



THE B2B BAROMETER

Report 5.
November 2011



IN CONJUNCTION WITH





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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 fifth 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 5 of the B2B Barometer, which takes the pulse of B2B marketers in Q3 2011. 137 online interviews were conducted in total in July and August, 68 with client-side B2B marketing professionals controlling a total of £27m in B2B marketing budgets, and 69 with B2B marketing agencies.

This report looks not only at current issues, but also analyses over two years' worth of data to look at what has changed in B2B marketing since our benchmark wave in April 2009. The charts and data used throughout this report are available on Slideshare to download and share.

Participants in this wave's research were entered into a prize draw to win one of three tickets to the IDM B2B Conference in May 2012. The winners will be announced in the coming weeks.

The B2B Barometer has been prepared by Circle Research, the Institute of Direct and Digital 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

2.1 B2B agency performance continued upward trend in H1 2011

On the whole, results continue to go in the right direction for B2B marketing agencies:

- 60% of B2B marketing agency respondents reported an increase in their revenues over the past 12 months
- This result continues an upward trend from November 2009, when only 34% reported greater revenues
- Similarly, 55% of agencies report a greater number of enquiries in the past 6 months
- 38% report that the quality of enquiries has improved over the same period.

But there are indications that this upward curve may flatten out in Q4 2011 and Q1 2012.

Agency performance remained positive, but certain measures were not as positive as the last measure in January 2011. For example the number of agencies reporting a lower number of enquiries in the last six months doubled from 13% to 27%.

So what are the expectations for agency performance in the second half of 2011? Broadly positive - don't expect more than 60% of agencies to be reporting greater revenues, but a fall below 50% would be a surprise.

2.2 Online advertising to take smaller budget share in next 12 months

There seems to be one certainty in this sort of marketing 'state of the nation' study. That there will be a graph showing the inexorable rise of social media and/or digital. Certainly this report has reflected these trends over the past couple of years. So it is with some trepidation that this report seems to point to a 'dip in digital'. Over the next 12 months, B2B client-side marketers expect to spend 34% of their B2B marketing budgets on digital channels. This is a pretty large fall from January 2011, when digital channels were expected to take 41% of B2B marketing budgets.

To suggest spending on digital is falling is slightly misleading, however. The fall in digital channels' share of B2B budgets is almost wholly driven by a significant fall in spend on online advertising, from 11% to 6%. Indeed, spend on website development is expected to rise.

Where is this money likely to be re-allocated? B2B client-side marketers suggest that they expect to spend more over the next 12 months on trade shows and CRM/ database management.

Trade shows may not garner as much attention as digital channels, but there are indications of the strong demand that remains for trade shows and exhibitions. Take for example the strong performance of Informa and Emap Connect in the past 12-18 months. For links: <http://tinyurl.com/Barometer1> and <http://tinyurl.com/Barometer2>

2.3 Attitudes and behaviours to sales/ marketing alignment don't match

In the red corner, we have attitudes to sales and marketing alignment:

- For most client-side marketers, sales and marketing mis-alignment means wasted resources: wasted time, wasted budget and wasted leads
- 91% say that alignment is an important priority
- Not only that, even more (95%) say it's a 'realistic' priority

In the blue corner, we have the actual behaviour. 79% of B2B client-side marketers feel their sales and marketing could be better aligned.

Let's look all the way back to November 2009. Back then, 70% of client-side marketers agreed that sales and marketing could be better aligned. Despite the attitude that alignment is necessary and realistic, mis-alignment has – if anything – become more prevalent!

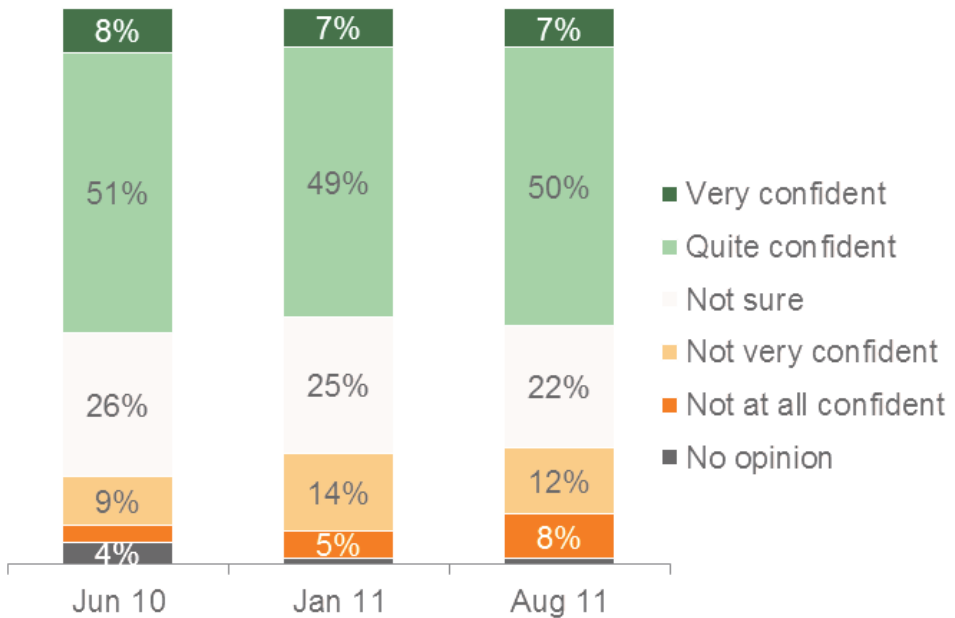
3. Budgets and economic confidence

- Confidence remains high, but may have taken a recent knock
- Agency revenues continued growth in first half of 2011; enquiries to agencies were up on the whole, but not universally
- Client-side marketing budgets expected to increase in 2012

3.1. Economic confidence

It is said that reports like this should start with a big bang, so forgive this report for beginning with a bit of a whimper. On the surface at least. On the surface the percentage of B2B marketers expressing their confidence in the government's competence has stayed remarkably consistent since June 2010. All this despite national austerity budgets and trans-national debt crises in the intervening period.

