Digital advertising, the 'Golden Boy' of the marketing industry.

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Chapter 1:

Research Overview

Introduction

John Wanamaker, a departmental-store magnate, once said, "Half the money I spend on advertising is wasted; the trouble is I don't know which half" (IAB 2014:4). Just as with John Wanamaker, optimising a brand's marketing budget and allocating it accordingly is an ongoing concern for marketers. Fin24 (2015) alluded to the idea that since the financial crisis, procurement executives have become insistent on asking for proof that their marketing expenditure is working.

As the marketing landscape has evolved and continues to evolve to include digital marketing – Internet advertising – marketers' responsibility in optimising their choice of media and allocating their budgets appropriately has become even more complex. Fin24 (2015) explains that brands and their marketers really want their advertising agencies to "know how to help them succeed in a world where consumers spend less time watching television and more using a dizzying array of websites and apps."

When marketers are provided with their annual marketing budget, they are expected to allocate their budget across various forms of media – the advertising platforms brands use to market from. The forms of media available include traditional and digital media, with each form of media comprising of a number of platforms – for e.g. television, radio, social media, Google search, etc. As a result of the types of media available and the number of platforms which make up each form of media respectively, there is a strong emphasise for marketers to get their choice of media correct and to allocate their marketing budget optimally in order to get the best return from the media platforms they have selected.

Should marketers get it wrong, i.e. invest in a form of media which is not optimal or which is invested in at the expense of another form of media or a platform which could

have provided better results, an opportunity cost occurs – which is the return on investment, which could have been derived, should the most optimal form of media have been selected. This limiting the results, which could have been achieved as the resulting opportunity cost is more than the return on investment that was generated through the actual media selected.

The research problem

As a result of the ever-evolving nature of digital advertising, its significance in a comprehensive marketing landscape, the lack of understanding of digital as an advertising channel and the uncertainty which exists as to the extent with which digital is a suitable channel for South African brands to engage consumers, South African brands seem to find themselves in a mindset of wait and see when it comes to fully incorporating digital marketing into their overall marketing strategy. As a result, South African brands tend to resort to traditional advertising mediums – radio, television, billboards and even pamphlets, etc. – to make up the bulk of their marketing budget. This often being at the cost of the results, which could have been derived should such brands have chosen to effectively integrate digital media into their overall marketing strategy in order to optimize consumer engagement – being a key objective of all forms of media.

This report will therefore investigate why digital advertising is the most optimal form of media to generate physical consumer engagement for South African brands.

The research assumption

This report assumes that digital media offers consumer engagement opportunities which traditional forms of media don't.

This report further assumes that South African brands are not currently optimising their marketing efforts to provide consumer engagement opportunities as a result of brands' failure to fully integrate digital media into their overall marketing plan.

It is believed that South African brands' hesitation to explore digital media is rooted in a lack of understanding of the current digital marketing opportunity within South Africa and an inability to see the business and consumer value which digital media can add that traditional forms of media aren't necessarily able too. Understandably this mindset is influenced by the current economic state of South Africa, however brands cannot exclude digital media based merely on the economic state of South Africa. Brands' should rather consider digital media based on key digital media factors, such as the country's Internet penetration, the mobile penetration and general digital product accessibility, amongst others, as digital advertising in South Africa is as diverse as the people who live in South Africa (Adam, 2015).

Research questions

In order to successfully investigate the extent to which digital advertising is the most optimal form of media to generate consumer engagement for a South African brand, the following questions will need to be answered:

- What is meant by "consumer engagement" in an advertising context?
- How do digital media measure up against traditional media from a consumer
  engagement perspective?
    - What is the current state of the digital advertising industry in South Africa?

The aim of this report

To demonstrate to South African brands that they are under investing in a form of media, which can significantly affect their bottom line.

The aim of this research report will be achieved through demonstrate to South African brands and their marketers:
- The importance of consumer engagement as a marketing objective
- How consumer engagement opportunities are enhanced through the use of digital media.
- The current and future potential of digital advertising within South Africa
- The integral part digital media should assume in a brand's comprehensive media landscape

Supporting information will be sourced from articles, reports, published journals and surveys carried out by various research houses and in-depth interviews with agencies who will be able to provide business case studies to support the research objectives.

Delimitation

This report does not intend to access digital media's consumer engagement opportunities for the benefit of the end user or consumer but rather to provide insights to South African brands and marketing experts. In other words, this report is for the use and benefit of brands and not individuals.

This report does either not intend to access digital or traditional media beyond the respective platforms' ability and extent to entice consumer engagement.

In addition, even though global trends will inform certain aspects of this report, the report will not investigate brand's consumer engagement beyond a South African context.

