THE B2B BAROMETER

Report 4.
March 2011

IN CONJUNCTION WITH

Contents

1.	**Introduction**	4
2.	**Executive summary**	5
3.	**Budgets and economic confidence**	8
3.1.	**Economic confidence**	8
3.2.	**Agency performance**	9
3.3.	**Client-side marketing budgets**	14
4.	**B2B trends and issues**	19
4.1	**Trends and priorities overview**	19
4.2	**High priorities**	21
4.3	**Social media**	24
5	**Appendix**	28
5.1	**Profile of client-side respondents**	28
5.2	**Profile of marketing agency respondents**	29

1. Introduction

How confident are B2B marketers about the business climate? Are marketing budgets up or down and to what degree? What are seen to be the key trends in B2B marketing at present?

Studies of B2B marketing seem to emerge and disappear without trace on an almost daily basis. The quality and relevance of such research projects are laid bare by their longevity, or lack of it.

In this Darwinian environment where only the fittest survive, the B2B Barometer, now in its fourth wave, provides further proof that evolution works.

The B2B Barometer is the 'state of the nation' study for B2B marketers. It aims to provide an up-to-date and definitive assessment of key issues and trends in the industry.

The following pages contain the latest findings from Wave 4 of the B2B Barometer. 200 interviews were conducted in total, 108 with client-side B2B marketing professionals, and 92 with B2B marketing agencies.

This report looks not only at current issues, but also uses two years' worth of data to look at what has changed in B2B marketing since our benchmark wave in April 2009.

Participants in this wave's research were entered into a prize draw to win one of three tickets to the IDM B2B Conference on 18th May 2011. The winners will be announced in the coming weeks. For more information on the IDM conference, visit: www.the.idm.com/b2bconference

As before, the B2B Barometer has been prepared by Circle Research, the Institute of Direct Marketing (IDM) and the Association of B2B Agencies (ABBA). Our thanks to everyone who supported the research by taking part.

We hope you enjoy the report.

2. Executive summary

Marketing spend shifts from DM to trade shows, social media

Four marketing channels are expected to take 53% of client-side B2B marketing spend over the next 12 months: trade shows, online advertising, website development and email marketing.

Traditional marketing channels (direct mail, trade shows, print and PR) have experienced a fall in share of marketing spend, to 43% from 47% in April 2009.

Meanwhile digital marketing channels (online advertising, website development, email marketing and social media) have gained a greater share of marketing budgets, to 41% from 39% in April 2009.

Amongst these channels, there has been one big loser. Direct mail's share of B2B marketing budget has fallen from 16% to 9% in two years. The channels to gain from this shortfall of 7% have been social media (2% to 5%) and trade shows (14% to 17%).

While social media's greater share of budget seems due to a strategic shift in marketing priorities, it remains to be seen whether the changes in direct mail and trade shows' share of marketing spend are short or long-term.

Social media strategy not just seen as relevant, but employed too

In June 2010, 71% of respondents stated that they believe social media is of some relevance to B2B organisations. Over half (53%) believed that social media is of some relevance to their organisation.

But while social media has been seen as relevant in previous reports, development of an actual social media strategy has never been widespread. In June 2010, only 28% of client-side marketers said their organisation had a social media strategy.

In January 2011, respondents not only saw social media as relevant to B2B organisations (79%) and to their own organisations (73%), but also reported that their organisation had actually put in place a social media strategy. This wave, the number of organisations with a social media strategy more than doubled from 28% to 64%.

But it is worth noting some possible points of caution about the social media phenomenon. 71% of client-side marketers do not see developing a social media strategy as a high priority over the next 12 months.

This may be because so many organisations already have one at this point. But evidence of social media fatigue amongst B2B marketing agencies indicates that social media is not seen by all as a panacea.

Confidence and agency performance increasingly aligned

In previous reports, it has seemed that agencies were confident about their situation regardless of their performance.

In November 2009, 79% of marketers expressed confidence about their organisation's outlook for the next 12 months when it seemed that only a minority had grounds for optimism:

- 34% reported rising revenues over the previous 12 months
- 36% reported greater enquiries over the previous six months
- 31% reported a greater quality of enquiry.

12 months later, 57% of agencies are reporting greater revenues, a positive development. Similarly, two thirds of agencies (67%) report an increase in enquiries over the past six months, while over half (51%) report that the quality of enquiries has improved.

All indicators point to a good first half to the year for B2B marketing agencies. It's interesting to contrast these results with those of June 2010, when agencies reported a higher quantity of enquiries, but a lower quality. In hindsight, clients were testing the waters in the first half of 2010. It now appears that they have taken the plunge.

It's great to see that social media is taking it's rightful place in helping customers talk to each other and to suppliers. I tell my marketing students that they can be increasingly confident of STARTING with the picture as presented by social media and supplementing it by more formal research, rather than the other way round.

It's interesting to see the decline of mail as a marketing medium, Of course, remembering that in consumer markets the resulting slack has been taken up - at least partly - by the use of mail as a delivery medium for Internet purchases, the same is taking place in B2B, particularly for purchases by smaller businesses.

With B2B marketing recovering, we know the B2B sector is leading the recovery of the economy, as it always does. Let us hope that our smaller businesses, who are critical for the B2B economy, will not find their demand for finance unmet by the big banks.

Professor Merlin Stone
Head of Research, The Customer Framework

3. Budgets and economic confidence

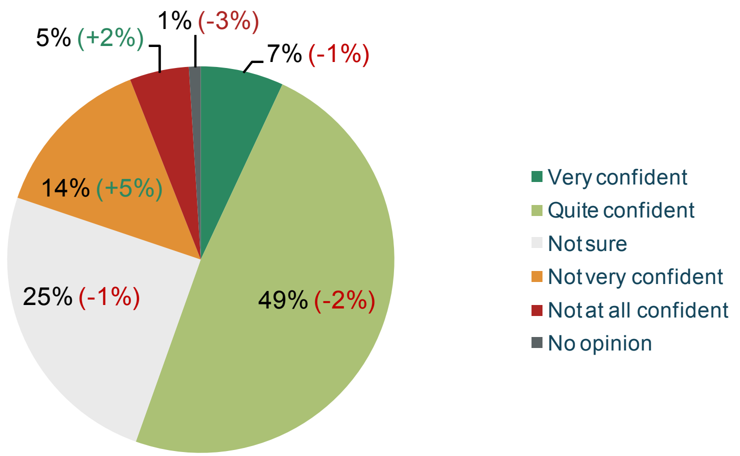
- **B2B marketers broadly positive about business climate**
- **Trade shows to take greater share of marketing spend in 2011**
- **Agency performance measures indicate strong Q1, Q2 likely**

3.1. Economic confidence

The first three waves of the B2B Barometer have tracked B2B marketers' 18-month journey from recessionary mild pessimism to post-recessionary mild optimism.

