



Salmat marketing report



2018

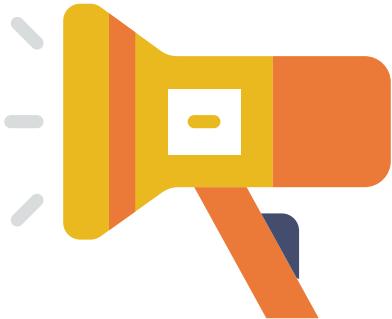


METHODOLOGY

All figures, unless otherwise stated, are from YouGov. Salmat commissioned YouGov to conduct an online survey between 13th October – 3rd November 2017. The sample size was 504 Australian marketing decision makers (from organisations with 25 employees or more), and 563 Australian consumers. The consumer sample figures have been weighted and are representative of all Australian adults (aged 18+).

Introduction

SALMAT MARKETING REPORT



Marketers in Australia are playing in an increasingly globalised, complex, disruptive and more competitive environment than ever before. There are more channels to consider, and more data available to analyse.

Consumer expectations are increasing and attention spans decreasing, while a brand's potential audiences are more disperse than ever before. In today's disruptive market, marketers must ensure they're investing budgets wisely and developing the strategies that will deliver the strongest brand impact.

The *2018 Salmat Marketing Report* provides a snapshot of marketing in Australia. It looks at how marketers are investing budgets, what channels they're focusing on, and how they're evaluating the strategies implemented. It also explores how consumers research products and services, the factors influencing their purchasing decisions, and general shopping behaviour. Based on these insights, Salmat has made a number of recommendations for marketers in 2018.

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01

The state of

MARKETING IN AUSTRALIA

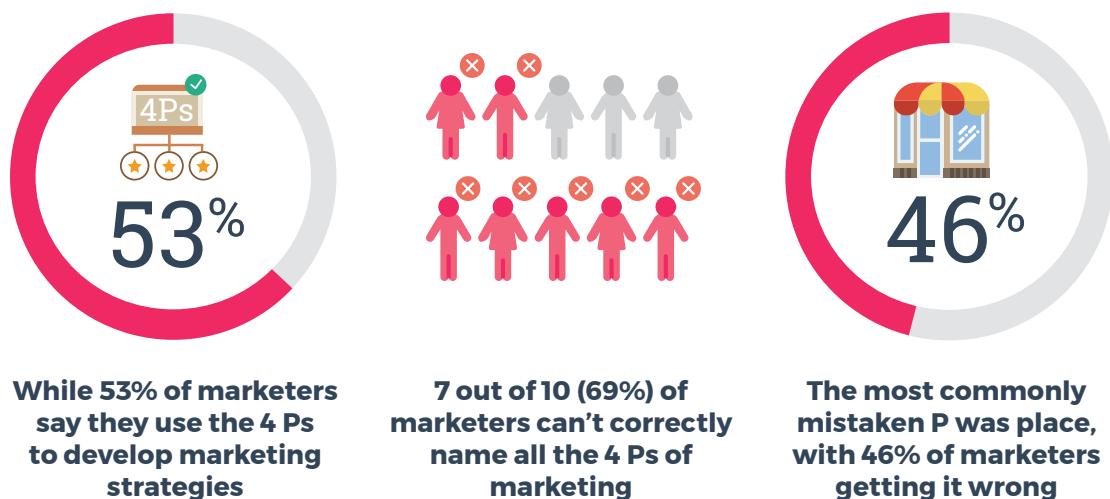
Increasingly, companies are recognising the importance of marketing for business success and growth, evidenced by increasing budgets. However, lack of knowledge around marketing basics, and irregular measurement and evaluation of campaigns, means that for some companies, this increased investment is going to waste. Training is critical to ensure budgets are invested in the way that will have the strongest return on investment (ROI).

The 4 Ps

PRODUCT, PRICE, PLACE AND PROMOTION

The 4 Ps – Product, Price, Place and Promotion – have been around since the 1960s and continues to be a popular model to guide marketing strategy, with more than half (53%) of Australian marketers saying they use it. Alarmingly though, despite the popular use of the 4 Ps, most marketers (69%) couldn't correctly identify all 4 Ps, with 'Place' tripping up most (46%).