Chapter 2:

Literature Review

In order to demonstrate the effectiveness of digital media as a form of media that entices physical consumer engagement for South African brands and to better understand the consumer engagement opportunities both traditional and digital forms of advertising offer a South African target market, the following conceptual framework will be followed:

- Gain an accurate understanding of the current marketing landscape since the incorporation of digital media
- Define what is meant by 'consumer engagement'
- Establish what constitutes 'consumer engagement'
- Understand how traditional media differs from digital media from a consumer engagement perspective
- Access the growth of the term "digital advertising"
- Investigate global digital advertising trends and predictions
- Analyse the past, current and future state of the digital marketing industry within South Africa

Previous research

The Interactive Advertising Bureau has conducted research in order to establish an industry standard for measuring ads' effectiveness. The study resulted in engagement being deemed the applicable measure.

Research has also been published on the growth of digital advertising and the cross-channel affects it has had on traditional media and digital media. This research report will however assess the extent to which digital advertising is able to entice physical

consumer engagement in South Africa.

Conceptual Framework

A framework was created which gauges at what point the current marketing landscape allows for South African consumers to physically engage with South African brands. Figure 1 represents the framework being referred to. At the top of Figure 1 we have The current marketing landscape that initially only included traditional media. However, with the introduction of the Internet and its ability to serve as an advertising platform, the marketing landscape as it was know was split between traditional media and digital media. With each form of media comprising of a number of a platforms. Today, as the current marketing landscape stands, digital media has gradually increased year-on-year (YOY) assuming, on average according to (Gartner 2015), a larger portion of the global marketing landscape.

As a result of the interactive nature of digital media, which traditional forms of media, in their nature, does not facilitate, it became apparent that measuring ad effectiveness would become a complicated matter. As a result, a theory emerged that the advertising industry required a standard measure to compare ad effectiveness across the different forms of media.

Based on general industry speculation and opinion, engagement was thought to be the suitable measure. As a result, the Interactive Advertising Bureau (IAB) (2012:2) toke it upon themselves in 2006 to define engagement in a way that it was encompassing towards both forms of media. Taking into consideration traditional media's needs to measure exposure (Hoffman and Novak. 1996:3) and digital media's need to measure interaction. The IAB (2012:7) explained that engagement as advertising measure would include physical, emotional and cognitive engagement which were based on Benjamin Bloom's taxonomy of learning domains in 1956 that aligned his academic and

psychological research with these three categories.

In order to gain an accurate understanding of the future prospect of digital media in South Africa and the value it can add to South African brands specifically, the current and future state of the global digital marketing industry was analysed in order to provide an indication as to the possible future which lays ahead for South Africa's digital marketing industry. With reference to the results derived from a survey conducted by Gartner Inc., a leading advisory and research company, who conducted a survey on over 300 marketing executives from multi-million dollar brands, this report will attempt to understand how such brands marketing landscapes have changed to include digital media. Additional insights were sourced from PricewaterhouseCoopers (PWC) Global entertainment and media outlook 2014-2018 which served as a single source of a five-year forecast and five-year historic consumer and advertiser spending data globally.

Even though global trends did provide useful insights as to future of marketing and more specifically the digital advertising industry, one would not be able to solely rely on global trends to provide accurate insights into the future of South Africa's advertising market. Factors such as internet access, data costs, slow download speeds and a lack of digital marketing experts play a critical role in limiting South Africa's digital advertising industry's progress and as a result, global trends and predictions are misleading when applied in a South African context. In order to accurately understand the potential and expectation of South Africa's digital landscape, this report had to look at South Africa and its consumers in isolation. This report made use of quantitative data pertaining to the lifestyle and spend of South Africans in order to provide the necessary insights to assess the accessibility that South Africans have to digital platforms. Further insights, which pertain to the current state of South Africa's digital advertising industry and its future growth was sourced from research conducted by PricewaterhouseCoopers.

In summary, this report's framework will enable the study to investigate why digital advertising is the most optimal form of media to generate physical consumer engagement for South African brands.

Figure 1:

The framework modelling the point at which South African brands are able to physically engage with South African brands.
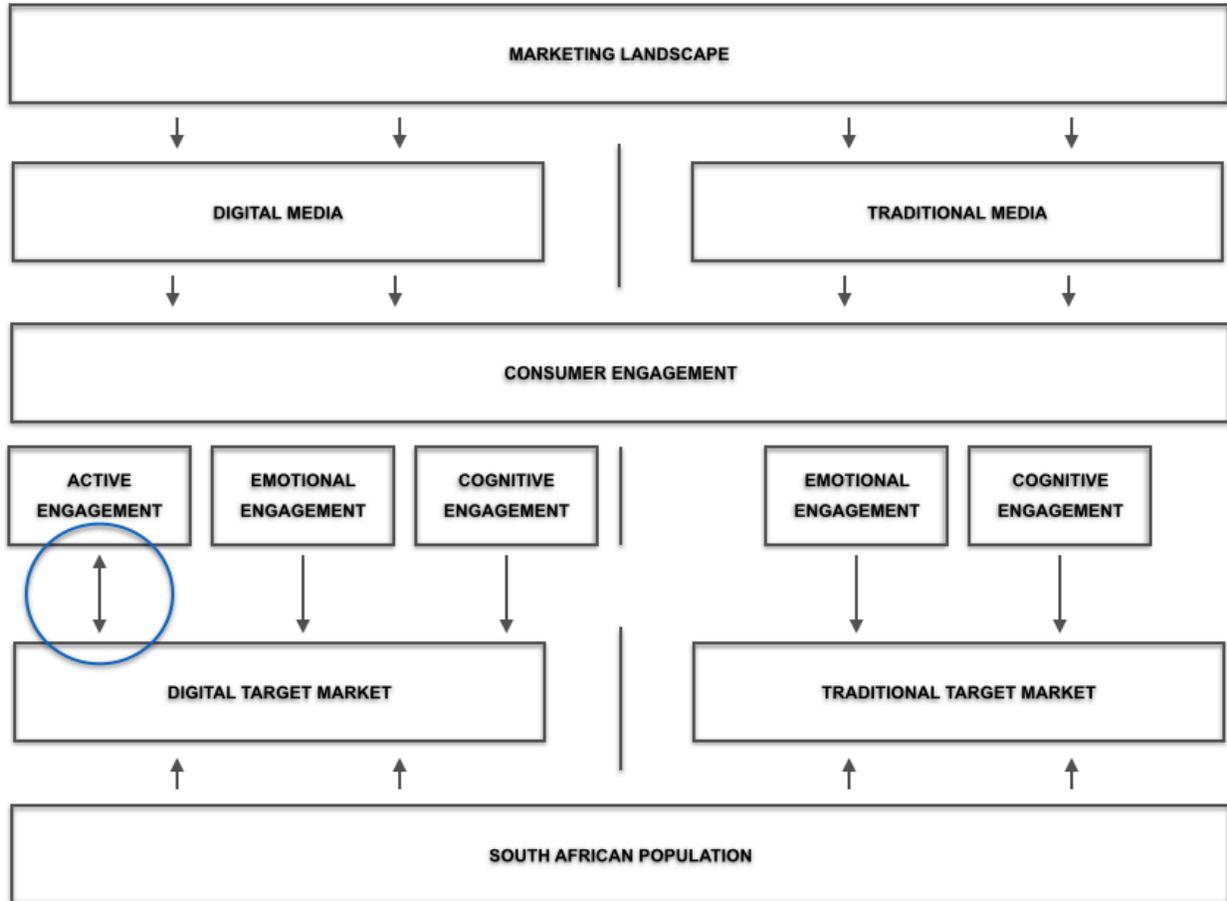
Chapter 3:
Research Methodology

Introduction

As with any business decision a brand intends to embark on, the brand's approach, first and foremost, would be to establish whether such a decision makes sound business sense. What this means is that the risks and costs involved are understood as well as the business value that can be derived should the brand decide to embark on the option – building an accurate business case. As much as speculation and opinions are considered, inevitably the question that will be asked is how profitable will the venture be? As profitability is often the primary measure of viability.

The same approach can be applied to marketing, whether it is when choosing which campaigns to rollout, which platforms or media to utilise or what sponsors to associate with, business value needs to be evident. Opinions and speculation do add some sort of value but inevitably the question will be asked: How profitable will the venture be?

In order to investigate whether digital advertising is the most optimal form of media to generate physical consumer engagement for South African brands, a business case will need to be built. Demonstrating the commercial benefit through quantitative data.

The hypotheses intended to be proved, include:

Hypothesis 1:
Digital media is the optimal form of media to generate physical consumer engagement

Hypothesis 2:
South Africa has a large digital target market

Hypothesis 3:
South African brands are under investing in digital media

The Research Design

The research design, will be Quantitative in nature as the intended data that will be used to numerically prove the research are results pertaining to the performance of two digital media case studies and statistics which were sourced from research conducted by various research houses. The results are intended to provide a quantitative understanding of the digital media industry in South Africa and demonstrate the revenue, which can be derived when brands effectively invest in digital media.

The data collection method, which will be used, is a non-experimental design as the case studies and statistics will be sourced from data that already exists.
What will be required is a content analysis of the relevant data sourced, with the intention of deriving key insights to prove the physical engagement opportunity digital media provides.

The sampling method that will be used will be the stratified probability sampling. This is based on the fact that the samples that were selected were done so for the purpose of deriving key insights to quantify the digital media opportunity South Africa's brands can achieve in South Africa's current digital marketing industry. Providing a clear purpose of gaining an understanding as to the extent to which South African brands are integrating digital media into their overall marketing plan and what South African brands' current marketing landscape looks like. The sampling frame that was set included brands that are well established within South Africa and that deal directly with the end consumer. In addition, a further pre-requirement was that the brands selected had digital media objectives that required physical engagement from their targeted consumer.

In order to ensure the data source is valid, its validity will be attained through the use of predictive validity. This will be achieved by relating the state of South Africa's digital media industry to global trends, with the understanding that the South African digital

media industry is not as progressive as the global digital media industry but the global trends will be able to provide the level of validation required.