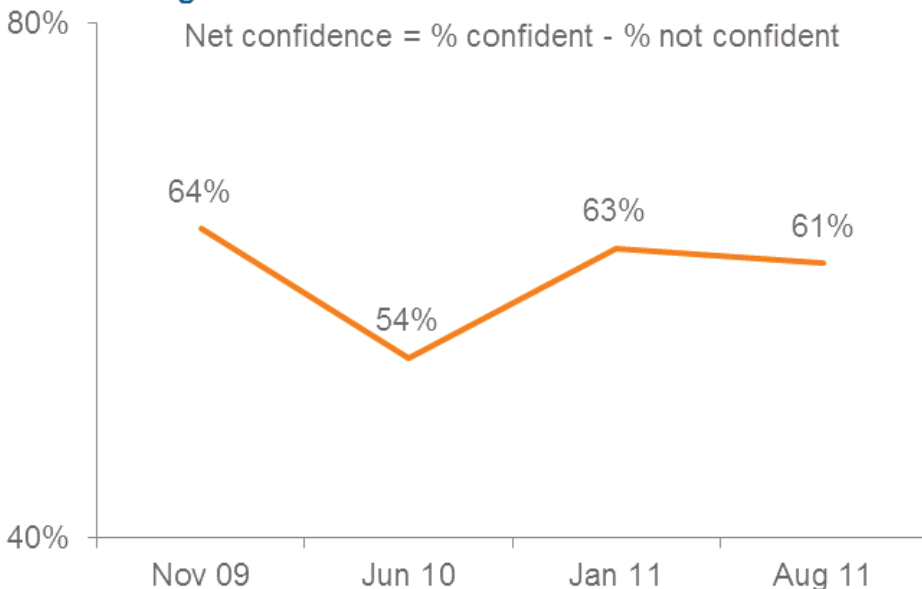
How confident are you in the ability of the current government to effectively manage the UK's economy?



Base: 137 B2B marketers

On the surface, B2B marketers' confidence in their own organisation appears to be similarly strong. Aside from a minor 'blip' in June 2010, net confidence (% of those who are confident - % of those who are not) has hovered above 60%.

How confident are you with your own organisation's outlook for the next 12 months?



Base: 137 B2B marketers

On the surface then, little has changed since our last pulse check in January 2011.

But hold on a minute. On 4th August, in the midst of the interviewing period, stock markets tumbled over fears the Euro debt crisis would spread to Italy and Spain. How could this not have an effect on confidence levels?

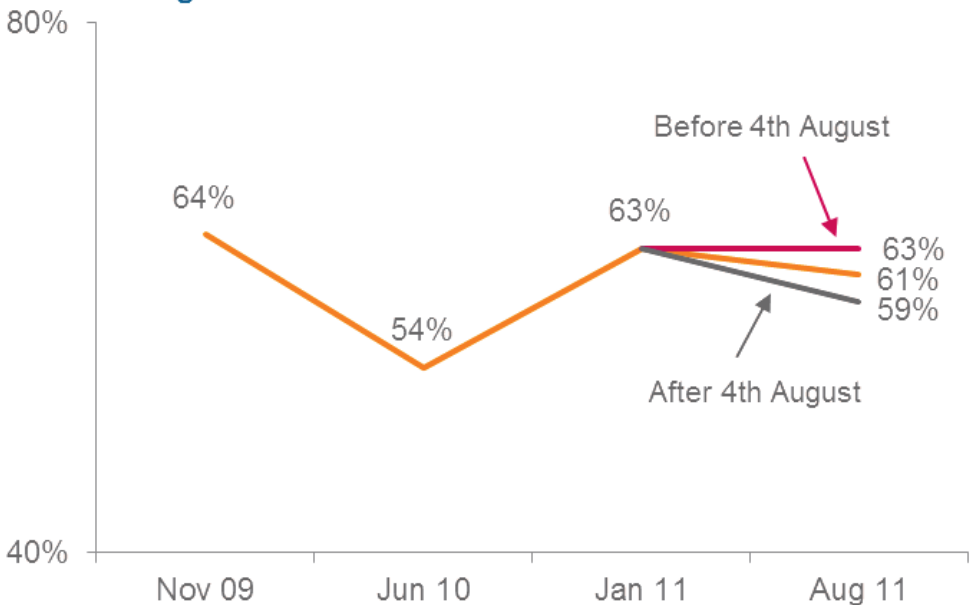
Interestingly (or conveniently, depending on your level of cynicism), half of the interviews were conducted before 4th August, and half after.

So did the stock market tumble affect the seemingly impregnable confidence that most B2B marketers seem to hold?

Yes, to some degree. Before the 4th August, B2B marketers were as confident in their organisation's own outlook as they had been in January (net confidence = 63%). But from the 4th August, net confidence took a hit, falling slightly to 59%.

This fall is less than might have been anticipated. Perhaps this is because the magnitude of the situation had not yet registered with B2B marketers. Perhaps most B2B marketers were right to think there'd be little effect. Or perhaps the effect on confidence was minor and temporary. Time - and wave 6 - will tell.

How confident are you with your own organisation's outlook for the next 12 months?



Base: 137 B2B marketers

Confidence is an excellent measure of short-term sentiment, an instant reaction quote to economic developments if you will. But in an uncertain market, short-term sentiment can be unreliable:

- Confidence can be severely misplaced
- Market conditions can rapidly change

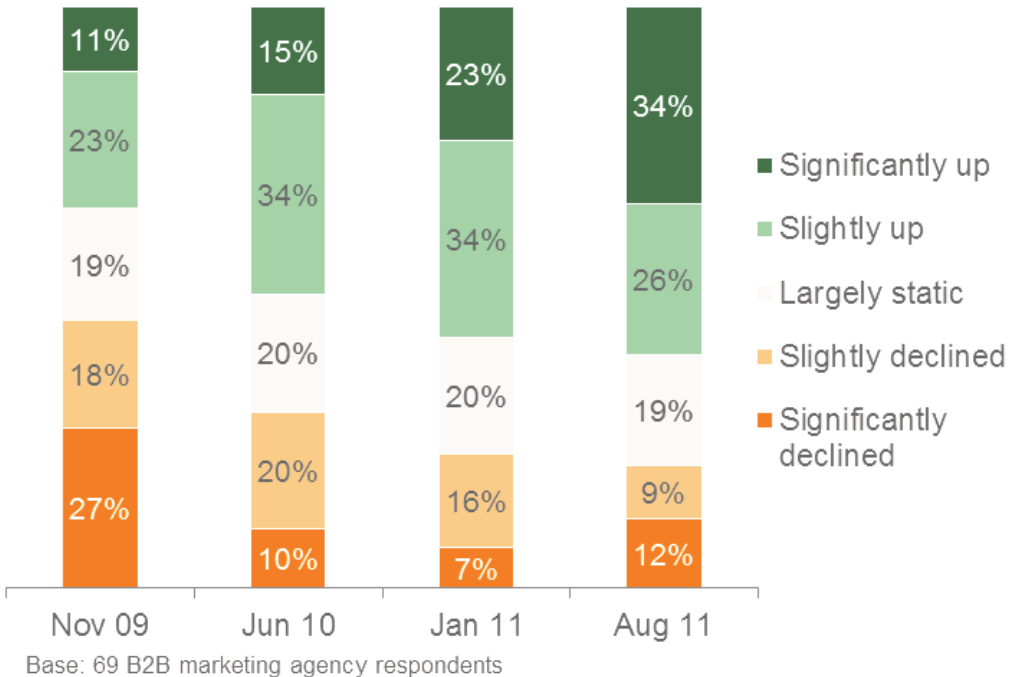
With this in mind, let's turn to more steady ground.