Confusion about the basics | Most marketers don't know the 4 Ps



Addressing this knowledge gap to properly harness the 4 Ps could help marketers tackle the challenges they face. Similar to last year, the top challenge for marketers in 2018 is 'reaching new customers' (40%). A lack of budget (38%) and difficulty building customer loyalty (33%) rounded out the top three challenges in 2018. Later in the report we look more closely at key marketing principles, and at how marketers can better understand them to market to potential customers and re-engage existing customers to grow loyalty.

The top 3 challenges facing marketers



MARKETING INVESTMENT

The second greatest challenge facing marketers is lack of budget (38%), but it is pleasing to see these are steadily increasing for most companies. Almost one in five (17%) will increase their budgets 'significantly' in 2018 and a further 44% will increase budgets 'a little.' One third (32%) plan to keep budgets the same, with only 7% to 'decrease' budgets.

As in 2017, marketers are balancing their overall investment across online and offline. On average, marketers will spend 41% of their budgets online in 2018. In 2017, the top three channels marketers invested in were the company website, social

media and email marketing, and these will remain the top three channels in 2018. The top channels that marketers will look to invest or use for the first time in 2018 are social media (15%), email marketing (14%), and SEM and mobile / SMS (13% each). To decide channel usage, marketers draw on advice from colleagues or external contacts (47%), test different channels and select the best performing ones (45%), and use those that have provided the greatest ROI on previous campaigns (43%).

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As in 2017, marketers are balancing their overall investment across online and offline. On average, marketers will spend **41% of their budgets online** in 2018.



MEASUREMENT AND EVALUATION

When it comes to measuring ROI, many marketers are failing to do this regularly. While more than half (58%) of marketers 'often' or 'always' measure the ROI on their campaigns, 31% only do so 'sometimes', 10% 'rarely' and 2% 'never'. In 2018, the reality for marketers is that insight-driven marketing is "the norm". If you're not harnessing data captured from marketing campaigns, you'll

be left behind by the competition. Not to mention the importance of using data and metrics to prove your value to senior company executives and the Board. Put simply, the industry is seeing a divide into two camps – marketers that have data and insights, and those that do not. Research suggests the 'haves' stand a much better chance of survival than the 'have nots'.



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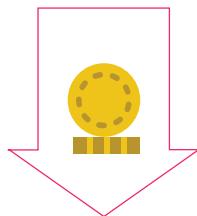
How often do marketers measure ROI?



Top 3 reasons for not measuring ROI



1. Lack of time



2. Lack of budget



3. Don't know how

Recommendations for marketers

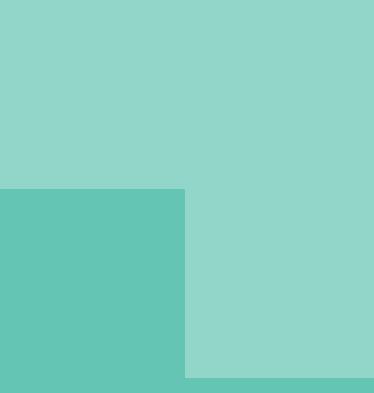
1. Get back to basics: The 4 Ps marketing model has been proven worldwide to be a highly-effective business tool. Marketers should educate themselves better on how they can use it to guide strategy and tactics across all marketing campaigns.

2. Measure for deep business insights: Analysing the impact and ROI of each and every marketing campaign will help you better understand your target customers' journey from awareness and consideration to purchasing decision.

3. Use this knowledge to invest in more effective marketing strategies:
These valuable data insights will help pinpoint where you should be investing your time and marketing dollars for the best results







02

AWARENESS

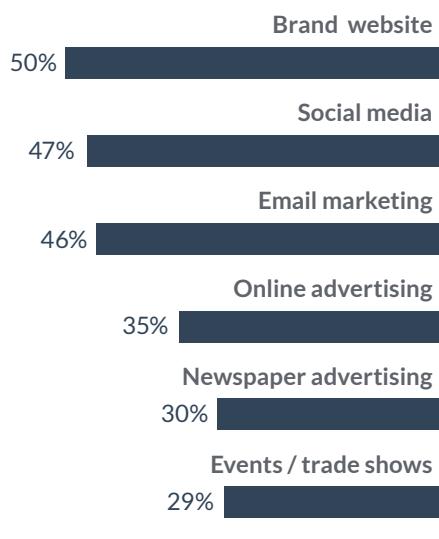
There is a clear disconnect between the channels that marketers invest the most in, and the channels consumers use most often to source information and make purchase decisions. Marketers must better understand the customer journey and focus their time and budget on the right channels if they are to overcome their top marketing challenge – reaching new customers.