In order to ensure the reliability of the data sourced, a split halves approach will be taken. The data derived from the South African case studies will be correlated to the data sourced from previous industry research conducted by various research houses.

For ethical business purposes and to respect the business confidentially of each brand, this report will keep the identity of the brands used in the case studies hidden. As providing such information would be to the detriment of the respective brands as key business insights will shared.

The insights, which will be derived, will be used to provide an indication as to the feasibility for South African brands to invest in digital advertising and quantify the return on investment that is attainable through digital channels in South Africa. The research findings will be expected to provide a true reflection of the current state of South Africa's digital environment as well as provide key insights into the future expectation of digital as an effective advertising channel to achieve consumer engagement.

Chapter 4:
Data analysis and Findings

The current marketing landscape

Over recent years the marketing industry has evolved with traditional and digital media being more integrated and coinciding rather than each form of media existing independently. Laura McLellan, research vice president at Gartner, explained in a press release that for marketers during 2014, it was less about digital marketing but rather brands marketing in a digital world. Overmyer (2015) continued to explain that marketers now manage a much more balanced and integrated marketing mix than in previous years, which used to be characterized by traditional and digital media. As brands start to realise that both forms of media have different strengths and weaknesses, brands have started utilising the forms of media that would be optimal towards achieving certain marketing and campaign objectives.

As the Internet has and continues to evolve, reaching a greater audience across an increasing number of devices, the relationship between brands and consumers has fundamentally changed –not only in the way consumers consume products and services but also in the way brands and consumers will engage with one another.

Traditional media only offered consumers a part in a one-sided relationship, where they were spoken to and not necessarily meaningfully engaged with (Lewis and Webber 2008:597). Brands could, to an extent, control what consumers were being exposed to with regards to their brand. Negative sentiment, which resulted from poor service, product inferiority or overpricing was difficult for consumers to expose and easier for brands to keep under wraps. However, the Internet has changed that.

In contrast to traditional media, the Internet now provides consumers with a platform that invites consumer participation. This has led to consumers being able to compare

products, prices and even customer experiences, ultimately changing the dynamics of the consumer brand relationship that brands once controlled.

Currently, brands seem to find themselves being forced by consumers to embrace the digital era. As to whether or not a given brand accepts digital platforms as a channel to engage with consumers and integrate it into their overall marketing strategy is irrelevant, as consumers will be looking to engage with your brand and talk about it online whether you want them to or not.

Of the most significant changes which have taken place, with digital media being so extensively integrated into the marketing mix, is understanding what is now being regarded as consumer engagement in the brand customer relationship –the brand contacts points along the consumer journey.

What is 'consumer engagement'

Before attempting to understand what is meant by consumer engagement, the logical progression would be to first understand why it is important that 'consumer engagement' as a concept needs to be understood and of what value it is to brands and the advertising industry.

According to Loechner (2014) "publishers, advertisers and agencies all cite engagement as a crucial variable in the success of ad campaigns". Claiming that consumer engagement is a suitable metrics to measure the effectiveness of brands' advertising efforts. It was as a result of such claims that the Advertising Research Foundation (ARF) and Interactive Advertising Bureau (IAB) had the intention of turning consumer engagement into an advertising industry-wide measurement standard.

With what seems to be a general industry consensus, that consumer engagement is a suitable metric to determine the effectiveness of advertising efforts, uncertainty did exist

as to what all constitutes consumer engagement. The problem which emerged with consumer engagement being regarded as metric for different forms of media, is the fact that consumers engage with different forms of media in different ways. Each form of media providing certain kinds of engagement opportunities but which are limited in certain aspects from other forms of media. Calder, Malthouse and Schaedal (2009) explored the relationship between consumer engagement and advertising effectiveness and tested the hypothesis that engagement predicts ad effectiveness. The study by Calder, Malthouse and Schaedal (2009) found that even though traditional media and digital media do offer different forms of engagement, engagement does serve as a suitable measure of an ad's effectiveness.

As a result of the uncertainty which existed around the concept that consumer's engagement had become a suitable advertising measure, the Advertising Research Foundation understood the importance of establishing an industry standard of the definition of engagement. The AIB (2006) settled on the working definition that "engagement is turning on a prospect to a brand idea enhanced by the surrounding context". Even though this was only a working definition that still holds merit today, "most industry executives agree that engagement includes an ad's ability to breakthrough to capture a consumer's attention, and hopefully drive an attitudinal change" according to IAB (2012:4).

Understand how traditional media differs from digital media from a consumer engagement perspective

It is commonly thought that from a consumer perspective, online media is experienced differently from traditional media. Based on the nature of how consumers receive the respective forms of media, this difference has often been described as "leaning forward" versus "leaning backward" (Calder 2009:323). Online media being described as "leaning forward", as it invites participation and allows for interaction. Contrarily, traditional media

is predominantly one sided, placing the consumer in a position which forces them to sit back and consume the messaging which is being presented–"leaning backward".