What has been clear throughout has been that B2B marketers are a resilient breed. Each wave has seen a majority of B2B marketers express confidence about their prospects, regardless of the performance of the wider economy, or even their own organisation. In Q1 2011 confidence remains as high as ever.

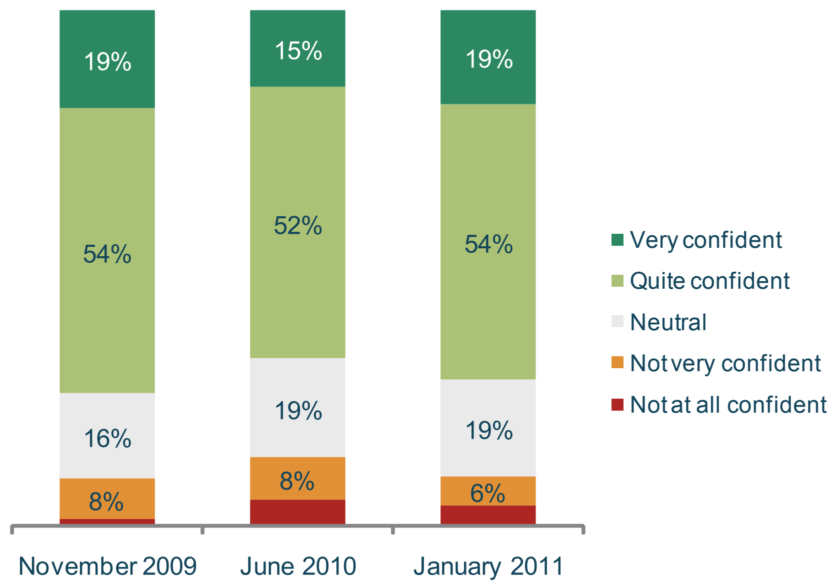
When the pulse of B2B marketers was last taken six months ago, marketers were quite confident about the new government.



Both client and agency opinion. Base: 200. Figure in brackets denotes change from Wave 3

Six months on, after an emergency budget and the October spending review, the government's plans for the economy are easier to anticipate than in June 2010. Regardless, the needle has barely moved. Most B2B marketers, whether client or agency side, are pretty confident that the economy is in good hands.

Similarly, clients and agencies are for the most part quite confident of their own outlooks for the next 12 months. Confidence is slightly higher than in June 2010, but around the same level as in November 2009.



Both client and agency opinion. Base: 200.

With agencies and clients both bullish about their prospects for 2011, it's interesting to look at each in turn to see how experiences differ.

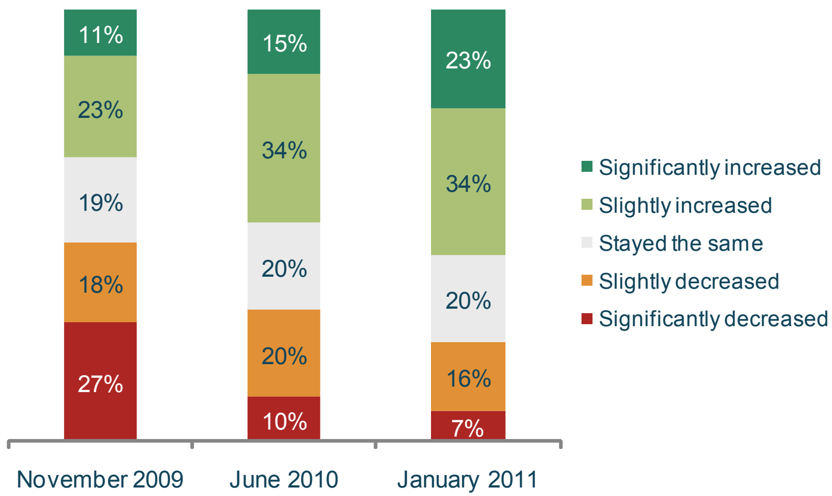
3.2. Agency performance

2010 was kind to most B2B marketing agencies, with three measures of agency performance trending in the right direction: the number of enquiries, the quality of these enquiries, and agency's subsequent revenue.

57% of agencies interviewed experienced greater revenues in 2010. In the six months from Wave 3 to Wave 4, there was an increase of 8% in the number of agencies reporting greater revenues.

Indeed, there are now 24% more agencies reporting greater revenues in the past year compared to agencies' benchmark wave in November 2009. It is clear that agencies have pulled themselves out of the mire after a rough 2009.

To what extent has your organisation's revenue changed over the past 12 months?



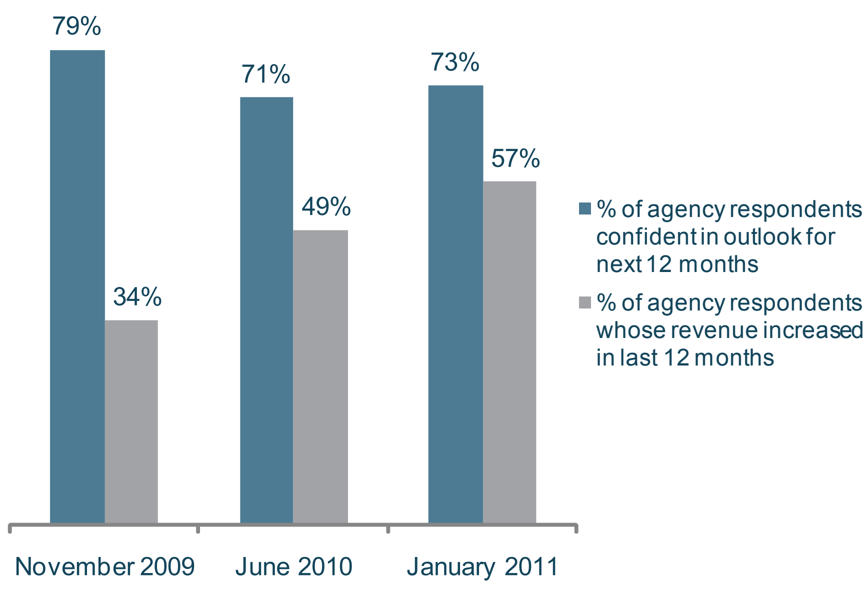
Base: 92 B2B marketing agency respondents

Each wave, agencies have been asked about their performance in the last 12 months, and their confidence for the next 12 months. Each wave, agency's confidence has been high regardless of performance.

Indeed in November 2009, while only 34% reported rising revenues, 79% were confident about their future performance. The convergence of agencies' actual performance and their confidence for their future shows agencies' optimism is increased backed by the reality on the ground.