AWARENESS

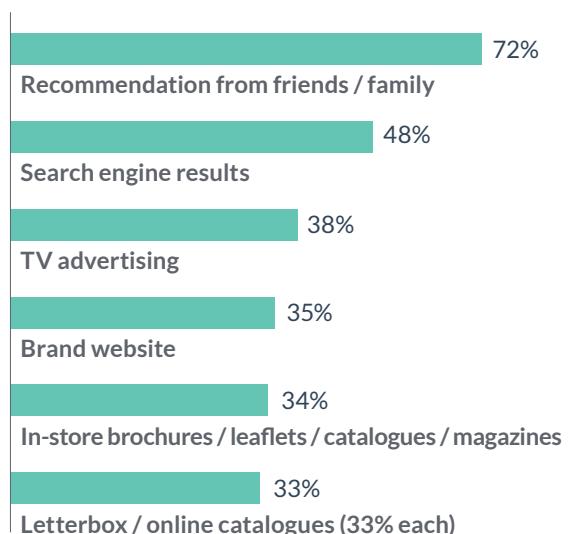
The four top channels marketers used in the last 12 months were the brand's website (50%), social media (47%), email marketing (46%) and online display advertising (35%). Newspaper advertising (30%) and attendance at events or trade shows (29%) rounded out the top six channels. In contrast, consumers relied overwhelmingly on referrals and recommendations from trusted friends and family to make purchasing decisions (72%), followed by search engines (48%) and a brand's website (35%). TV advertising (38%), in-store brochures/leaflets/catalogues/magazines (34%), and letterbox and online catalogues (34% each) were also influential channels in guiding purchasing decisions.



Top channels marketers have used in the last 12 months



Top channels consumers use to inform their purchase decisions



This highlights a clear disconnect in relation to the channels marketers are investing in, and the channels consumers are actually using to make purchasing decisions – with a brand's website being the only match. In contrast, marketers are investing heavily in social media (47%), which has less influence on consumer purchasing decisions, and are under-investing in SEO (28%).

The ability to see and touch products prior to purchase remains important to consumers. In fact, two of the top three reasons consumers shop in-store is to see and feel the product before purchasing (59%), and to discern the quality of a product prior to purchase.

Recommendations for marketers

Ultimately, brands should be guided by consumers to identify the most effective way to market their product or service offering, using a combination of digital and traditional channels to do so.

1. Move some investment from social media to letterbox and sampling:

despite the increasing use of digital channels broadly and particularly to increase awareness for a brand, marketers may benefit from shifting some investment from social media to letterbox advertising and sampling which are influential purchase levers for consumers.

2. Boost investment in channels that customers are using to guide purchasing decisions:

Digital – continue investment in your brand's website and eCommerce channels, and increase investment in SEO and SEM to improve your brand's Search visibility.

A campaign by Alinta Energy highlights the potential growth for brands that invest in Search and eCommerce. In a highly competitive paid Search environment, Alinta Energy sought growth and wanted to improve cost efficiencies to operate more profitably.

Through partnering with Salmat, Alinta saw a 519% total increase in sales and 43% decrease in cost per acquisition over 12 months.

Offline – Invest more in traditional channels, particularly TV advertising if your budget permits, letterbox advertising and sampling which are all influential purchase levers for consumers, despite the increasing use of digital channels broadly. One major chemist chain can attest to the power of letterbox marketing. After seeing a drop in store sales subsequent to a 30% drop in letterbox marketing, it partnered with Salmat to design and implement a research methodology to analyse the relationship between letterbox marketing and individual store revenue. The research saw a 1.5% increase in product store sales following an increase in catalogue distribution over two months, and an \$8.14 return for each dollar spent on catalogue marketing.