With traditional taking a more "leaning backward" approach, it is understandable that measuring the effectiveness of traditional media is complex. The metrics which are used to measure traditional media include an ad or campaign impressions, reach, frequency, cost-per-thousand impressions (exposures), share of "share of audience" and the percentage of homes or people that are tuned into TV or radio at a particular time (Novak and Hoffman 2002:9). Notably, the common thread that exists between all the above-mentioned traditional metrics is that they all intend to measure the extent of the media's exposure–how many people would likely be made aware or see the ad. This being consistent with what Calder (2009:323) referred to, in that exposure does not require any physical involvement from the consumer but rather requires that the consumer "lean backward" and receive the media being presented.

Hoffman and Novak (1996:3) highlighted how traditional mass media toke a communication approach of one-to-many, whereby a brand pushed a general consumer message via traditional media to large groups of consumers. This resulted in advertising which was not necessarily targeted but had the intention of achieving maximum exposure. Hoffman and Novak (1996:3) made further mention of the fact that the audience who was on the receiving end of this sort of traditional mass messaging was in fact only that; an "audience" who had limited opportunity to physically interact with the respective brand and its messaging.

The Interactive Advertising Bureau (IAB) (2014:5) explains consumer engagement, in a paper dedicated to defining and measuring digital and traditional ad engagement, as a form of a cognitive or emotional consumer connection, which is in addition to or instead of a physical connection or action. The paper further explains that consumer engagement is either not "a single concept, but a spectrum of interconnected dynamics that will ultimately have a positive impact on the consumer brand connection" (IAB 2014:5). What the IAB suggests is that consumer engagement is not limited to physical

engagement but rather that consumer engagement also includes emotional and cognitive engagement, as it is often the emotional and cognitive engagement that leads to the physical engagement.

As a result of the Internet increasing opportunities and the ease with which consumers are able to engage with brands as well as the forms of engagement available across digital media, metrics specific, and in some case limited to digital media had to be developed. Such forms of consumers' digital engagement includes clicks, sharing, liking, submission of information, retweeting favouriting, etc. which is notably different and irrelevant forms of measurement for traditional media. It is through the use of Google analytics, Facebook's marketplace and Twitter's advertising analytics as well as measuring tools such as Meltwater and Brandseye, that brands are able to measure the exact amount of physical consumer engagements which resulted directly from a certain form of digital advertising. The forms of digital advertising being referred too includes the likes of Google search advertising–which is adverts presented to consumers based on keywords they have searched for in Google's search engine; google display networks–which is a form of advertising that displays digital banners on external websites such as News24 or Finweek based on a consumer's Internet browsing history–and social network advertising–which includes the likes of Twitter and Facebook ads.

Therefore, should brands look to compare consumer engagement across various forms of media, such brands would need to determine what constitutes consumer engagement and what comparable measures would be used in order to measure engagement accurately across different media platforms. However, for digital media, engagement is a metric that can not be ignored as echoed by Scott McDonald, SVP of Market Research at Conde Nast "Leave it out and you miss an important diagnostic tool." (Loechner 2014)

The emphasis for brands is to identify forms of consumer engagement, which is relevant to their brand, marketing or campaign objectives. Should a brand's marketing objective

be to generate sales, a metric such as measuring how many potential consumers handed over their contact details would be regarded as an appropriate measure for measuring leads or sales. For brands running a competition, competition entries would be regarded as an appropriate engagement metrics. Should the objective be to create brand awareness, measuring the brand's extensions' reach, being its exposure, would be regarded as an appropriate measure. Therefore measuring consumer engagement is highly dependent on the desired outcome but is not limited to an action but could result from mere observation.

Consumer engagement should therefore not only be considered at the final point of engagement but rather from the point when the user is first made aware of the brand. This implying that consumer engagement should be considered throughout the user journey. This holistic approach, which should be adopted by brands, includes points of contact requiring an action and the points of contact that don't. This holistic consideration of a user's journey is called the user experience (UX). Once brands get it right to simplify and create a positive user experience, an increase in consumer engagement will be experienced through out the user journey.

An increasing number of brands have started to realise how important it is to optimise their user experience if they intend to optimize their consumer engagement. Through a survey conducted by Gartner, Gartner (2015) found that the largest portion of brands' investment in technology during 2014 was to improve the user experience. Of the brand's surveyed, the investment in user experience equated to an average of 18% of the total marketing budgets. In addition, the chief marketers who were surveyed ranked user experience as the number 1 innovation project for 2015. Even though optimising brands' user experience during 2015 is the main priority to entice consumer engagement, other factors such as the creative used, how the content is being displayed and the type of target audience will play a significant role in influencing consumer engagement (IAB 2013:5).