Wave 4 saw greater realism than ever before, as agency confidence in the future is now matched by agency performance over the past 12 months.

Confidence versus performance amongst agencies



Base: 92 B2B marketing agency respondents

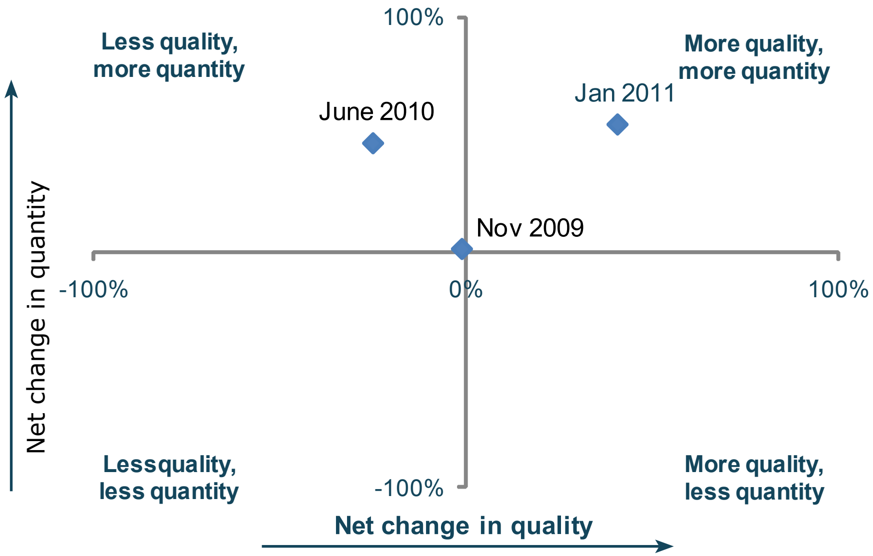
That more agencies are reporting higher revenues should not be a surprise when looking at the recent trends for questions about the quality and quantity of enquiries received.

In November 2009, some agencies reported an increase in the quality and quantity of enquiries over the previous six months. Yet just as many reported a decrease.

In June 2010, there was a large net increase in agencies reporting more enquiries. Strangely there was a net decrease in agencies reporting a higher quality of enquiry.

In hindsight, this result was not 'strange' at all. Instead it was a signal that clients were dipping their toes in the water, but were not quite ready to take the plunge. Turning to Wave 4 it appears that in the second half of 2010, clients were no longer just testing the water with their enquiries.

Quantity versus quality of enquiries



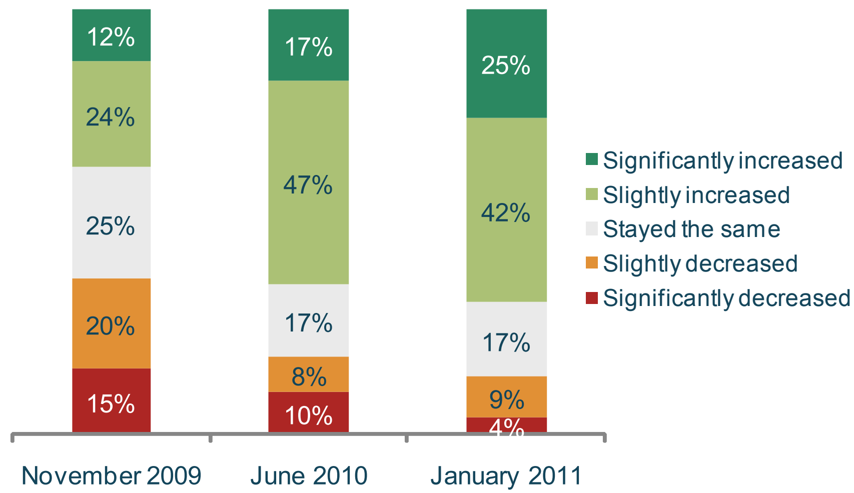
Base: 92 B2B marketing agency respondents

In January 2011, two thirds (67%) of agencies report a greater number of enquiries in the past six months, an increase of 3% from June 2010.

The crucial indicator is the rise in the quality of enquiries, as over half (51%) of agencies report that enquiries have improved in quality over the past six months (an increase of 17%). Only 10% report that the quality of enquiries has worsened, a fall of 49% from June 2010.

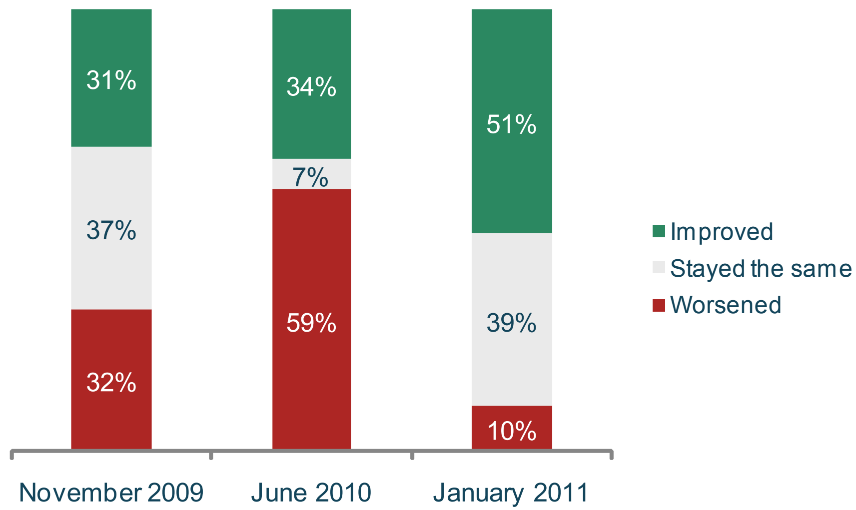
With the quantity and quality of enquiries on the rise over the past six months, the majority of agencies can expect to have a strong performance in the first half of 2011.

In the past six months, would you say the number of enquiries you have received has...?



Base: 92 B2B marketing agency respondents

And now thinking about the quality of these enquiries, would you say they have...?



Base: 92 B2B marketing agency respondents

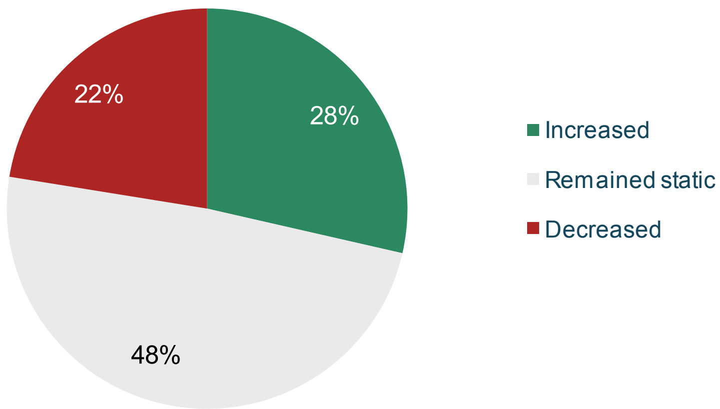
3.3. Client-side marketing budgets

Economic uncertainty leads to smaller budgets. Smaller budgets lead to pressure to use more cost-effective marketing channels. During the recent economic uncertainty, client-side marketers might understandably have made short-term budgeting decisions, allocating budgets to perceived 'safe' or 'cheap' marketing channels.