Success Story: **PAID SEARCH AND SEARCH ENGINE OPTIMISATION (SEM)**

Business challenge

In a highly competitive paid Search environment, Alinta Energy sought growth and wanted to improve cost efficiencies to operate more profitably.

Alinta partnered with Salmat to:

- Restructure existing Search campaigns to be able to distribute budgets on a more granular and strategic level
- Improve forecasting to assist with internal planning
- Expand its keyword set and add additional targeting methods, to improve target optimisation
- Optimise and test ad copy to target more valuable customers
- Test and adopt new betas, including promotion extensions or image sitelinks for mobile and the quick rollout of expanded ad copy

Results

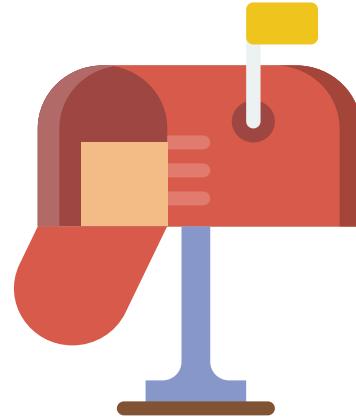
Results achieved over a 12 month period:



Success Story: **LETTERBOX**

Business challenge

A drop in store sales for a major pharmaceutical brand followed a 30% drop in letterbox marketing from individually owned and operated stores.



A major chemist chain partnered with Salmat to:

- Design a research methodology to analyse the incremental revenue gained through an increase in letterbox distribution
- Use the methodology to analyse the impact on revenue following investment in letterbox marketing

Results

- The research revealed a 1.5% increase in sales, following an increase in catalogue distribution over two months
- Achieved an \$8.14 return on every dollar spent on catalogue marketing





03

CONSIDERATION

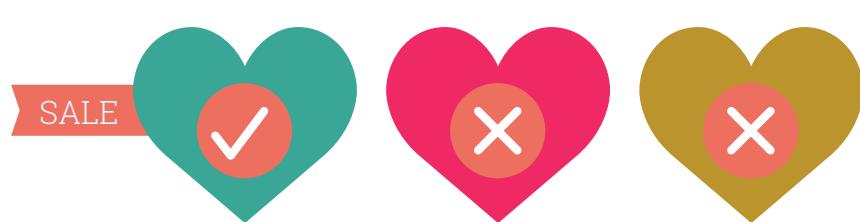
Advocacy is highly influential in purchasing decisions, with consumers regularly looking for recommendations from friends and family, as well as online reviews. On the other hand though, marketers are increasingly challenged to create customer loyalty. Consumers are loyal to only a handful of brands, and are open to switching if the price is right.

CONSIDERATION

A high level of brand choice and price sensitivity has eroded brand loyalty, with two in five (40%) consumers stating they do not consider brands when shopping, while a further 18% are loyal to just one or two brands. The temptation for consumers to switch brands is high if a product is either on sale, or if they would receive an incentive for purchasing with 65% saying they would switch based on either measure. Across 10 categories – Travel, Consumer Electronics, Groceries, Healthcare, Fashion, Furniture/Homewares, Technology/Telecommunications, Banking/Finance, Automotive, Toys/Hobbies and Outdoor – over one third (38%) of consumers said they would switch brands if the price of their 'go to' product increased. Consumers are most sensitive to price hikes in Toys/Hobbies and Outdoor/Furniture/Homewares (both 51%), and Travel Products and Services (48%).

Free trials, samples and discounts are also highly influential on purchase consideration, with half (48%) of consumers saying it's important or very important for a brand to provide these incentives to maintain loyalty to a brand, and 60% saying it's important or very important to give discounts to returning customers.