In order to better understand the extent to which consumer engagement varies from brand to brand and to gain insight into the type and extent of engagement experienced by various brands; Jacques Du Bruyn, Managing Director of Flume, a digital marketing agency, was approached to provide further insights. As a result of Flume providing digital services to a variety of financial sector and fast-moving consumer goods (FMCG) brands, Flume was able to provide the necessary insights as to the extent to which consumer engagement differs from brand to brand on digital platforms. Jacques explained that in Flume's experience, on digital platforms, how consumers engage with brands in the financial sector differs significantly from how consumers engage with FMCG brands, "brands which find themselves in the financial sector; such as banks, financial service and insurance brands experience a type of consumer engagement which is mostly client servicing in nature. Whereas for FMCG brands, consumers physically engage in conversations revolving around the brand and brand affiliations."

It will be through a brand's ability to understand their target market's desired propositions, which the target market would wish to derive when interacting with the brand, that a brand would be able to establish realistic and relevant consumer engagement objectives, KPIs and metrics. Brands that understand their target market and that have a clear understanding of the type engagement their target market desires, will have key insights to inform their digital and above-the-line advertising strategy. This in turn optimising the brand's channel plan and providing the necessary insights as to the appropriate allocation of a brand's marketing spend.

Therefore, what success would look like for a South African brand would be for a brand to successfully understand the consumer engagement they would like to achieve and align their choice of media to entice the desired engagement. This will however require that brands adapt their marketing environment and apportion their marketing budgets appropriately to optimise consumer engagement across all media, while being fully cognizant that digital media is constantly changing the marketing landscape especially from a consumer engagement perspective.

Aligning a brand's choice of media with their engagement objectives

In order to demonstrate the extent to which brands are aligning their marketing budgets to achieve their desired marketing objectives, this report will make specific reference to Brand A, who will remain anonymous for the purposes of this report.

Brand A is an established and well respected company within South Africa's financial sector whose marketing budget set out for 2015 across all media totalled R28mil, of which R3.2mil was allocated to digital media. That equates to a total digital spend of 11.4% of the brand's total media budget for 2015. In 2014, Brand A's digital spend was R2.75mil, showing a year-on-year growth of 16.3% from 2014 to 2015.

In the case of Brand A, it is apparent from the figures provided, that the digital spend is arguably low when compared to the other forms of media which Brand A elected to invest in, such as television, print, radio and other forms of traditional media. As discussed earlier, should Brand A's marketing objectives be attainable through the predominant use of traditional media, then the above apportionment of Brand A's marketing budget would be suited.

James W. Frick once said, "Don't tell me where your priorities are. Show me where you spend your money and I'll tell you what they are", this truth can also be applied to brands. The concern for Brand A is that in 2014 their digital expenditure equated to 9% of their total marketing budget but digital advertising and specifically Brand A's website was responsible for 86% of their leads–being consumers directly expressing an interest in a specific business product through providing their contact details. Brand A's marketing team expressed that their primary marketing objective for 2014 and 2015 was and is to generate leads, enticing physical consumer engagement. With this considered, is a 11.4%, of a brand's total marketing budget, investment in digital media considered optimal if 86% of the previous year's primary marketing objective was achieved through digital media?

Understandably a considerable amount of leads captured through the website can not solely be accredited to digital media, as it is likely that traditional media did play a significant role in a number of consumers' journey before the consumers physically engaged through the website and become leads. In other words, a form of traditional media such as a radio, television or print ad could have made the consumer initially aware of the brand or product, which led the consumer physically engaging on the website.

Calder, Malthouse and Schaedel (2009:330) concluded in their study of the Relationship between Online Engagement and Advertising Effectiveness that because of the social interactive engagement digital media offers, interactive marketers–marketers whose objective it is to achieve physical consumer engagement–may find digital media to have added potential as a marketing tool that generates physical engagement.

Assess the growth of the term 'digital advertising'

The term digital advertising is probably best described as a form of advertising, which takes place on the Internet. It is a form of advertising utilised by brands across a variety of digital channels that comprises of the likes of social media, Google search, Google Display Networks (GDN), amongst other on devices that are all connected to the Internet.

The popularity of the term 'digital advertising' has increased substantially over the last two or three decades. In the process the term has continued to evolve through the inclusion of various digital ad types, digital channels and devices. It also continuously improves by accurately measuring channel and adverts' performances and shows continued progress in specific audience targeting, amongst a number of other aspects.

The ongoing evolution of the term and its increase in popularity, according to Google Trends, proves that digital marketing is not a fad as many have speculated. It has rather

proved to be an industry that is already well established and continues to develop rapidly.

A number of companies, marketers and customers–especially within developing countries with Internet restrictions and limitation–remain skeptical with regards to digital advertising and the value it can offer to individual stakeholders. Global trends and brands which embraced digital advertising as an effective extension of their brand do however provide an indication that things are changing, and that digital advertising can add a substantial amount of business value, relative to the value being added by traditional forms of advertising.

What is the state of the global digital advertising industry?

