

A Forrester Consulting Thought Leadership Paper Commissioned By Autodesk, Inc.

# How Advertisers Are Driving Higher Online Brand Engagement With Rich Digital Media

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FORRESTER

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## Executive Summary

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In July 2011, Autodesk, Inc. commissioned Forrester Consulting to evaluate how and why advertisers were increasingly using rich digital media. Through this research, Forrester takes a close look at the benefits, trends, and opportunities for advertisers and agencies, in addition to showcasing use cases and best practices. Concluding the study are recommendations for agencies to capitalize on the rich digital media opportunity.

To prepare for this study, Forrester conducted phone interviews with executives at 12 leading digital agencies. The interviews covered each company's use of rich digital media, the challenges and benefits companies were experiencing from using it to address client needs, and what the executives thought the future of the rich digital media landscape looked like.

## Key Findings

Forrester's study yielded the following key findings with respect to the use of rich digital media:

- Advertisers are turning to more engaging forms of rich digital media to deliver against consumer expectations.
- Rich digital media drives engagement with nonlinear interactive storytelling and custom experiences.
- Agencies with in-house digital media capabilities and expertise have competitive advantages.
- Agencies plan to expand digital media production capabilities to prepare for future growth.

## For Advertisers, Engaging Consumers Online Is Harder Than Ever

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Consumers today are comparing content on the Web with the latest Hollywood blockbuster, console game, or television show. As a culture, we want to be entertained and expect the content we consume on the Web to be something of value, such as a custom digital experience or an offer tailored to a specific interest. It takes much more to garner the attention of a potential or existing customer, and that creates a challenge for advertisers. A vice president at one of the participating agencies described it this way: "Advertisers are operating in a highly competitive marketplace, where consumers are reading less [and] comparing more, and the typical web article or content is not being read. Being able to communicate product benefits in a succinct and engaging way is crucial." The bar has been raised for engaging consumers online because:

- **The Web is cluttered with content.** Consumers face a tidal wave of content that is competing for their valuable attention online. Within the next five years, US advertisers will spend \$77 billion annually on email, display, mobile, search, and social to try to engage these consumers online, so clearly advertisers are facing an increasingly cluttered online advertising landscape (see Figure 1).<sup>1</sup> Websites are filled with advertising, videos, text, and social media messages. To beat the clutter and engage with increasingly overwhelmed audiences, advertisers are turning to rich digital media.

- Consumers are accessing content across multiple devices.** More than half of the 177 million US adults who are online have two or more different types of devices connected to the Internet, and one-third have at least four.<sup>2</sup> There is a wealth of opportunity for advertisers to engage consumers across multiple devices. However, it requires brands to be present across multiple touchpoints. One agency is focusing its connected device strategy on delivering “all the content you need to make an intelligent decision on the screen at one time.”
- TV and film keep raising the bar for consumer expectations of digital media.** All of the agencies interviewed for this study attribute the growing demand for rich digital media to feature films, gaming, and television. “Clients point to examples in movies and television and ask us to create a similar experience for their brands,” said one agency. In addition, movies like *Avatar* and *Toy Story* deliver engaging viewing experiences that heighten consumers’ overall expectations of digital media. Creative and engineering talents — in-house and consultative — with motion-picture and television experience are highly sought after for projects by agencies.

**Figure 1**

Interactive Marketing Spend Will Near \$77 Billion By 2016



Source: “US Interactive Marketing Forecast, 2011 To 2016,” Forrester Research, Inc., August 24, 2011

## Advertisers Are Embracing Rich Digital Media

Rich digital media helps advertisers to break through the clutter of the Web. As one executive creative director at a leading agency declared: “Being able to show different ways for consumers to engage with products, [and] letting them understand what differentiates [their products] from the rest of the market, is crucial. And just

calling that out via text boxes really doesn't work. Consumers are so much more aware now; they can get as much text as they want from blogs and reviews."

Every agency interviewed for this study confirms that rich digital media creates more engaging experiences online, compared with other media. One agency defines rich digital media as "balancing art with science and function with entertainment." This type of media empowers advertisers to tell richer brand stories, drive deeper engagement, and ignite conversations on social channels like YouTube and Facebook. It enables more online exploration that leads to enhanced experiences that consumers can customize and personalize. These experiences increase fundamental engagement metrics like time on site and lower metrics like bounce rates.

