

FROM MAIN STREET TO MADISON AVE.

MILLENNIALS DISRUPTING 50 YEAR-OLD BALANCE OF MARKETING POWER.





Millennial business leaders in small to medium sized businesses are redefining the advertising industry with a streamlined digital-first paradigm for marketing, while crises looms in the halls of Madison Avenue and the marketing trade at large. Traditional marketing leadership teams, infrastructures, budgets and “best practices” are still anchored in a non-digital history where marketers control a singular message through top-down broadcast advertising.

The industry is acutely aware of the disruption that a digital first world presents but they are struggling to adjust in the face of the paralyzing innovator’s dilemma and rapid market change. Legacy value chains, massive budgets, and jobs at stake. But turning a blind eye doesn’t make the dilemma go away, it just delays the pain.

Marketing is rapidly changing from a cost center to a profit center. As such there is enormous pressure for marketing leaders to conceptualize and launch programs that effectively spend billions in legacy marketing budgets in an increasingly fragmented and largely uncharted digital landscape. And more to the point to do so in the context of a new consumer culture in which the rules of engagement are written from the bottom up.

There is a way forward. Millennial business leaders in small and mid sized companies don’t have the same Mad Man baggage that their legacy counterparts do. For them digital and mobile first marketing is not a shift but rather the natural order. Failing fast and being agile is not a concept it’s a way of being. Creating and publishing mobile first content is not novel its central. By dissecting, adopting and tailoring a marketing playbook that has already been written by digital natives, legacy businesses can effect bold change with minimal risk.

In order to better understand SMBs current marketing strategies, Magisto surveyed 500 U.S. based small and medium sized businesses about their digital/mobile marketing strategies and tactics. We hope that these insights spark a dialogue and help create a road-tested guide for the mass crossing of the digital divide and the future of marketing as a whole.

Best regards,

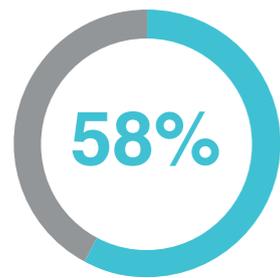
A handwritten signature in black ink, appearing to read "Reid Genauer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Reid Genauer, Chief Marketing Officer for Magisto
@rgenauer

DIGITAL-FIRST STRATEGY AND SHARE OF MARKETING SPEND

To state the obvious, digitally native means that the core marketing strategy and all marketing functions take a digital and increasingly mobile-first approach. To no one's surprise, millennials at SMBs have already embraced this method.

▶ MARKETING BUDGET ON DIGITAL MEDIA



MILLENNIALS

Millennials spend more than half (**58%**) of their marketing budget on digital media;

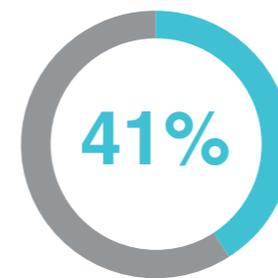


BABY BOOMERS

Baby boomers spend only **14%** of their marketing budget on digital media

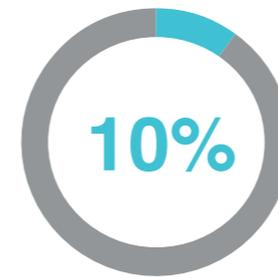
Making millennials **3X** more likely than baby boomers to spend the majority of their media budget on digital advertising.

▶ MARKETING BUDGET ON MOBILE MEDIA



MILLENNIALS

Nearly half of millennials (**41%**) spend the bulk of their marketing budget on mobile media.



BABY BOOMERS

Less than **10%** of baby boomers rely on the same media.

Takeaway:

In order to successfully cross the digital divide businesses of any size need to put digital and mobile media at the core of their strategy rather than treating it as an extension. Small and medium sized businesses led by millennials do just that and are finding scalable and sustainable ways to deploy growing digital media marketing budgets.