While brand loyalty is low, consumer advocacy has shown to be highly influential in purchasing decisions. In fact, recommendations from friends and family is the top information source driving customer purchasing decisions (72%). Recommendations from strangers was also rated highly. Thanks to the internet, consumers are able to share their views on brands, products and services very easily, and these views can just as easily be found by others. Despite almost two thirds (62%) of marketers believing that online reviews don't sway a consumer to purchase, 40% of consumers said they do in fact influence their purchasing decisions. Over a third (37%) of consumers will check online reviews of a product they see in-store before they purchase, and two thirds (61%) say it's important or very important for a brand to have positive online reviews to maintain brand loyalty. More than half (54%) of consumers believe they are able to distinguish between a genuine and a fake online review, and, contrary to common assumptions, our research found consumers are almost three times more likely to write a positive review than a negative review.



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Over one third (38%) of consumers said they would switch brands if the price of their 'go to' product increased.

Recommendations for marketers

1. Get customers to switch by pulling the Price lever: Low-wage growth and stagnant household budgets means consumers are highly sensitive to Price, and are open to switching from brands to which they are loyal. This is an opportunity for you, as a marketer, to pull the Price lever – to take market share from key competitors and drive more sales. Marketers should utilise this opportunity by promoting low price points through direct marketing channels – including online, print catalogues, and email.

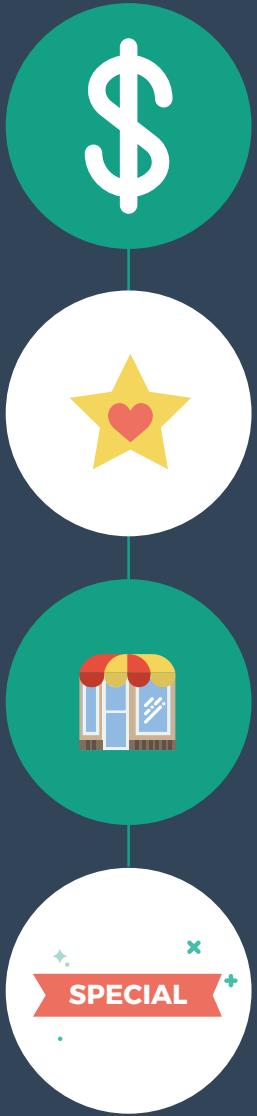
2. Encourage customer reviews: Online reviews are proven to drive purchasing decisions and sales. For marketers, there are multiple channels to consider.

First, look at integrating customer reviews and recommendations on your website so consumers can rate your products/services as well as your customer service. It's important to show both positive and the less positive reviews for your brand to be perceived as trustworthy and genuine. There are a number of products that can be easily integrated, such as Bazaarvoice or Trust Pilot. Reviews will also help with SEO as sites with reviews are more likely to rank higher in a search result than those without.

It's also a good idea for marketers to seek reviews on external sites – whether it be a brand's social channels, Google Reviews or Trust Pilot. These external sites should be monitored closely and reviews should be responded to promptly, especially if it is negative. Best practice is to respond with a 'thank you for your feedback' then address the issue or encourage them to contact you offline so you can resolve the matter.

Finally, think about how you can encourage customers to leave a review. For example, creating some automatic settings in your email marketing to target people that have recently made a purchase, encouraging them to leave a review of their experience.





4 Ps

04

DECISION

The 4 Ps is a tried and tested model for marketing strategy, and our research reflects this with consumers stating that Price is most critical, followed by Product, Place and Promotion.

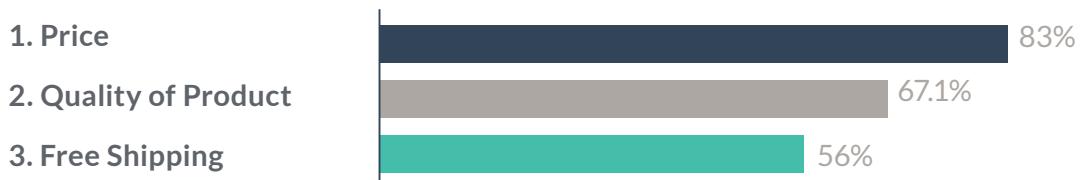
Marketers regularly underestimate how sophisticated and informed consumers are, and the time and effort they're willing to invest to ensure they're getting the best deal. Consumers are savvy bargain hunters that do their research and purchase with intent (rather than impulse) and often stick to a strict budget.