Yet previous waves of the Barometer have shown that budget allocation has remained largely static over the past two years. Only three channels (social media, trade shows and direct mail) show any great change in budget allocation over this period. Even then, it would appear that greater spending on social media may be part of a strategic shift, not a result of short-term thinking.

The organisations which B2B client-side marketers work for have had a mixed year. 28% have seen their organisation's overall budgets rise, but almost as many (22%) have seen them fall.

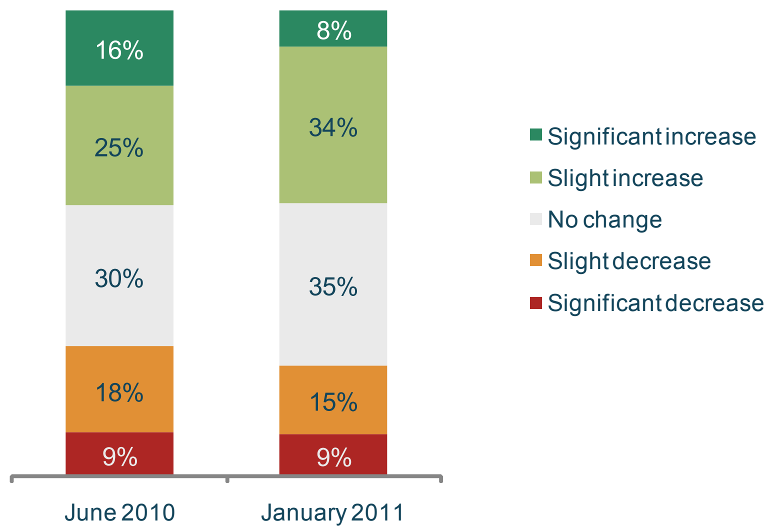
Thinking about your organisation's budgets, in overall terms how, if at all, would you say they have changed in the past 12 months?



Base: 108 B2B client-side respondents

This mixed picture is repeated when considering B2B marketing budgets for the next 12 months. 69% of client-side marketers expected their budgets to stay the same or increase slightly. Only 8% of B2B marketers expected to see a significant increase in marketing budget, half the level of June 2010.

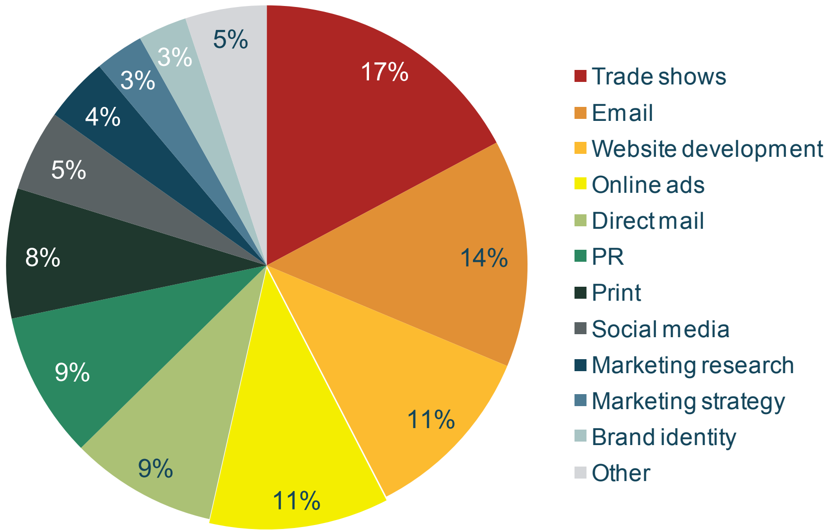
Compared to the previous 12 months, does your organisation's B2B marketing budget for the next 12 months represent an increase or a decrease?



Base: 108 B2B client-side respondents

Looking at how marketing budgets can expect to be allocated in the next 12 months, four channels are expected to take over half (53%) of spend: trade shows, email marketing, online advertising and website development. When direct mail, PR and print advertising are factored in, seven channels are expected to take 79% of B2B marketing spend.

Over the next 12 months, what proportion of this B2B marketing budget do you expect to be allocated to these areas?



Base: 108 B2B client-side respondents

The fragmentation of marketing makes the task of marketers even more difficult as they seek create the right balance. In research carried out by Pitney Bowes last year 51% of European companies said that they had encountered difficulties in reaching new prospects as a result of media fragmentation.

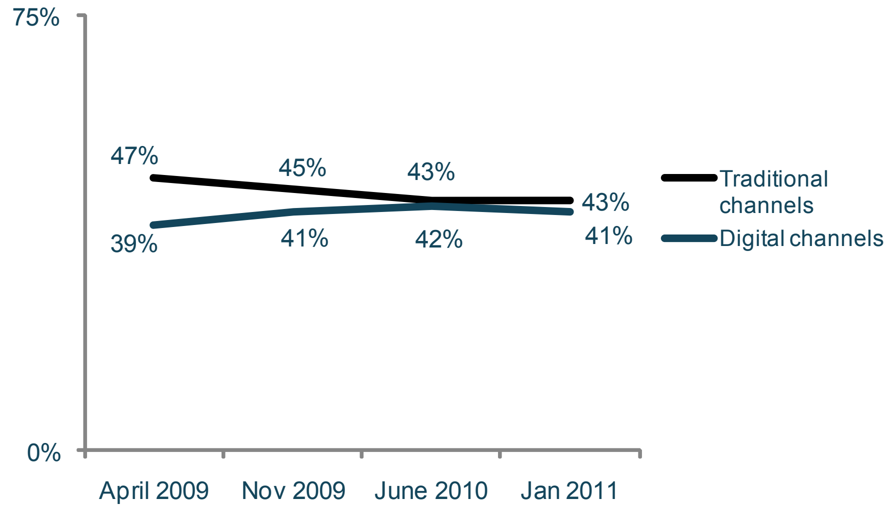
Consumers are now more in control of which marketing messages reach them than ever before. It is easy to ignore, delete or throw away inaccurate or unattractive marketing messages. For those companies that do get their marketing wrong alternative suppliers are simply a mouse-click or a text message away. Consequently, whilst an integrated approach to marketing is essential, marketers should bear in mind the importance of having the infrastructure in place to successfully amalgamate customer information produced by multi-channel campaigns.