INTEGRATING THE CUSTOMER JOURNEY: FROM BRAND AWARENESS TO PURCHASE

Legacy business of all sizes frame the marketing discipline through a dated lens. Often there are inefficient departmental silos and budgets across the marketing function that artificially separate one interconnected discipline.

By contrast, millennials at small and medium sized businesses look at the entire customer journey through a unified lens or one integrated discipline, turning a system of fragmented consumer touch points into a holistic map. Unlike more traditional predecessors, millennials drive the entire marketing funnel from awareness, lead generation, revenue, creation and engagement via digital channels, with a focus on social media.

It's not surprising that ALL small and medium sized businesses rely on social to drive both brand awareness & revenue.

► BRAND AWARENESS



44% depend on social media ads



5% depend on TV ads



13% depend on print ads



2% depend on radio ads

MILLENNIALS

68%

BABY BOOMERS

27%

68% of millennials depend on social media ads

27% of baby boomers depend on social media ads

► REVENUE



41% depend on social media ads



3% depend on TV ads



12% depend on print ads



3% depend on radio ads

MILLENNIALS

60%

BABY BOOMERS

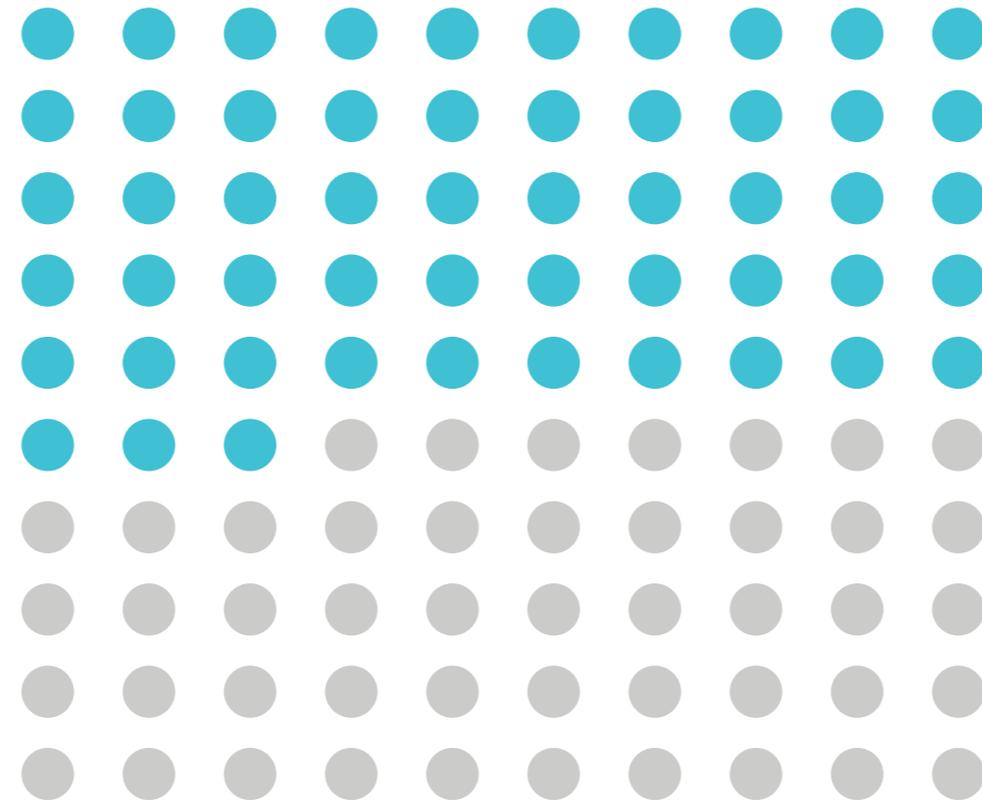
27%

60% of millennials depend on social media ads to drive revenue

27% of baby boomers depend on social media ads to drive revenue

Takeaway:

We are at an inflection point where digital marketing is not just **A** channel, but it's **THE** channel, led by social media. According to eMarketer, 2016 will be the first year in history that digital media ad spending surpasses television ad spending. Beyond ad spending, digital marketing and social media have gone from an extension of traditional marketing strategy to the underpinning of all marketing efforts including, earned, owned and paid media. This transition is being led by millennials who instinctively start with digital. In order to efficiently and effectively unlock massive legacy budgets, larger and older companies need to do the same.



