted (44.2 percent vs. 38.6 percent).

“Overall, SMBs appear to be comfortable with the progress they’re making on the digital marketing front. More than 70 percent say their current digital marketing strategy is very (10.2 percent) or moderately (60.3 percent) effective at achieving the objectives they’ve identified as being most important to their business.”

Satisfaction is even higher among the \$1 million-plus cohort, with 11.7 percent rating their efforts very effective and 68.4 percent moderately so.

What does marketing success look like to you in digital?



6. Looking to the Future

SMBs overwhelmingly expect to increase their digital marketing efforts and spending in support of those efforts during the next three years, with more than 90 percent saying they are very (59.5 percent) or somewhat (30.8 percent) likely to do so; positive responses in the million-dollar-plus cohort were about a percentage point higher.

Within both groups, just 5.3 percent say they are not very likely to sustain increases in their digital marketing efforts and spend.

"There are a number of research reports out there that show digital marketing spend doubling in the next three to five years, which means businesses are paying attention to these trends. I think these estimates, especially in the SMB space, are conservative," O'Donovan says.

Driving growth, boosting competitiveness

Lucas Group, Telluride.com, and Pedersen Worldwide all see themselves devoting more resources to digital marketing in the near future. "Our efforts thus far have been highly beneficial to our sales growth, and we see even more growth potential by way of investing even more time and money into digital marketing platforms," says Pedersen's Brady. "If we don't stay connected with our customers via digital channels, then it's as though we've closed the door on our world and culture, which would make us mute and irrelevant in customers' minds."

For Telluride.com's Roberts, greater investment in digital marketing makes sense from a competitive standpoint. "It makes my job easier because people love that local feel and inside look into Telluride (that digital marketing channels provide)," he says. "And because my marketing budget is smaller than that of my competitors, such as Vail and Aspen, it's absolutely imperative that we do more with digital marketing going forward."

7. Conclusion

O'Donovan suggests that SMBs must embrace two core concepts in order to implement digital marketing technology most effectively and leverage it for their success. The first is online social interaction; the second is a thorough understanding of how the dynamic of metrics—data-fueled-analysis—can improve their efforts.

“These two hurdles are the primary learning gaps in understanding modern technology-driven marketing,” he says. “It’s really a lot easier than all of the jargon makes it out to be, but it’s still a cultural change that needs to be addressed.”

SMBs that follow that advice in embracing digital marketing can expect to be rewarded with a cost-effective way to reach their target market that creates a personal connection, establishes a dialogue, and delivers a customer experience previously unattainable with traditional marketing, O'Donovan adds. “That, to me, is the single biggest advantage of digital marketing over traditional marketing.”

Move Your Digital Marketing Forward

If you're seeking to take your digital marketing efforts to the next next level, Vocus can help. We offer a unique, cloud-based software that integrates powerful features of digital marketing including social, search, email, and publicity.

In addition, our software sends real-time marketing opportunities directly to you in the form of leads, prospects, social media conversations, curated content, and inbound media inquiries. With our marketing consulting and services team ready to help, we can help you maximize your digital marketing efforts.

To learn more about how Vocus can help move your digital marketing forward, visit www.vocus.com, or call us at **800-345-5572**.