Carol A. Wright
Marketing Services Manager - Pitney Bowes Ltd

Tracking B2B marketing budget allocation since April 2009 shows some interesting trends. Since the benchmark wave, digital marketing channels have increased their share of spend, but only incrementally (from 39% to 41%).

This rise has been at the expense of a fall in the share of more traditional B2B marketing channels. The combined marketing budget share of trade shows, direct mail, PR and print advertising has fallen since April 2009 from 47% to 43%.

The rise in spend on digital marketing channels and fall in spend on traditional marketing channels has tapered off over the past six months after showing a solid trend over the previous 18 months.



Base: 108 B2B client-side respondents

Marketers are sharing their budget across an ever increasing range of communication channels. Whilst companies may wish to commit budget to new digital channels because they are fresh, exciting, and popular with consumers, a multichannel approach to marketing is essential. In addition, marketers are under increased pressure to generate ROI and traditional channels such as direct mail have proven success.

Digital and traditional marketing channels are also proven to mutually reinforce each other. In research carried out by Pitney Bowes in 2009 62% of European consumers said that direct mail and direct response advertising were the most effective techniques to make them visit a companies website for the first time and consider a purchase. Further research by Pitney Bowes shows that 58% of European companies are actively investing in work to understand better how different media work together to generate a response from a prospect. The results of this work is certain to influence the allocation of marketing spend.

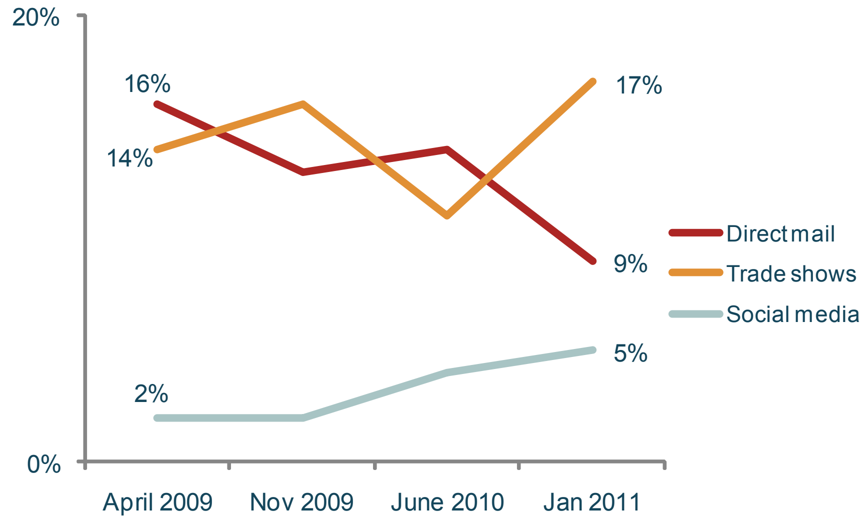
Carol A. Wright
Marketing Services Manager - Pitney Bowes Ltd

Drilling down further reveals that most channels have seen little change in their share of B2B marketing budget since April 2009. The convergence between traditional and digital channels' share of marketing budget is driven by trends in three channels.

Client-side marketers expect to allocated on average 9% of their B2B marketing budget for the next 12 months on direct mail. This allocation has fallen from 16% in April 2009. This fall of 7% has been distributed between two channels, one traditional (trade shows) and one digital (social media).

The rise of digital marketing channels' share since April 2009 was mostly driven by increased spending on social media. Over that period, social media increased its share of B2B marketing spend from 2% to 5%. An impressive rise, but social media remains a relatively minor channel.

There certainly appears to be a trend towards spending more on social media. It is not quite clear yet that the same is true for trade shows. Trade shows' allocation of B2B marketing budget has increased from 14% to 17% since April 2009. Given the volatility of this figure over the past four waves, it may be that this increase is short-term, and that a medium-term strategic shift has not taken place.



Base: 108 B2B client-side respondents

4. B2B trends and issues

- **Clients see brand awareness and digital channels as best way to achieve marketing priorities**
- **Social media strategy put in place by even more client-side marketers – other marketing priorities dominate in near future**
- **Agencies still consumed by debate over social media's potential and its drawbacks**

4.1. Trends and priorities overview

Client-side marketers were asked to spontaneously nominate the three highest B2B marketing priorities for their organisation. Unsurprisingly, the customer was foremost in the B2B marketing mind. In fact, 70% of client-side marketers cited 'the customer' as one of their highest marketing priorities. In particular:

- **Attracting new customers:** generating good quality leads; converting existing prospects; segmenting market and targeting communications
- **Retaining existing customers:** building loyalty and reducing churn; engaging with existing clients; up-selling and cross-selling; focussing on customer needs; building customer advocacy

If customers and marketer share are the ultimate priorities, what do client-side marketers believe are the means to achieve these goals?

- **Digital** (mentioned by 35% of respondents): building online presence to drive online revenue; using content to boost SEO; using cost effective channels to extend a limited budget; cutting through the digital noise
- **Brand** (30%): increasing brand awareness and affinity; developing brand perceptions; ensuring a consistent brand message is communicated
- **Segmentation and targeting** (15%): developing a deeper understanding of motives for buying etc, in order to segment the market/ database; using segmentation model to better target marketing at niche audiences

Other frequently mentioned marketing priorities: **measuring return on investment** (13%); **getting better quality data and using it more effectively** (12%); **marketing automation** (8%).

B2B marketing agencies were asked for the three most important trends in B2B marketing at present. Many agencies were preoccupied with the same issues as client-side marketers:

- **Lead generation** (mentioned by 25% of respondents)
- **Measuring return on investment** (20%)
- **Segmentation and targeting** (11%)
- **Better quality data** (11%).

Two trends in particular stand out as most important to agencies. One third (33%) of agency respondents mentioned **cost pressures caused by economic factors**. There has been a drive for more value for money, and some agencies noted that price was driving prices more. The result is a move to more cost-effective marketing channels.

The trend cited most often by agencies as one of the most important in marketing was **digital** (60% of respondents). Specifically, **social media** dominates agency debate, a key trend for 42% of respondents.