53%

of baby boomers
DON'T test digital
marketing creative

AT ALL

FAILING FAST IS THE CODE FOR SUCCESS

Best in class legacy marketing calls for a well defined and creatively expressed, but rigid brand system and an annual marketing plan that is equally as rigid. In contrast to long-winded planning and creative cycles and monolithic ad campaigns, millennials are agile. They have adopted Silicon Valley's "failing fast" mantra as the core to doing business and the best way to build products, brands and marketing campaigns. For example, millennials are far more likely to test different versions of their digital advertising.

► **LIKELIHOOD OF CREATING MULTIPLE VARIATIONS OF DIGITAL AD CREATIVE TO TEST AND/OR OPTIMIZE ROI PERFORMANCE**

MILLENNIALS

60%

BABY BOOMERS

13%

Making millennials **3X** more likely than baby boomers to test their digital ad creative and/or optimize ROI performance.

► **NUMBER OF VARIATIONS - CREATING & TESTING MORE THAN 10 VARIATIONS OF THEIR MARKETING CREATIVE:**

MILLENNIALS

42%

BABY BOOMERS

7%

TAKEAWAY:

In a highly fragmented and level playing field, brand building is more important than ever, but it can't be treated as an annual process with a pillar of one-way messaging. It needs to be an integrated and fluid part of all marketing disciplines. Whether you are brand building, performance marketing or providing thought leadership through content creation the customer journey is decidedly a digital and mobile one. Digital creative design should be guided by brand positioning and guidelines, but treated as a two-way conversation informed by testing for customer preference, performance and ROI.

THE VIDEO MARKETING REVOLUTION WILL NOT BE TELEVISED

Within digital marketing trends, the conversation around video marketing is particularly hot. There are massive offline marketing budgets that now need a place to go as the next generation of consumers cut the TV chord and disappear into the melee of digital media. The challenge is that consumer adoption of digital video across formats has exploded in terms of form, function and scale, but the marketing industry at large has not caught up.

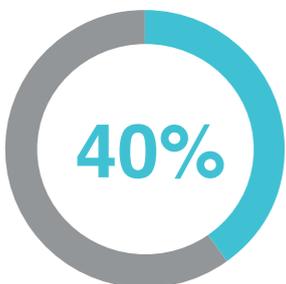
Millennials however, live in a world in which they expect video to come in many shapes and sizes, across platforms and formats. A culture where video is a form of social conversation and not just a broadcast medium and where personalization, creative iteration and ROI rule the day. For millennials, video marketing is a hybrid medium that sits somewhere between TV and display advertising, combining the flexibility and efficiency of performance marketing with the culture of social video.

▶ MILLENNIALS AT SMALL AND MEDIUM SIZED BUSINESSES ARE NOT ONLY DIGITAL NATIVE, BUT ALSO VIDEO NATIVE



MILLENNIALS

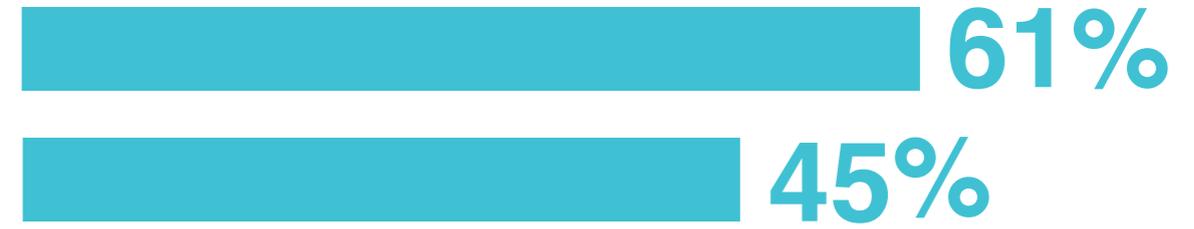
88% of millennials currently use or want to use video for digital advertising