It is understood from the survey conducted by Gartner (2014) that global trends indicate that digital advertising constituted 25% of brands' marketing budget during 2014. Further research by Econsultancy (2014:24) revealed that 71% of brands intend to increase their digital marketing budget during 2015 whereas only 20% intend to increase their traditional budgets. This providing an indication as to the potential value that brands are expecting from digital in the near future. As suggested by Fin24 (2015), online marketing is a real threat to traditional agencies as their role and profit margins will be affected by the continued growth of digital media.

With what appears to be a general expectation that digital media is growing rapidly, PwC (2014) predicts that in 2018 traditional mediums will continue to makeup the biggest portion of the marketing landscape, with television remaining the largest advertising channel. Notably, though, it is predicted that digital spend will have increased substantially by 2018 . What is more, in 2012 the global digital advertising market reached US$100.2bn as a result of a year-on-year (YOY) growth rate of 17%, resulting in a 20% share of the global advertising market. The Knowledge Engineers

(2013) predicted that in 2017 the digital market will reach US$185.4bn, resulting in a advertising market share of 29% with a YOY growth rate of 13% being achieved.

Clearly from a global perspective, the future growth of digital media is evident as it has started to assume a larger portion of the marketing budget set out by brands YOY and has assumed a larger market share of the overall advertising industry. As the marketing industry continues to evolve, forcing companies to make provisions to further invest in digital advertising, the business expectation will naturally be to see a direct return on invest from digital channels.

Therefore with the growth of digital media, brands should take care not to render traditional forms of media irrelevant but should rather adopt an approach which incorporates digital media to the extent that all forms of media are optimised for the purpose they are intended to serve.

What is the state of digital advertising in South Africa?

According to Internet Live Stats (2015), South Africa's current Internet penetration as a percentage of its overall population is 46.88%. The statistic to take note of though is not the percentage of South Africans who have access to the Internet but rather the actual amount of individuals, totaling 24, 909, 854 South Africans. This figure makes South Africa the country with the 24th highest amount of internet users in the world. South Africa's Internet audience is bigger than audiences of countries such as Australia, Netherland and Belgium that all have an Internet penetration above 84% of their population but the actual numerical amount of individuals is significantly lower.

Considering the size of the audience South African brands can connect with through digital channels, it becomes a very feasible consideration for brands to ensure that their marketing budgets are optimised to take the digitally connected South African population into consideration. With reference to the finding that advertising effectiveness

is based on engagement, measuring the actual amount of people who engage with your brand would prove to be a more suitable measure of effectiveness than understanding the percentage of the population that engages with a brand–engagement is measured in amounts and not percentages.

Take for example Brand B, an established South African brand which launched a new service offering with the single objective of generating leads in the form of consumers handing over their contact details through a contact form on Brand B's website. Brand B was not interested in the percentage of South Africans that provided their contact details but wanted to know what the actual amount of consumers were that provided their contact details through the contact form–physical engagement. The Key Performance Indicator (KPI)–a business metric used to evaluate factors that are crucial to the success of an organisation–set by Brand B was to generate 3 320 leads at a cost per lead of less than R600 per lead.

Providing further evidence that South African brands should not consider digital media based on the percentage of South Africans that have Internet access but should rather do so considering the significant digital audience available.

Of particular interest regarding Brand B and the launch of its new product, Brand B opted to only make use of digital media in order to create awareness regarding the launch of their product and entice consumer engagement through generating leads. The reason provided by Flume as to why Brand B only wanted to use digital advertising was that Brand B considered digital advertising as a cheaper option to achieving its objectives when compared to traditional advertising, especially during its launch phase. Flume explains that through utilising various forms of digital advertising, which included social media advertising, Google search advertising, Google Display Networks and good content marketing, the desired KPI of 3 320 leads at a cost per lead of less than R600 per lead was achieved. Within the first year of the launch of Brand B's new product a total of 4 568 leads were achieved at a cost of less than R517.48 per lead.

Considering the success of the launch of Brand B's new product–the fact that the KPIs set were achieved at a lower cost than expected–and the substantial amount of people within South Africa that have access to the Internet, it is difficult to understand why, according to PwC (2014) South Africa has an undeveloped Internet advertising market.

Truong, McColl, & Kitchen (2010:712) explains that the growth of digital advertising which has taken place over the years directly correlates to the increase in digital consumption. Alluding to the idea that it is not so much brands which dictate the platforms to consumers but rather consumers dictate to brands their preferred platforms they would like to engage on. It is therefore as a result of consumers that certain forms of media develop into established advertising industries.

A concern for South African brands, which is at the root of this report, is that South African brands have a significant amount of digitally connected South Africans that are able to engage with them. However, as a result of the conservative approach South African brands have taken towards investing in digital media–possibly because they are considering the percentage of South Africans that have access to the Internet and not the amount–South Africans brands don't seem to be optimising the digital consumer engagement opportunities available to them based on the average percentage South African brands spend their marketing budget on digital media.

