Why You Should Be Spending 90% of Your Advertising Budget on Digital

It's no secret that spending on digital advertising is on the rise. In 2014, it accounted for 24% of total ad activity, according to Forrester Research, and will overtake television in 2016. These are meaningful data points and statistically support the notion that a massive shift is underway in the advertising business.

But these data misrepresent the impact of digital on "the rest of us"—those outside of the largest 100 marketers in the U.S., which (as a group) are responsible for $1 of every $2 in ad spending. Indeed, we believe online activity should be representing a much bigger slice of the total advertising pie for most companies, and here's why.

New digital tactics have made advertising more accessible to the masses—Until the introduction of Google AdWords, small companies didn't have many advertising options. So they learned to get by with little in the way of promotion. The emergence of AdWords and Microsoft's Bing platform has changed the rules for smaller business marketing. They allow a variety of cost-effective options in the form of search and display units, which can be used for both acquisition and awareness building.

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Takeaway: If digital advertising isn't a significant line item on your ad budget this year, figure out why—because it probably should be.

Online advertising is flexible—Having a bad quarter? Online ad activity can be reduced—or even turned off—with relative ease. Did you land an unexpected deal that created a windfall? Internet programs can be expanded or new ones introduced with a fraction of the effort that would be required to do the same in TV, print, or radio.

Takeaway: The budgeting flexibility afforded by digital makes advertising a less risky proposition as compared to its offline counterparts. Therefore, it's much more attractive than the offline alternatives.

Internet advertising is built for bottom-of-funnel behavior—Big advertisers employ sophisticated and costly attribution techniques to determine the efficacy of their programs and discuss performance in terms of "lift" and "recall." Digital advertising can be measured with precision in relation to easily understood behaviors such as acquisition and conversion, where it is especially effective.

Takeaway: Online ads can be deployed to support all kinds of different marketing reasoning. However, they are especially useful in acquiring new customers, and that's the most compelling reason of all.

Much work is left to be done—In "Five Ways to Get More From Digital Advertising," a McKinsey & Co. team stated, "In our experience, companies may be leaving as much as 20 to 30 percent of potential [digital advertising] returns on the table."

Takeaway: Organizations that have been investing in digital media buys for several years may be able to optimize performance in a meaningful way, but that's going to require additional investment in tools and talent. It's a "doubling-down" scenario, but it still requires new investment dollars.

There's no better time to make an investment argument—With high-flying digital upstarts such as Uber and WhatsApp Messenger dominating the business news and smartphones and tablets pervasive among the senior executive ranks, conditions have never been more fertile for making the case for online advertising budget increases.

Takeaway: These days, it's awfully difficult for anyone to utter the words, "We shouldn't be investing more aggressively in digital."

The case for mobile is closed—During the first half of 2014, comScore revealed that mobile internet usage overtook PC usage for the first time, and International Data Group (IDG) reported that mobile is the preferred device used by executives for conducting research both during and after office hours. The introduction of a slew of high-performing products with phone, television, and listening capabilities has facilitated this massive change in user behavior.

Takeaway: Mobile arrived in 2014 as a mainstream advertising tactic because advertising follows eyeballs, and with investment dollars continuing to flow into the sector, its role is only expected to increase.

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