BABY BOOMERS

40% of baby boomers currently use or want to use video for digital advertising

▶ MILLENNIALS ARE LEADING VIDEO



61% are currently using video as part of their marketing mix

45% dedicate more than a quarter of their digital ad spending to video

Millennials are **4X** more likely than baby boomers to create variations for their video ad creative

THE VIDEO MARKETING REVOLUTION WILL NOT BE TELEVISED

▶ SMB'S CURRENTLY TESTING VIDEO

MILLENNIALS

47%

BABY BOOMERS

8%

▶ FOR THOSE SMB'S THAT ARE NOT TESTING VARIATIONS OF VIDEO CREATIVE TOP THREE FACTORS HOLDING THEM BACK:

51% Cost

35% Difficultly

34% Time

▶ OF THOSE RESPONDENTS WHO DON'T CREATE VIDEO VARIATIONS THE NUMBER ONE FACTOR HOLDING THEM BACK:



Millennials point to time (63%)



Baby boomers point to cost (60%)

Takeaway:

Millennials and digitally native small and medium sized businesses understand that video marketing is a resegmentation of traditional channels, which combines properties of social culture, TV advertising and digital performance marketing. They understand the power of video advertising through the use of story and the efficiency of performance marketing. There are new rules of engagement that marketers can not afford to ignore. Those who do so are missing out on the biggest marketing innovation since the invention of the internet and the television combined.

SECTION 05 | CONCLUSION

Digital media, mobile computing and video have created a shift in commerce that defies tradition; a cultural shift exponentially larger than that of the 1960s and the upheaval of marketing and advertising that requires a new play book.

▶ **DIGITAL FIRST STRATEGY AND SHARE OF MARKETING SPEND -**

Millennials at small and medium sized businesses begin (and often end) with digital strategy and expand from there, businesses of every size must do the same.

▶ **INTEGRATING THE CUSTOMER JOURNEY: FROM BRAND AWARENESS TO PURCHASE -** Business leaders need to embrace the fact that social media is no longer an extension of traditional marketing strategy, but instead has become the substrate from which all marketing strategy should be conceived of and disseminated.

▶ **FALLING FAST IS THE CODE FOR SUCCESS -** Brand building needs to be treated as a horizontally integrated marketing discipline and part of the customer journey. Marketing strategy and execution has to be fluid to allow for conversation, customer preference, and ROI performance.

▶ **THE VIDEO MARKETING REVOLUTION WILL NOT BE TELEVISED -** Video marketing sits between TV and digital performance marketing. Millennials understand the power of this new hybrid media and unlike their predecessors who are hobbled by the perception of cost, their concern is with time - millennials want to be able to create variations quickly, in order to communicate effectively and efficiently with multiple audiences and segments.

Millennials inherently understand the changes afoot in marketing. As such, small and medium sized businesses led by millennials, are defining a new world order that is digitally native, social-first and driven by video. They see a clearly defined and unified customer journey across a highly fragmented landscape and build marketing teams and strategy aligned with the customer experience. Millennials understand

that growing both a brand and a business requires them to invite the consumer into the process, engaging in conversations that are driven via social video and measured digital media. Businesses of all sizes look to the digitally native millennial marketer for a roadmap to unlock billions in legacy marketing budgets that were historically allocated to print and TV.

▶ **METHODOLOGY:** In September 2016, Magisto surveyed an audience of over 500 SMBs ages 18+ about their digital marketing strategy. This survey was completed online and was completely anonymous.