According to qualitative research conducted by Marcela Ospina (2010) on the allocation of South African brands' marketing budgets, it was found after interviewing various agencies and marketing managers that on average South African brands allocated 10% of their overall budget to digital media. Five years later and the percentage has not increased by much more as digital media currently makes up on average 14% of South African brands' total marketing budget (PwC 2014)–which is slightly more than 11.4% percentage invested by Brand A. Compared to the global average of 25% indicated by PwC (2014), South Africa's investment in digital media is considerably low.

To an extent South African brands' reasoning can be seen as a result of the extent of growth being experienced in certain South African economies. According to KPMG (2013:3) South Africa's black middle class has doubled in size over recent years– South Africa's black middle class rose to 4.2 million people in 2012 from 1.7 million in 2004. As more people start having access to a larger amount of disposal income, sequentially a larger amount of people will be able to access traditional forms of media like television, radio and print. This providing a continued opportunity for brands in South Africa to utilise traditional media to engage with consumers.

Vicki Myburgh, Entertainment & Media Industries Leader for PwC South Africa, concluded in a PwC report (2014) that "the future may well be digital in South Africa, as with the rest of the world–many of its products and services can already be delivered in digital form. But we believe that progress in the South African Entertainment & Media market will be gradual and that there are still plenty of opportunities for 'old' and 'traditional' media yet."

PwC (2014) explains that for countries such as South Africa, which are deemed to have a relatively undeveloped Internet advertising market, an expectation of higher growth on a smaller scale does exist. As a result, a CAGR (Compounded Annual Growth Rate) of 20% on digital advertising revenue will likely be achieved. With this sort of insight, South African brand's should take confidence that digital media, as an advertising industry in South Africa, is growing YOY as an increasing number of South Africans are consuming digital media. The emphasis for South African brands will be in their ability to apportion their marketing expenditure appropriately in order to accommodate South Africa's digitally accessible population. Failure to do so will result in brands stagnating South Africa's digital marketing industry, which is contrarily often speculated to be as a result of South African consumers not being digitally connected.

Chapter 5

In Conclusion and Future Research:

As a result of the significant changes being experienced in the global marketing landscape through the integration of digital media over the last decade, brands have had to reassess their choice of media and adapt. Failure to do so would not nullify a brand's marketing efforts but would rather become evident in the opportunity cost suffered.

Considering the above, this report attempted to understand what the current global marketing environment looks like, demonstrated that consumer engagement is a suitable metrics for measuring the effectiveness of digital and traditional media within the changing global marketing environment, demonstrate the importance for a brand to achieve physical consumer engagement, demonstrate how digital media optimises consumer engagement and access how the above is relevant to South African brands in achieving their marketing objectives.

With reference to Calder, Malthouse and Schaedal (2009:327) observation that traditional media requires consumers to lean backward and that digital media requires consumers to lean forward and as a result of the metrics brands are using to measure this, provides a clear indication that there's been a significant shift in the way consumers consume media since the inclusion of digital media in the marketing landscape. What's more is that digital media has also changed the one-sided relationship that traditional media offers to allow consumers to physically participate in the messages being shared by brands.

With such significant changes to the dynamics in which brands communicate and interact with consumers, the Interactive Advertising Bureau and the industry a whole saw the need to establish a multi media measure to determine ad effectiveness. As traditional media's effectiveness was historically based on measuring an ad's exposure,

the need to establish a measure was required that took the interactivity of digital media into consideration.

With the IAB (2012:2) confirming that "Publishers, advertisers and agencies all cite engagement as a crucial variable in the success of ad campaigns", it formed the base metric on which traditional and digital media effectiveness was considered in this study. In addition, for the purposes of this study, engagement would include physical, emotional and cognitive engagement.

A key insight derived from the Interviews with industry experts is that the primary objective of their marketing efforts is to achieve physical engagement, as physical engagement generally results in direct business value. Whereas the investment in marketing efforts that are cognitive and emotional in nature assists brands in achieving brand familiarity and even being deemed favourable along the consumer's purchase journey but it is limited in providing direct business value.

With the understanding that digital media does offer engagement opportunities that traditional media does not, the extent to which digital media is an effective form media to engage with consumers on will naturally vary from country to country as the result would be highly influenced by the state of the digital market and the Internet penetration within a specific country. This report therefore attempted to gain an accurate perspective of the current digital marketing landscape within South Africa and what it could look like in the future. The results found, proved that digital media is growing significantly year-on-year in South Africa. Further proof of the future prospect of digital media in South Africa, could also be seen in the study which found that South African brands are of the same opinion as digital media is assuming an increasingly larger portion of a South Africa brand's total marketing budget.

To conclude, this report is of the opinion that digital media is the most optimal form of media for South African brands to entice physical consumer engagement.

Further research

The conclusion of this report is limited to physical consumer engagement being independent from cognitive and emotional engagement. Further research, that measures the extent to which emotional and cognitive consumer engagement influences physical consumer engagement will provide valuable insight into understanding how consumer engagement should be optimised across various forms of media. This accessing consumer engagement holistically throughout the consumer journey and not at every point of contact a consumer has with a brand.

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