3.2. Agency performance

Past waves of the Barometer have tracked the fortunes of B2B marketing agencies over the past two years. And what a two years it has been.

In November 2009 only a third of agencies (34%) reported an increase in revenues in the previous year. Now that figure is at 60%.

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

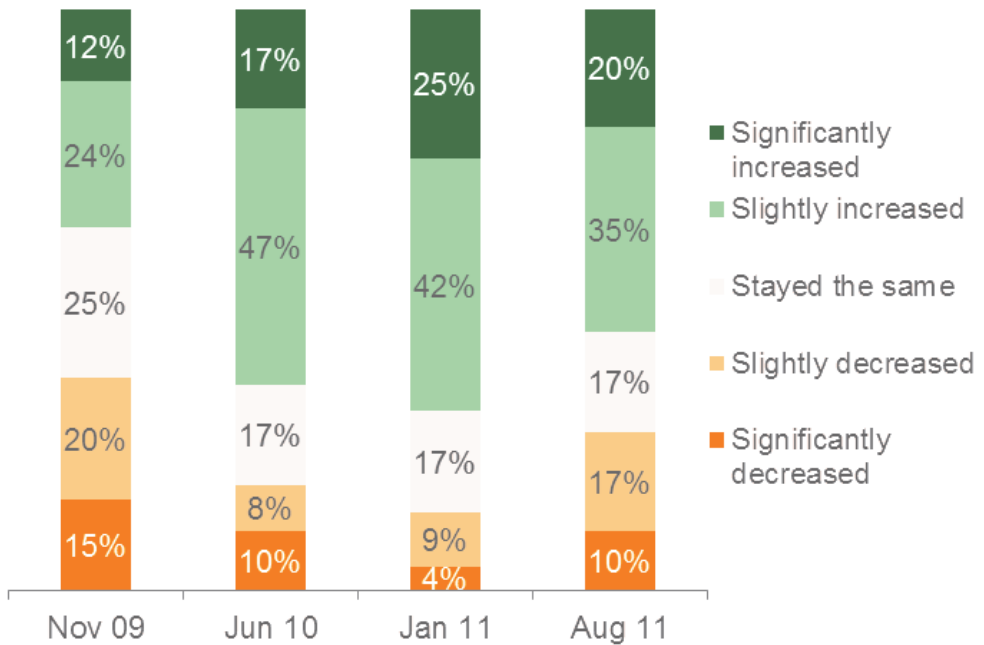


While more agencies than ever are reporting rising revenues, the story is not quite so rosy in terms of enquiries received.

More than half of agencies surveyed (55%) had seen an increase in the number of enquiries received over the past six months. This is positive, but not as positive as in January, when two thirds (67%) reported more.

Indeed the number of agencies reporting fewer enquiries more than doubled from 13% to 27%.

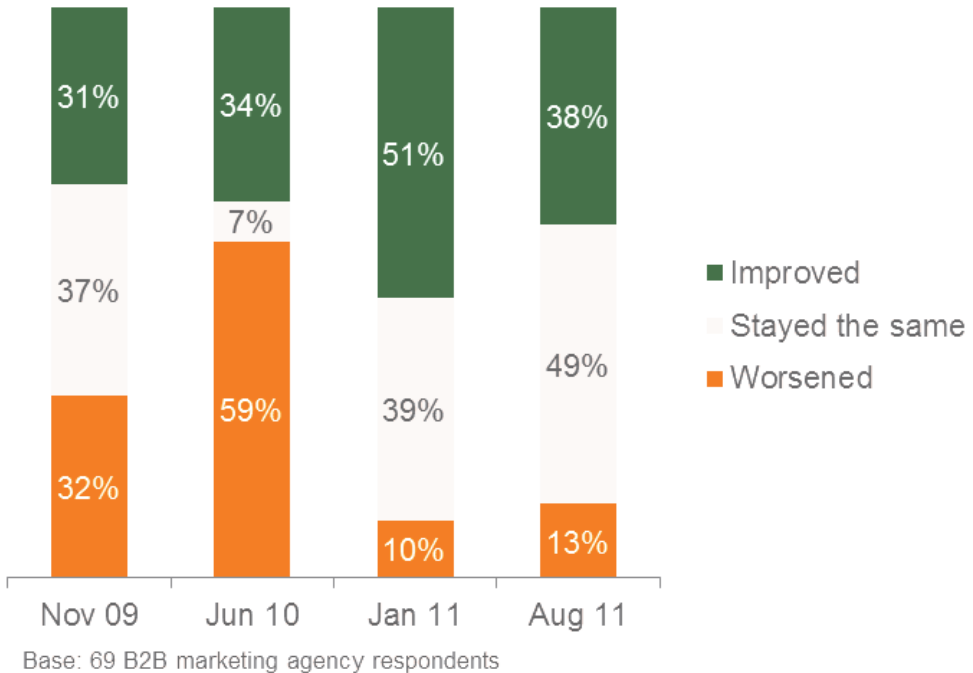
In the past six months, would you say the number of enquiries you have received has...?



Base: 69 B2B marketing agency respondents

It's a similar story in terms of the *quality* of enquiries. Fewer agencies report an increase in the quality of enquiries received in the past six months.

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



Putting the two measures of enquiry quantity and quality together, the picture of the last 6 months for agencies is largely a positive one.

The chart below shows the net quantity and net quality of enquiries. The top-right quadrant shows times when there have been more agencies reporting an increase in the quantity *and* quality of enquiries than there have been agencies reporting a decrease. That is, when net quantity and quality are positive.