## How Advertisers Are Using Rich Digital Media Today To Drive Engagement

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Rich digital media has a wide variety of applications. Our study found that agencies use it in the following ways:

- **Virtual photography.** Advancements in technology allow agencies to use digital models and computer-generated images (CGI) to replace the expensive process of photographing real objects or environments. One agency explained, "I can save time and a tremendous amount of money by using CGI and digital models." CGI also provides the benefit of being more flexible and adaptable to cross-platform applications.
- **Animation and motion graphics.** By animating elements, advertisers can bring stories to life. For example, "Sometimes you want someone to jump or make a car spin," explains one interviewee. "So we will take a static model and apply all the kinetics, animations, and physics on top to make it look real."
- **Interactive display.** Interactive touchscreen displays are appearing more frequently in retail outlets and public places like bus shelters in San Francisco and subways in South Korea. It allows advertisers to engage audiences at point of sale and out of home. While this exemplifies a growing global trend, there are many other use cases for interactive display online such as rich media banner ads on a website.
- **Product demos.** Agencies use rich digital media to create immersive product demonstrations for manufacturers and retailers. These demos tell a much richer story about the product and illustrate key differentiations from competing products in the market. For example, one agency used 3D technology to showcase the uniqueness and design of an athletic shoe by allowing consumers to interactively spin it and see it from all angles.
- **Game-like experiences.** More than 340 million people play social games monthly, and gamification — the application of game mechanics to nongame play — is being leveraged by advertisers to drive deeper engagement on web and mobile properties.<sup>3</sup> Agencies can use rich digital media to enhance the game-like online behavior.
- **Social media drivers.** With rich digital media, consumers can customize and personalize content, share their experience online, and spark conversations on social channels like Twitter, YouTube, and Facebook. "If you create something of value for the consumer, the consumer will share it," affirmed an interviewee for the study.

- **Online and mobile advertising.** Rich digital media is rapidly pervading online advertising on the Web, as more advertisers want to stand out in a crowded web environment. Video advertising is the fastest-growing segment within online advertising, and publishers are opening up new online ad formats enabling much richer experiences and page takeovers. With the ubiquity of mobile and the soaring growth of tablet devices, online and mobile advertising has advanced to a newer, more exciting level — one that leverages inherent features on the device such as flicking, sharing, or swiping that yield high engagement.
- **Video production.** Rich digital media allows advertisers to deliver very high-quality content across a variety of platforms. Video is no longer a “lean back” passive experience but can be incorporated into the core of interactive experiences to engage audiences, aided by the rapid growth of online video advertising.

## Why Rich Digital Media Drives More Online Engagement

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Forrester asked each agency interviewed for this study to describe how rich digital media creates more immersive and engaging experiences online. “Rich digital media is the way we tell stories,” one agency stated. “And that’s how we are able to capture consumers’ imaginations.” In summary of the qualitative data for this study, rich digital media drives more online engagement with:

- **Nonlinear interactive storytelling.** Rich digital media enables advertisers to tell better brand stories and give consumers more control over their experience. Consumers can interact with content, choose their own path, and create their own adventure.
- **Personal and customized experiences.** Consumer engagement can be driven by empowering the user to personalize and customize their experience. “Leading global brands request it,” one agency shared. “They want the user to control and *own* the experience.”
- **Expressive and creative visual elements.** Rich digital media allows artists, advertisers, and designers to be more creative and expressive, which creates a more entertaining experience for consumers. Leveraging gestural user interfaces like flicks and swipes, which are now commonly used on mobile and touchscreen devices, also helps to drive engagement.

## In-House Capabilities Produce Lucrative Business Benefits For Agencies

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Every agency interviewed for this study has rich digital media production capabilities in-house to a certain capacity, and all of them attribute having these capabilities to giving them an advantage in a competitive marketplace. Moreover, all of them plan on increasing their capabilities in the future to meet increasing demand. It is advantageous for agencies to invest in in-house resources because:

- **It reduces cost.** All of the agencies interviewed for this study reported lower costs of production due to in-house resources including talent. Agencies don’t have to outsource to specialty agencies that charge a premium.

- **It produces better content, more quickly.** When asked if keeping the technology in-house helped produce content better and more quickly, one creative director responded, “Absolutely, by the fact that creative and production are highly interacting with each other and closing any communication gaps.” Production teams are also able to ideate and iterate much faster — increasing the team’s overall flexibility and agility.
- **Creative and technology are more integrated and more powerful.** “You can’t get the right level of collaboration and iteration you need when you outsource projects in this field,” asserts an agency. In-house capabilities enable creative teams with a clear sense of the storyline to work next to production specialists with a deep knowledge of the technology and marry their two skill sets to tell a more powerful brand story.
- **It’s profitable.** Digital services are a fast-growing profit center. The agencies all stated that these capabilities give them a competitive advantage, which helps them attract and grow new and existing business. And digital advertising is showing particularly strong growth for agencies, increasing 16.3% in 2010, compared with 7.7% growth for the advertising industry overall.<sup>4</sup>