But with the increasing adoption and importance of digital channels, some are taking a more critical look at digital:

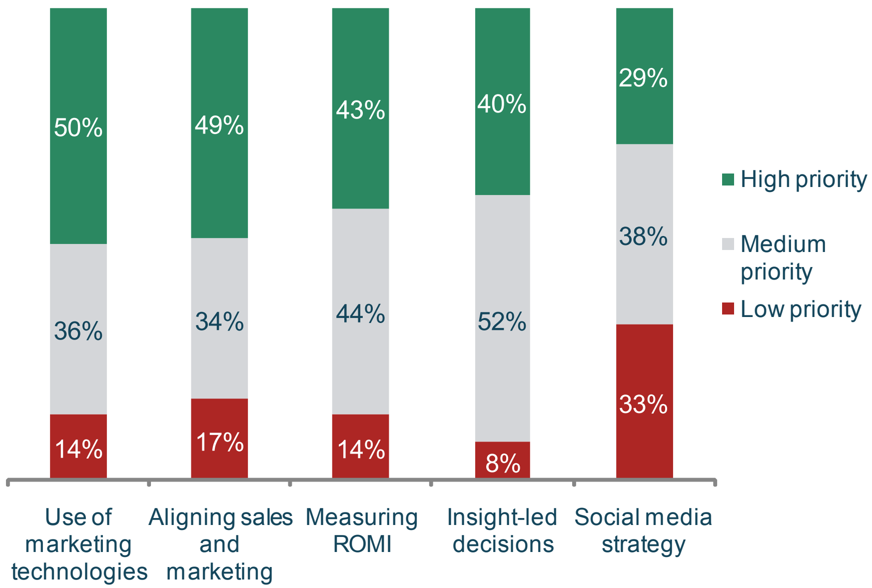
- Can social networks even be employed to drive more revenue?
- Is digital even relevant in B2B, especially given the banality of most discussion? What is its proper place?
- Is there a substitute for real personal engagement?
- Is it incorrectly seen as a magic pill for cost effective marketing?

Looking even further ahead on the digital horizon, 6% of respondents saw mobile marketing as one of the most important B2B marketing trends. The growth of the tablet market means that apps and mobile marketing are growing in potential as platforms to communicate.

4.2. High priorities

Client-side marketers were prompted for the level of priority they attached to five separate marketing activities. Despite social media's prominence when marketers spontaneously nominate marketing priorities and trends, it came out as the lowest priority of the five. Before addressing the reasons for this, let's first look at some of the higher priority marketing activities.

Would you describe each of the following as a high, medium or low priority for your organisation at present?



Base: 108 B2B client-side respondents

"I was intrigued by the fact that developing a social media strategy was cited by fewer people as a compelling priority than more operationally focussed topics such as the use of technologies, alignment with sales and return on investment.

On the one hand perhaps this says we've already got our Social Media well under control and so don't need to focus there - however my suspicion is that this tells another story. To me it underlines that as B2B practitioners, our overriding focus is evolving from counting activities to measuring *yield*.

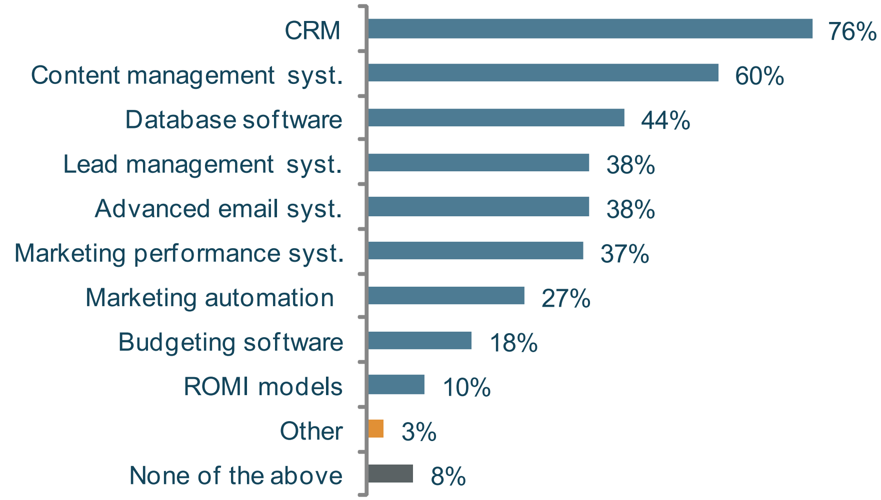
In order to do that we need to better integrate our technologies and align ourselves with our sales colleagues in order to create more business from our marketing spends. That signals an encouraging shift in the maturity of our profession."

Pete Jakob
UK and Ireland Brand Manager - IBM UK and Ireland

Better use of marketing technologies was the highest priority of those prompted. Customer relationship management systems (76% of B2B client-side marketers) and content management systems (60%) are currently the most used marketing technologies.

What is perhaps surprising is that usage of content management systems is only at 60%. This suggests that 40% of client-side marketers either outsource this facility or just don't update their website.

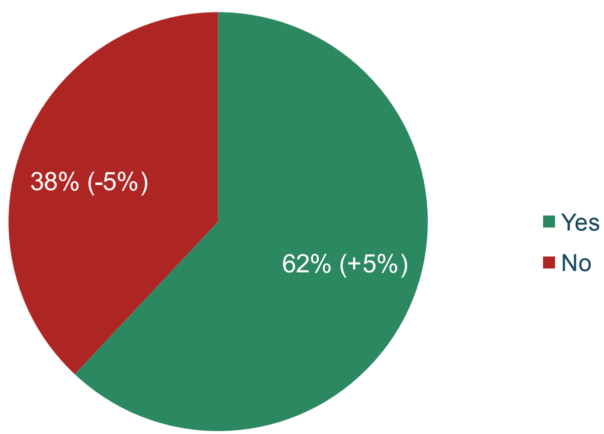
Which, if any, of the following marketing technologies do you currently use?



Base: 108 B2B client-side respondents

Measuring return on marketing investment (ROMI) is also seen as a high priority marketing activity. ROMI models are used by 10% of marketers (see above), but 62% say they measure it. Evidently the vast majority of those measuring ROMI are using informal models.

Does your organisation currently measure ROMI?



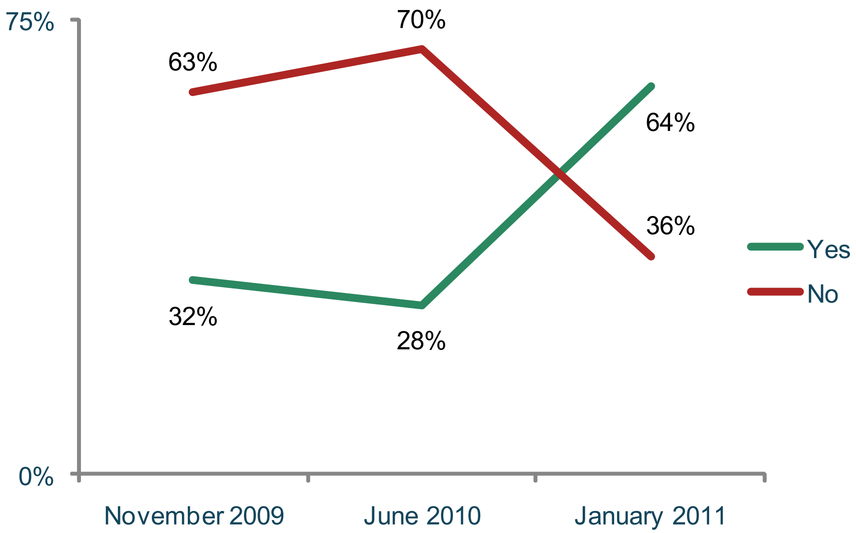
Base: 108 B2B client-side respondents

4.3. Social media

The previous section found that 71% of client-side marketers did not see developing a social media strategy as a high priority marketing activity.