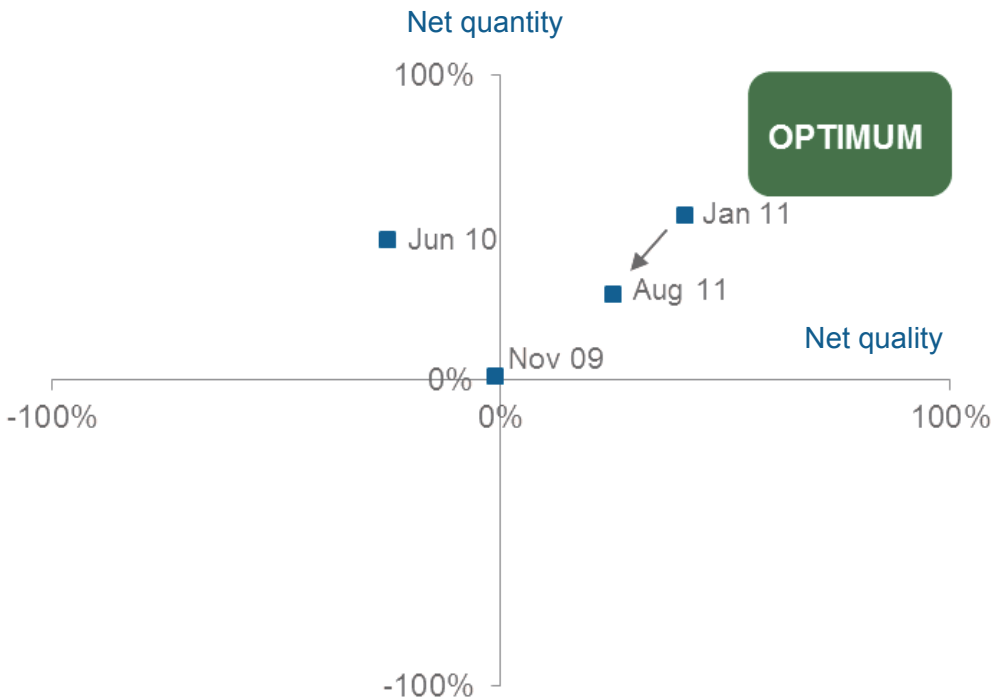
It doesn't matter how many agencies report a decrease in the quantity and quality of enquiries. As long as more report an increase, we can see the past

six months as 'positive'. A little cold and mathematical as an approach? Possibly, but it's a reliable way to judge performance on an aggregate level.

So in June 2010, while net quantity was positive, net quality was negative. With 59% of agencies reporting a fall in the quality of enquiries received, the first half of 2010 couldn't be seen as positive.

Since then, it's been all positive. On the whole, the last six months saw things move in the right direction for agencies. But is this move evidence of a confidence waning from a peak in January?

Net quantity versus net quality of enquiries



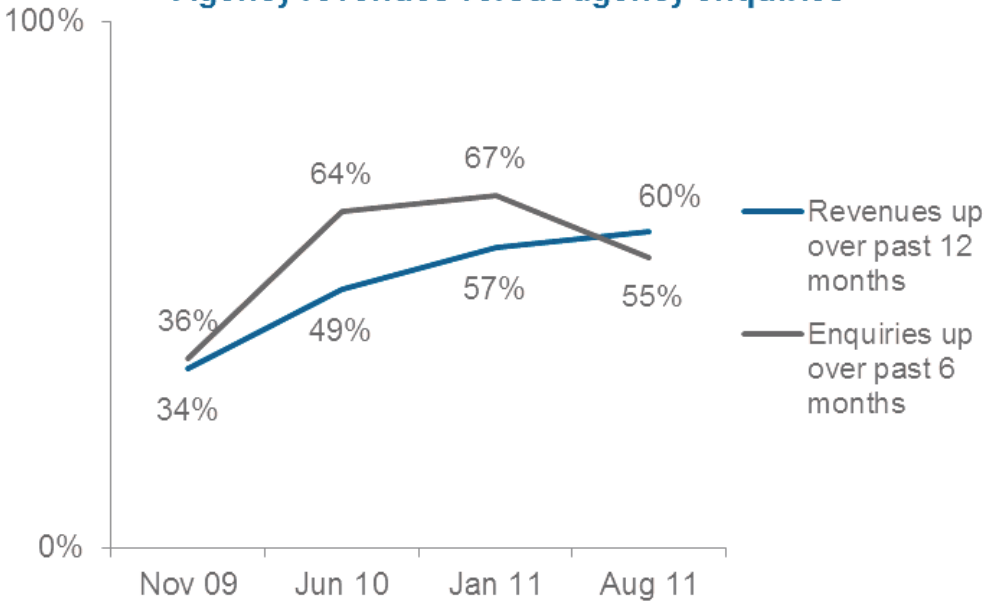
Base: 69 B2B marketing agency respondents

As the percentage of agencies reporting more enquiries has continued to rise over the past couple of years, unsurprisingly so has the percentage of agencies with greater revenues (see below)

With the slight dip in enquiry quality/quantity that has been reported in this wave, it's possible that we may see a knock-on effect, with fewer agencies reporting rising revenues in the next wave.

The effect is likely to be small. It is still likely that more than half of the agencies interviewed in the next wave will report an increase in revenues.

Agency revenues versus agency enquiries

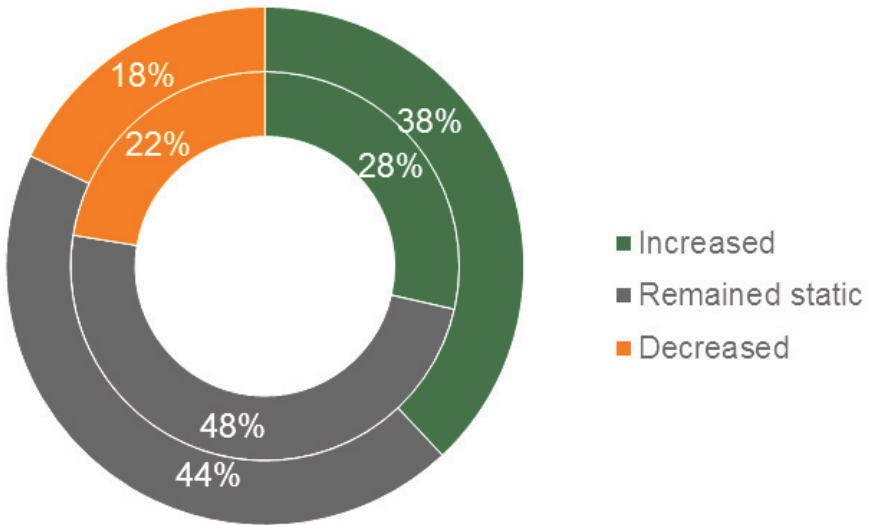


Base: 69 B2B marketing agency respondents

3.3. Client-side marketing budgets

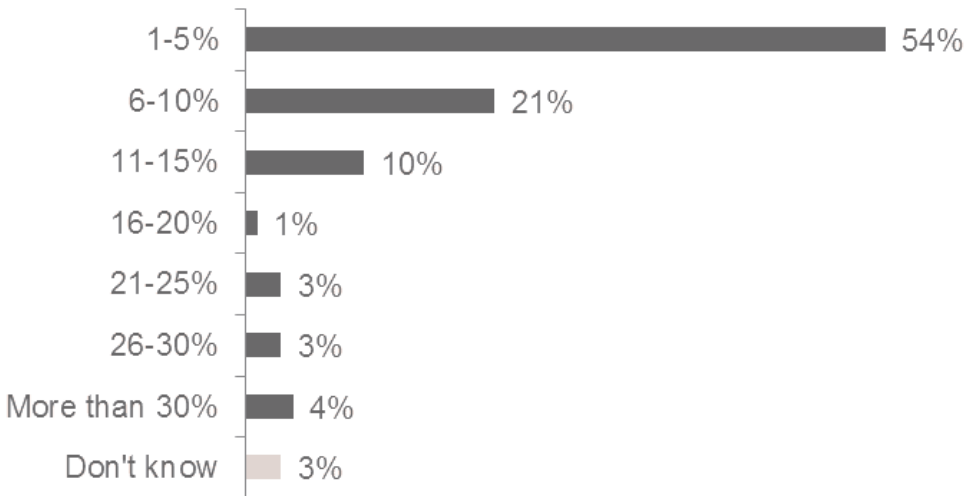
As the agency view suggests, slowly but surely client-side budgets appear to still be moving in the right direction. Yet for the majority of organisations (54%), B2B marketing budgets still represent less than 5% of their organisation's total annual turnover.