## **Agencies Predict More Demand In The Future, Investing Accordingly**

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The agencies interviewed for this study are increasing their offerings in rich digital media because they all anticipate the landscape to continue to grow. One interviewee shared, “I can tell you that the more work we do [in rich digital media], the more calls we get from clients and prospects wanting to produce these types of experiences for their audiences.” Demand for rich digital media will continue to grow due to the following factors:

- **Continued consumer demand.** “At the root, consumers and users want to be entertained or have something that’s useful. If you do either of those two, you have their eyes and ears. Consumers compare an experience online to a game they just played on PlayStation 3, and everyone holds web experiences to the highest standard because they compare the Web with TV, film, and games,” summarizes a Europe-based agency. Consumers’ high standards and future innovations in motion pictures and television will continue to increase consumer expectations of content on the Web and create increasing demand.
- **Opportunities for deeper engagement.** Research for this study undoubtedly concludes that rich digital media drives higher engagement online, and agencies are embracing the technology as a direct result. Nonlinear storytelling, game-like mechanics, personalization, and shareability across a consumer’s social graph help advertisers break through the clutter and drive powerful experiences online.
- **More in-market competition.** The majority of rich digital media was once exclusively produced by specialty agencies. Today, more in-market competition is increasing, as more agencies invest in their own capabilities to meet demand from consumers, gain a competitive advantage, and obtain inherent business benefits.
- **More talent.** More design schools are providing access to new technologies and are teaching more courses in rich digital media. While agencies continue to invest in training their existing teams, young talent is

entering the market with more advanced skill sets to hit the ground running and make more immediate contributions.

- **Proliferation of devices that creates additional opportunities.** Smartphone and tablet adoption creates new opportunities for advertisers to reach consumers with rich digital media. With technology iterating and innovating so rapidly, processing power will increase and allow advertisers to continue to push the envelope as broadband becomes ubiquitous.

## KEY RECOMMENDATIONS

Rich digital media is not just a trend; it's the future of advertising. Agencies leveraging innovative design tools and technology have proven their effectiveness in driving higher engagement online in a cluttered web environment. Consumers will continue to demand immersive and engaging content online, while agencies will become more proficient in the technology. Advertising agencies seeking to capitalize — or expand — on the rich digital media opportunity should follow these recommendations based on the data from this study:

- **Empower your employees to test, learn, and stay ahead of the curve.** An agency we interviewed invests greatly in empowering its employees by giving them a budget every quarter to acquire and test new technologies. In addition, they are encouraged to attend industry events and spend time researching new trends and exploring new ideas. Learnings are shared weekly at team meetings. By empowering your employees to test and learn, they help keep your agency on top of emerging technologies and ahead of competitors.
- **Invest in research and development.** Agencies that invest in research and development have two major advantages: 1) educating clients and prospects on new technologies, and 2) *showing* their ideas instead of *telling* them in pitches and presentations. Offering tangible examples that advertisers can explore, test, and play with on their own helps showcase the power of the technology and the engagement it can drive for the brand.
- **Leverage rich digital media to solve a business objective.** By understanding the technology, agencies will know how to deploy rich digital media to solve a client problem. Whether it's raising brand awareness, getting consumers to engage with products more online, or lowering bounce rates on a website, make sure you begin by addressing the objectives of the work before diving right in.
- **Create value, and consumers will share it with their social graph.** Rich digital media can be a great social media driver and tool. Agencies that create brand experiences that are customizable, personal, and easy to share have the ability to generate conversations on the social Web that can go viral.



## Appendix A: Endnotes

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<sup>1</sup> By 2016, US advertisers will spend \$77 billion on email, display, mobile, search, and social to try to engage consumers online. Source: "US Interactive Marketing Forecast, 2011 To 2016," Forrester Research, Inc., August 24, 2011.

<sup>2</sup> More than half of the 177 million US adults who are online have two or more different types of devices connected to the Internet, and one-third have at least four. Source: "Welcome To The Multidevice, Multiconnection World," Forrester Research, Inc., January 25, 2011.

<sup>3</sup> More than 340 million people play social games monthly. Source: Appdata (<http://www.appdata.com/>).

<sup>4</sup> Source: Bradley Johnson, "Agency Report: US Agency Revenue Jumped 7.7% in 2010," *Advertising Age*, April 25, 2011.

## Appendix B: Methodology

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To prepare for this study, Forrester conducted phone interviews with executives at 12 leading digital agencies. The interviews covered each company's use of rich digital media, the challenges and benefits companies were experiencing from using it to address client needs, and what the executives thought the future of the rich digital media landscape looked like. Respondents were from the US, UK and Sweden. The study began in July 2011 and completed in October, 2011.