Perhaps this is because many marketers already have a strategy in place. Almost two-thirds of marketers (64%) now have one. Six months ago, only 28% of marketers reported that their organisation had developed a social media strategy.

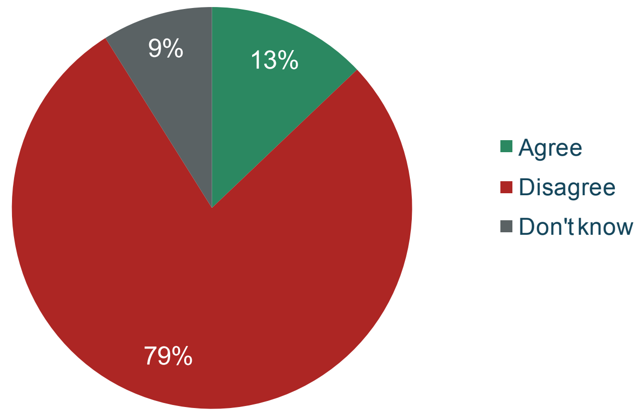
Does you organisation have a social media strategy?



Base: 108 B2B client-side respondents

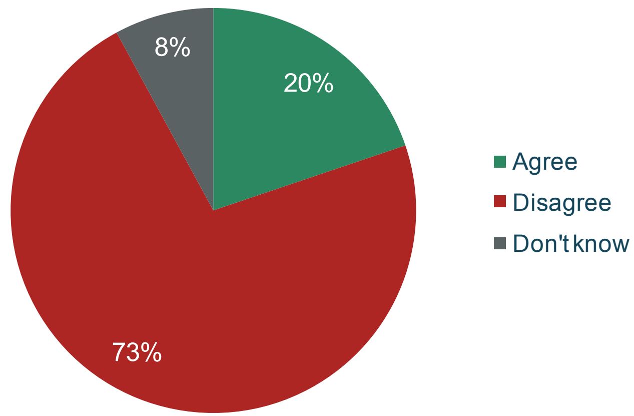
This wave, 79% of respondents felt that social media has some relevance to B2B organisations, and almost as many (73%) felt that social media has some relevance to their organisation.

Would you agree or disagree the social media has little relevance to B2B organisations?



Base: 200. Both agency and client opinion

Would you agree or disagree that social media is of little relevance to *your* organisation?



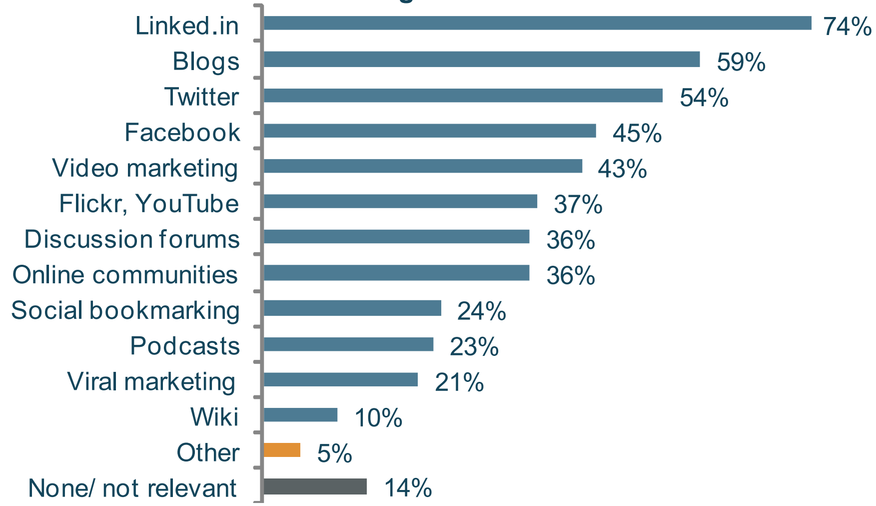
Base: 200. Both agency and client opinion

What is interesting is that the majority of client-side marketers have believed for a while that social media is relevant in B2B, it's taken until the second half of 2010 for the majority to develop strategies to leverage these benefits.

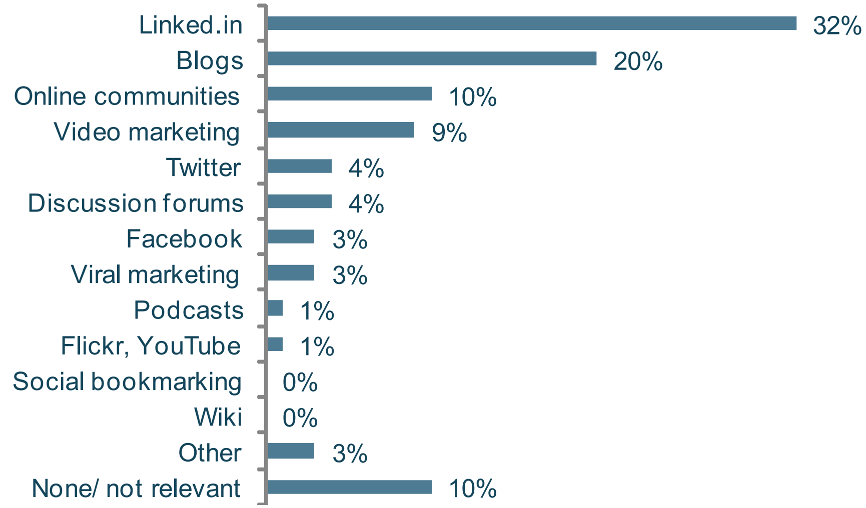
If social media strategies are being increasingly adopted, which social media channels are in a position to capitalise? LinkedIn is the social media channel most used by agencies to help clients engage with their target markets. Similarly, LinkedIn was seen by agency respondents as the social media channel with the most powerful impact in B2B.

Four social media channels are seen as having a powerful impact in B2B: LinkedIn, blogs, online communities and video marketing. While Twitter and Facebook are used frequently by agencies to help clients engage with their target markets, they are not seen as powerful social media channels.