How would you say your organisation's budgets have changed in the past 12 months?



Base: 68 B2B client-side marketers

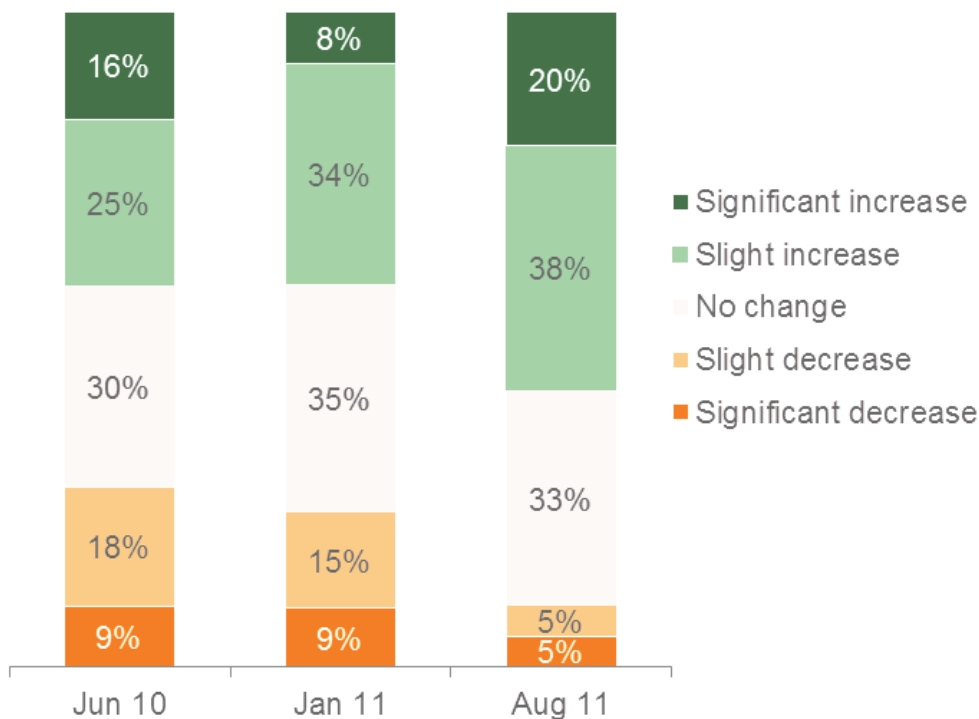
Approximately what percentage of your organisation's total annual turnover do you expect to be spent on B2B marketing over the next 12 months?



Base: 68 B2B client-side marketers

And the changes to overall organisation budgets can be expected to feed into B2B marketing budgets going forward. 58% of B2B client-side marketers expect that their marketing budget for the next 12 months will be higher than the previous year's.

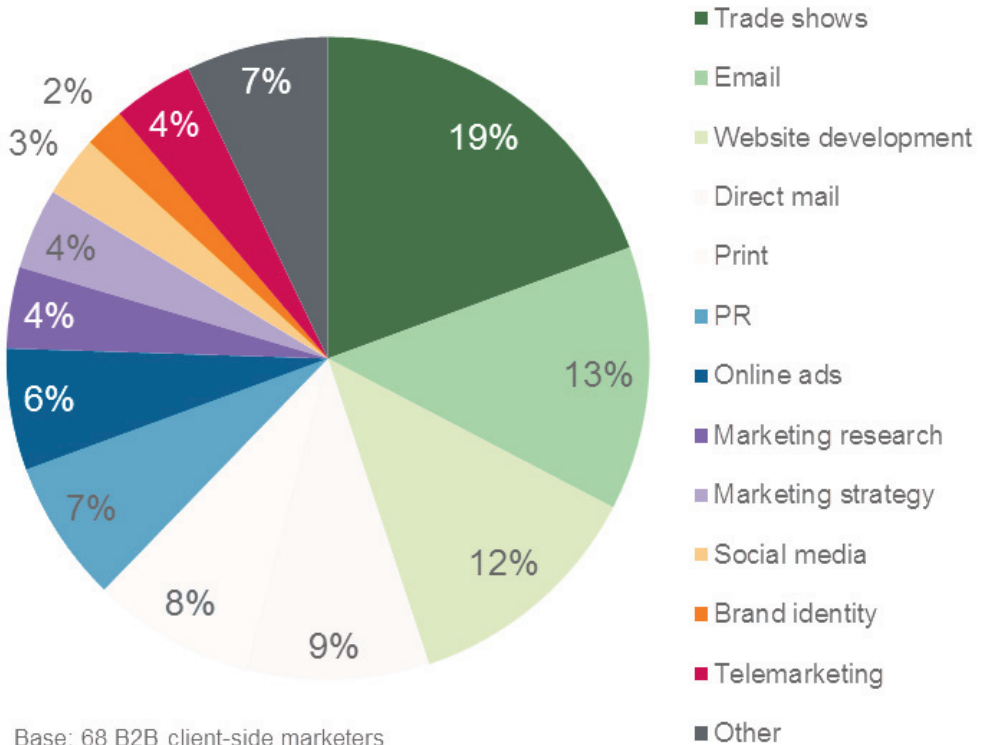
Compared to the previous 12 months, does your organisation's B2B marketing budget for the next 12 months represent an increase or a decrease?



Base: 68 B2B client-side marketers

But how will these increased budgets be allocated over the next 12 months? The top five B2B marketing channels are expected to share 61% of the collective B2B marketing budget: trade shows (19%), email marketing (13%), website development (12%), direct mail (9%) and print advertising (8%).