Looking at Place, consumers in Australia still prefer bricks and mortar shopping over eCommerce as it enables them to see and feel the product prior to purchase, plus it's immediate, and convenient to shop local. However, many will do their due diligence by researching a product online, compare prices and read reviews. Therefore, it's important marketers embrace a marketing strategy that balances online and offline channels.

DECISION

Price trumps all when it comes to factors influencing purchasing decisions (83%), followed by quality of product (67%) and free shipping (56%). When it comes to maintaining customers' brand loyalty, the majority (85%) of consumers expect brands to offer good value for money and competitive pricing.

Top 3 influences on purchase decisions



Further, contrary to the popular belief among marketers that consumers shop for pleasure (50%) and regularly make impulse buys (54%), shoppers are more savvy than this with only a quarter (25%) of consumers stating they 'always' or 'often' go shopping for pleasure, and make impulse purchases (24%).

SAVVY SHOPPERS

Consumers are **more savvy** than marketers give them credit for being

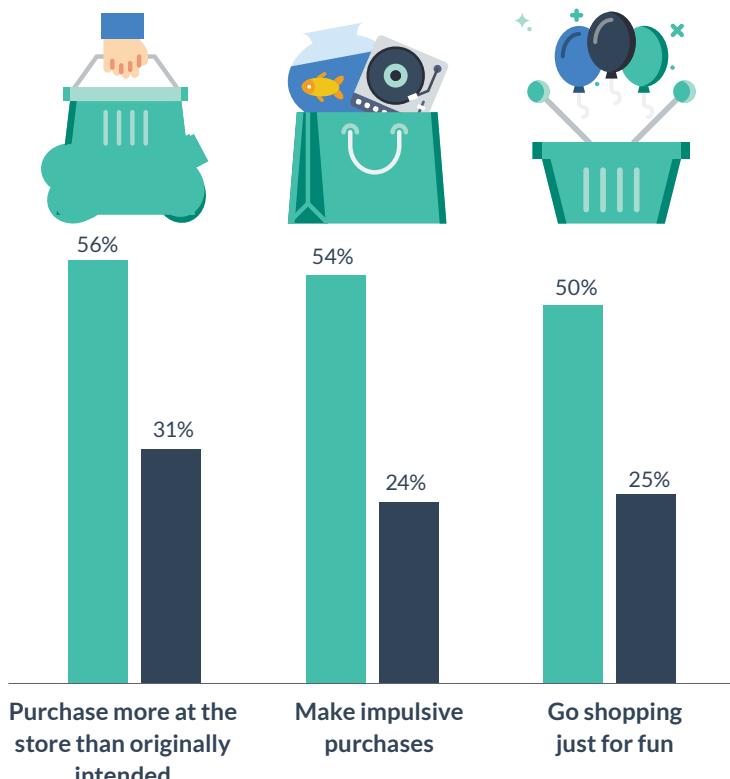


Percentage of marketers that believe consumers do this



Percentage of consumers who said they do this always or often

When shopping in-store



The distribution of a product – Place – is also a critical factor for marketing strategy. On average, across all brand categories, half of consumers (49%) prefer to purchase in-store because it's more immediate and they can walk away with the product that day (59%), they can get up close and personal with the product to discern quality (58%), and it's more convenient (51%). Looking at the top reasons why consumers shop online, more than half (54%) say it helps them save money, it's easier and more convenient (50%), saves time (49%) and purchases can be delivered directly to your home or workplace (46%). Additionally, free shipping is key to shaping consumers' overall purchasing decision (56%).

IN-STORE VS ONLINE



*On average, across different product categories

Recommendations for marketers

Utilisation of both online and offline marketing channels are equally important. Australian consumers take the time to research purchases, using a blend of online and offline research to do so. Therefore, marketers should mix traditional and digital marketing channels to reach and convert more customers.