Which of the following social media channels does your organisation use to help clients engage with their target market/s?



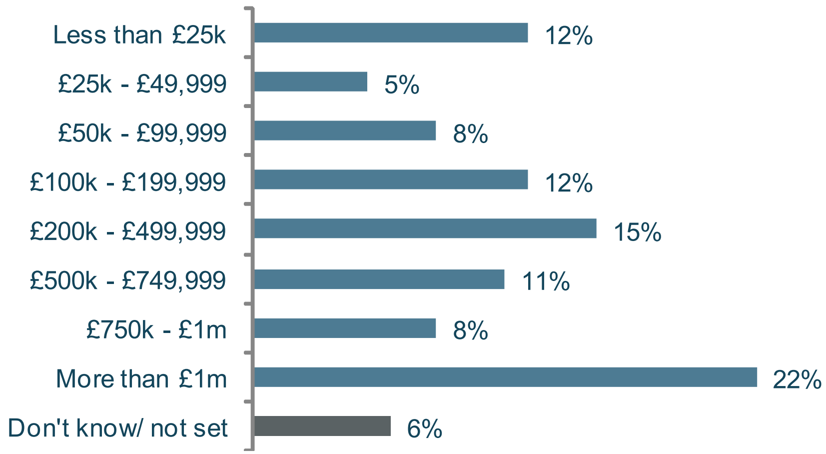
And which one social media channel do you think has the most powerful impact in a B2B setting?



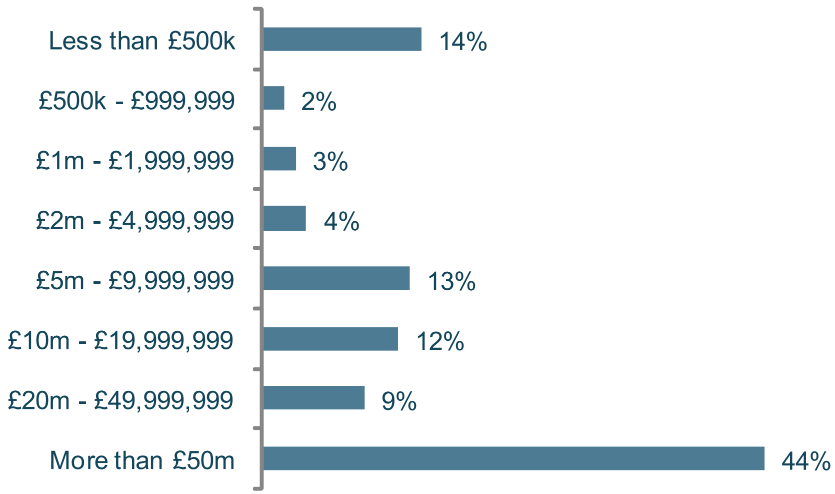
5. Appendix

5.1. Profile of client-side respondents

How much is your organisation likely to spend on B2B marketing activities over the next 12 months?

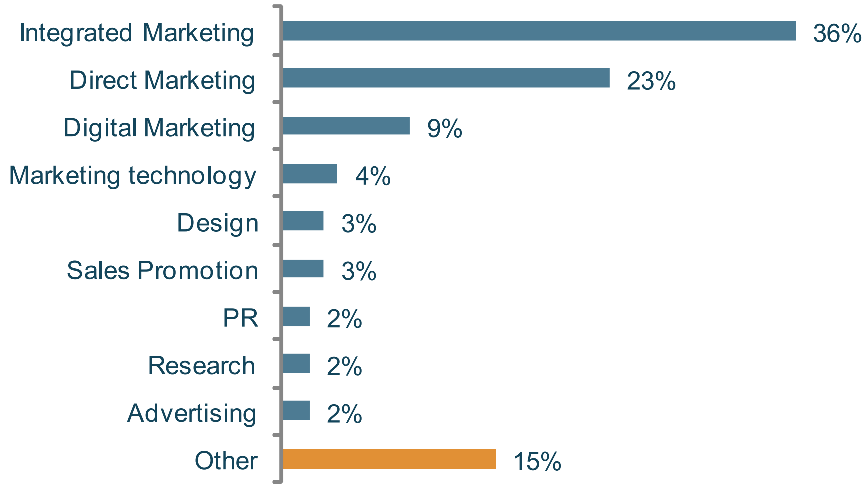


What is your organisation's turnover?

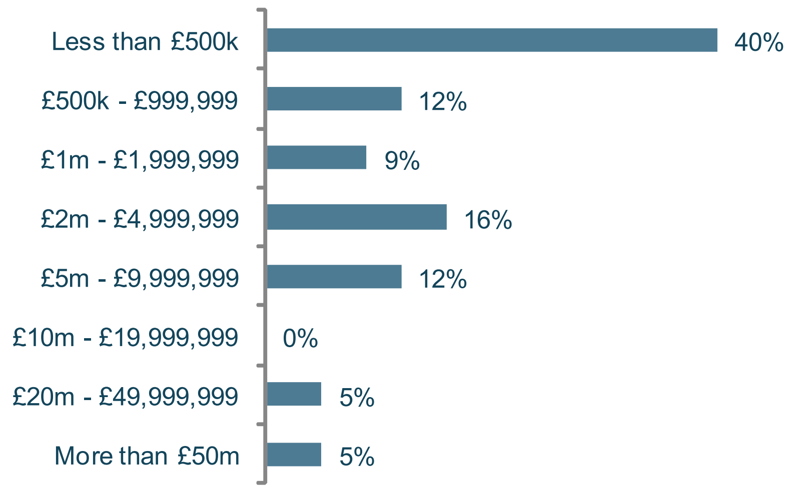


5.2. Profile of marketing agency respondents

Type of marketing agency



Agency turnover



Visit the website for a full update where you can read more about the B2B Barometer and even register for the next wave if you are a company or agency in the qualifying B2B sector.

Further details of the research and the background to the project can be obtained from the following sponsors and contributors:

Andrew Dalglish – Director
Circle Research
71 Hopton Street,
London
SE19LR
T: +44 (0) 20 7960 3802
andrew.dalglish@circle-research.com
www.circle-research.com

Olwyn Bloor – General Secretary
Association of Business to Business Agencies
Clarence Mill,
Clarence Road
Bollington,
Macclesfield,
SK10 5JZ
T: 01625 578511
info@abba.co.uk
www.abba.co.uk

Caroline Robertson F IDM – Membership Director
The Institute of Direct Marketing
1 Park Road,
Teddington,
Middlesex
TW11 0AR
T: +44 (0)20 8977 5705
Caroline.robinson@theidm.com
http://www.theidm.com/