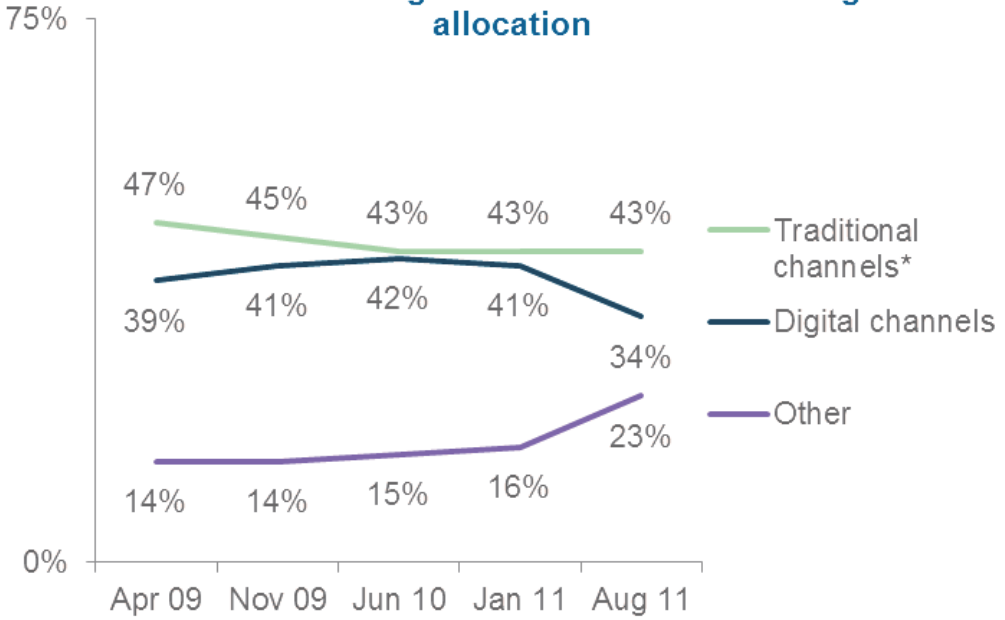
Over the next 12 months, what proportion of this B2B marketing budget do you expect to be allocated to these areas?



It's no real surprise to see that two of the 'top five' channels are digital. What is perhaps a surprise is that on the whole there is likely to be a drop in digital channels' share of B2B marketing budgets.

A movement away from newer channels might be expected during a period of market turmoil. The tendency to return to tried and trusted methods during such periods is well-noted and understandable. But why this sudden drop-off now and not over the last 18 months?

Traditional and digital channels' share of budget allocation

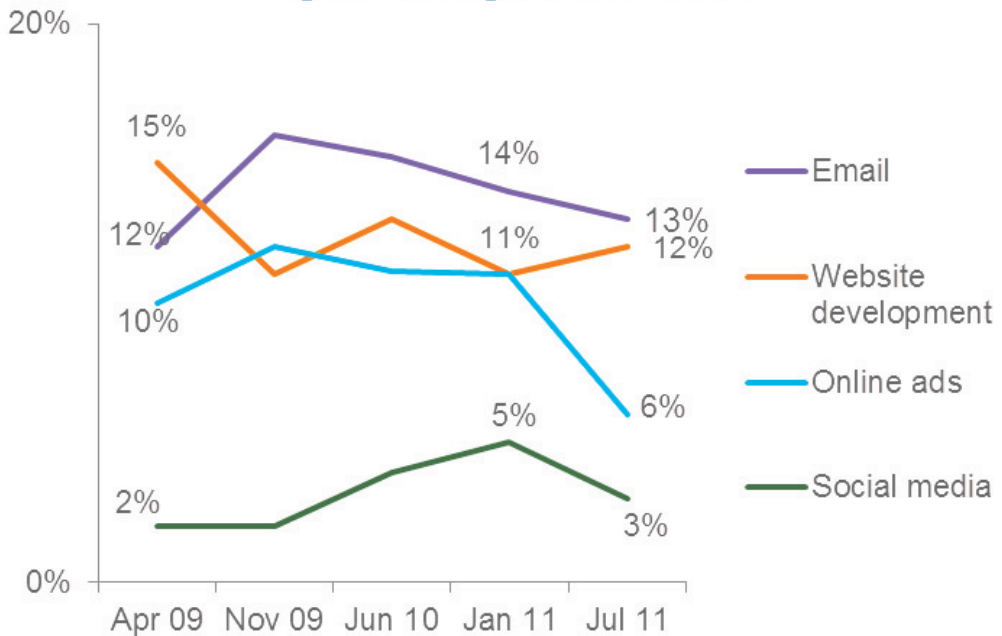


Base: 68 B2B client-side marketers
* excludes telemarketing

The fall in digital channels' share of marketing budgets is almost wholly driven by a fall in online advertising's share of budgets, from 11% to 6%.

The fall in spend on digital channels suggested on the previous page is slightly misleading then. B2B marketers aren't moving from digital, just temporarily spending less on one channel. Indeed, spend on website development is likely to rise over the next 12 months, from 11% to 12%.

Digital's falling share in Wave 5



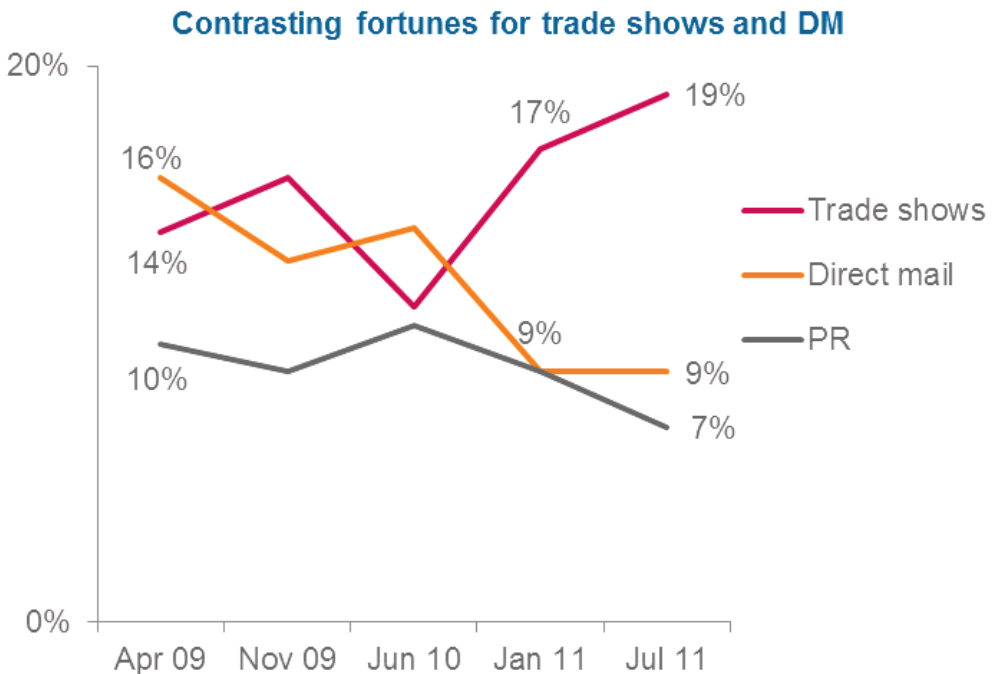
Base: 68 B2B client-side marketers

So where is B2B marketing spend *increasing*? Turning to more traditional marketing channels, trade shows' share of B2B marketing budgets is expected to rise over the next 12 months.