1. Make sure your online game is strong: Our research shows that consumers begin the brand or product discovery journey online or loop back to online to further analyse a product they've seen in-store. Further, mobile optimisation for website is critical, as is investment in SEO and SEM. Beyond this, marketers can drive more sales online by:

- Offering free shipping, same-day delivery or click and collect services: this will become increasingly critical in the post Amazon-era, as consumers' expectations around quick and easy delivery increase.
- Offer free returns to remove the barrier for consumers that want to experience the product before purchase. By allowing customers to return items in-store, you can continue to engage the consumer and up-sell in the store environment.
- Provide samples: send free samples via letterbox marketing to satisfy consumers' desire to see, touch and try a product before they choose to purchase.

2. Don't forget offline marketing: despite the rise of eCommerce, consumers still prefer to purchase in-store. Hyper local letterbox campaigns can be highly beneficial to target customers close to bricks and mortar stores to boost sales. A good example of this is a letterbox sampling campaign implemented for a major haircare brand, where sales had been in decline despite significant market growth globally. The brand partnered with Salmat to implement a letterbox sampling campaign, to entice potential customers to purchase the product. The campaign saw an average 43% increase in sales across stores during the key campaign week, and a 12% increase in the 10 weeks post-campaign.

3. Connect the two: Your online and offline assets need to complement each other, and work in harmony. For example Howard's Storage World used to design its catalogue based on assumptions and historical sales. However, when it used Lasoo's dynamic engagement insights from its digital catalogues, the company was able to not only improve its catalogue design, but also help franchisees stock their stores more strategically.



Success Story: **SAMPLING**

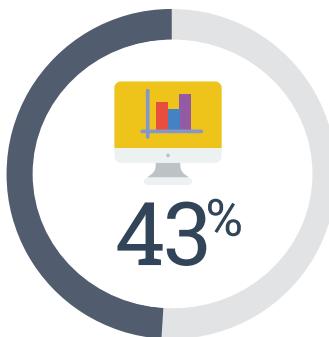
Business challenge

Sales for a major haircare brand had been in decline internationally, despite significant market growth broadly.

The haircare brand partnered with Salmat to:

- Identify and target relevant households with a letterbox campaign utilising geographic and demographic data
- Distribute a compelling sample and discount offer to entice potential customers to purchase the product
- Analyse the sampling campaign, in conjunction with research company IRI, to track campaign impact against a predetermined benchmark

Results



43.2% increase in sales in key campaign activity week



+11.9% increase in sales in the 10 weeks post-campaign

Success Story: **CATALOGUES**

Business challenge

Howards Storage World designed its catalogue based on assumptions and historical sales. It wanted to gauge what products and information its customers were most interested in reading within the catalogue.

Howards Storage World partnered with Salmat through its catalogue shopping portal, Lasoo to:

- Analyse the customer experience of the digital catalogues by utilising Lasoo's comprehensive analytics

Results

- Data-driven insights has helped inform the design of catalogues for Howard Storage World
- Analytics have assisted franchisees to stock their stores more strategically



Marketers have a crucial role to play to ensure brands retain their market position, to build value for consumers and drive future sales.

Our research has shown that the 4 Ps model is a critical guide for future marketing strategy, and marketers should be using the framework as a foundation for every marketing campaign. It's also important for marketers to measure the impact of each and every campaign to analyse ROI, and better inform their target customers' journey from discovery to purchase.

When it comes to channel investment, the smart marketers will analyse how their customers are making purchasing decisions, and use a blend of traditional and digital channels to reach more people and convert more sales. On the digital front, marketers should boost investment in website and eCommerce channels, and invest more where customers begin the brand or product discovery journey – through SEO and SEM.

Offering free shipping, same day delivery and free returns will help boost online sales and only become more important in a post-Amazon era. Offline, marketers should consider local letterbox marketing, catalogues, product sampling and TV advertising.

Finally, don't underestimate the power of customer reviews to build trust and credibility for your brand. Encourage customer reviews by having the right structures in place on your company website, or externally through social, Google reviews or an external provider.



Encourage **customer reviews** by having the right structures in place on your company website, or externally through social, Google reviews or an external provider.



ABOUT SALMAT

Salmat is a leading Australian marketing services business. We partner with our clients to help them with the constant pressure of acquiring and servicing their customers, week-in, week-out. With media, digital and customer service capabilities, we have the right solutions for our clients, enabling them to Reach, Convert and Serve more customers.





Salmat marketing report

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