On the previous survey we reported a surge in the share of marketing budgets allocated to 'other' channels, from 16% in January 2011 to 23% now.

This trend was mostly driven by greater interest in CRM and the management of customer databases.

Contrast these upward trends with that of direct mail. DM remains one of the five biggest B2B marketing channels by budget share. However, having had 16% of collective budgets in April 2009, its share seems to have evened out in the past year at 9%.

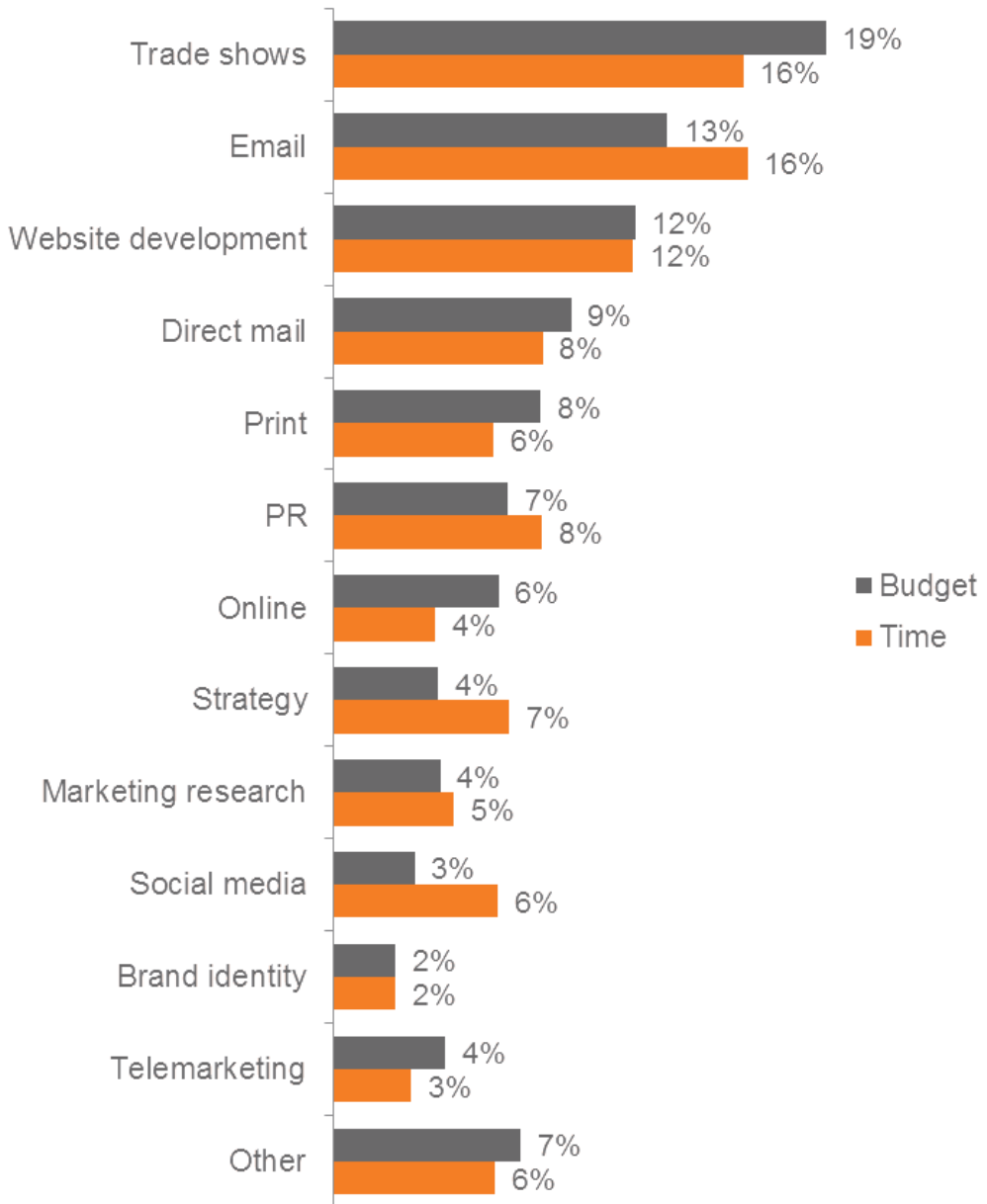


Base: 68 B2B client-side marketers

In wave 5, client-side marketers were asked for the first time how they allocate the *time* spent on B2B marketing. Comparing time and budget allocation, we see some channels - social media, development of marketing strategy, email marketing - are time-intensive, while some - trade shows, print advertising - are budget intensive.

Digital channels as a whole are responsible for 38% of the time allocated to B2B marketing, compared to 34% of the budget.

Budget vs. time allocation



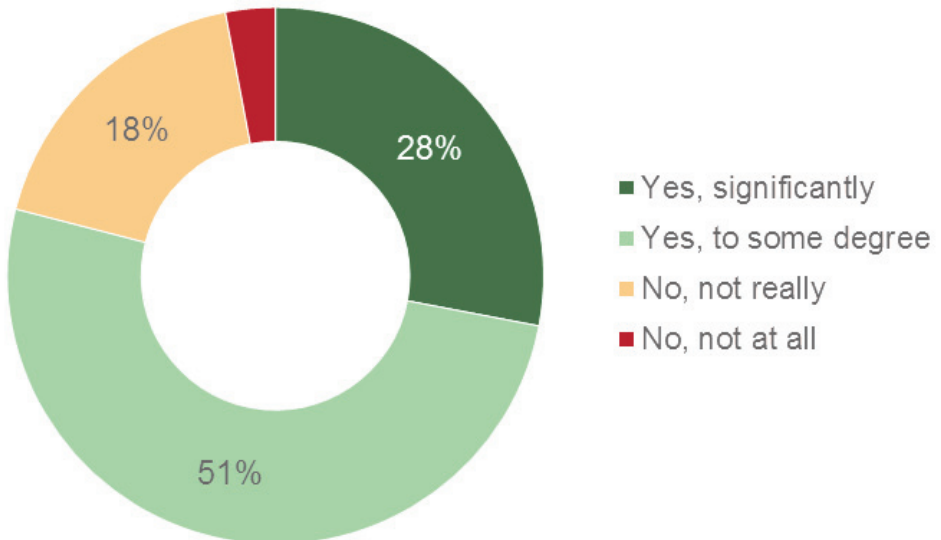
Base: 68 B2B client-side marketers

4. Sales and marketing (mis-)alignment

- Sales and marketing misalignment is a problem for most...
- ...but many marketers are confident that alignment is realistic

Human nature dictates that we can always do better, strive to improve. So it's no surprise that when B2B marketers are asked whether their activities could better aligned with sales, the vast majority (79%) say yes. Over a quarter suggest that significant alignment is required.

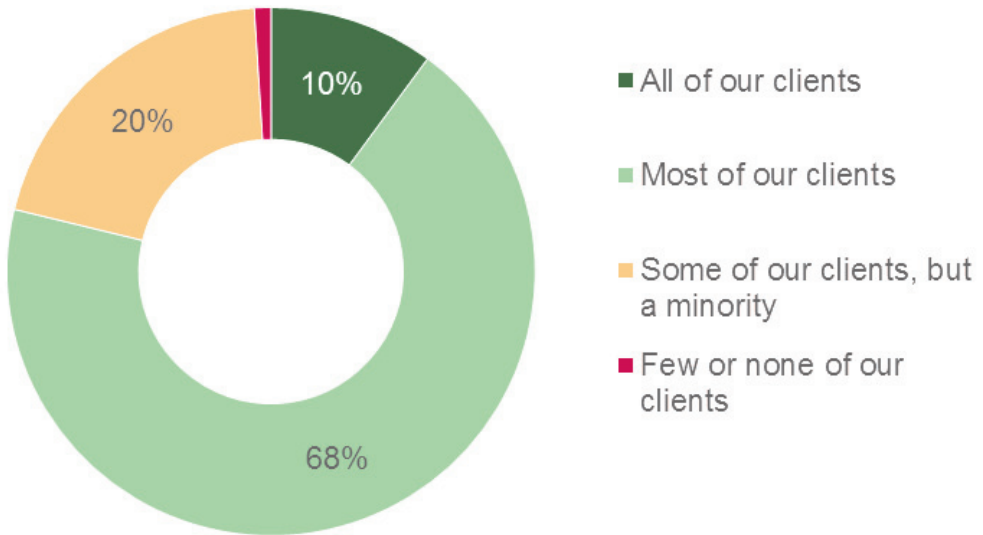
Do you think that your organisation's sales and marketing activities should be better aligned?



Base: 68 B2B client-side marketers

Agencies agree. 78% of agencies feel that most, if not all, of their clients could better align their sales and marketing activities.

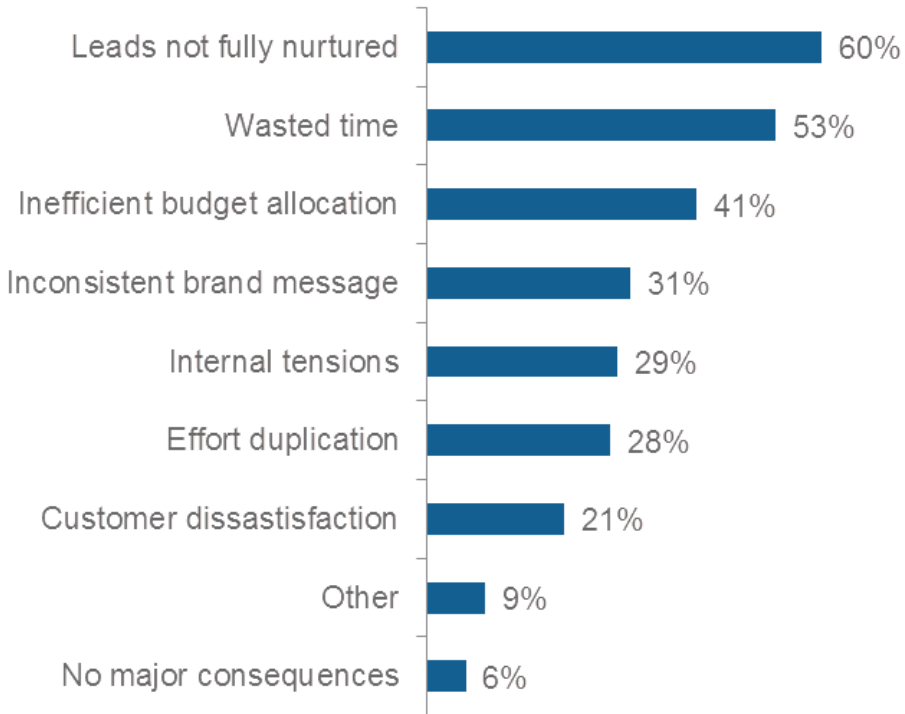
What proportion of your clients do you feel need to better align their sales and marketing activities?



Base: 69 B2B marketing agency respondents

Yet it is easy to say that something is broken and then do nothing whatsoever to fix it. There are several consequences of such inaction, B2B marketers suggest. Most common are that precious resources will go to waste. In particular, leads, time and money.

What would you say are the most significant consequences of mis-alignment?



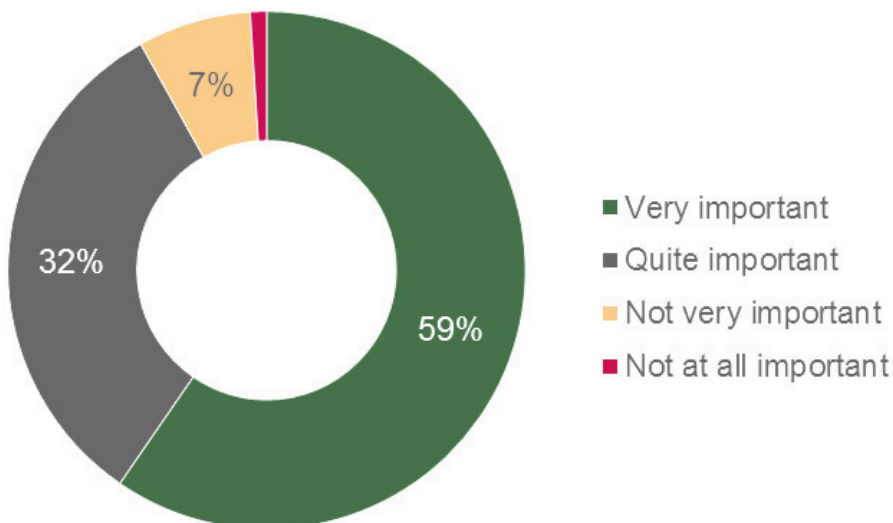
Base: 68 B2B client-side marketers

Given the potential for wasted resources, sales and marketing alignment is an important priority for 91% of B2B marketers. Three fifths (59%) say that it's a very important priority.

Easy to say, but harder to achieve? Not especially. Only 4% of B2B marketers feel that alignment is not very realistic. The remaining marketers believe that sales and marketing alignment is a realistic objective for their organisation.

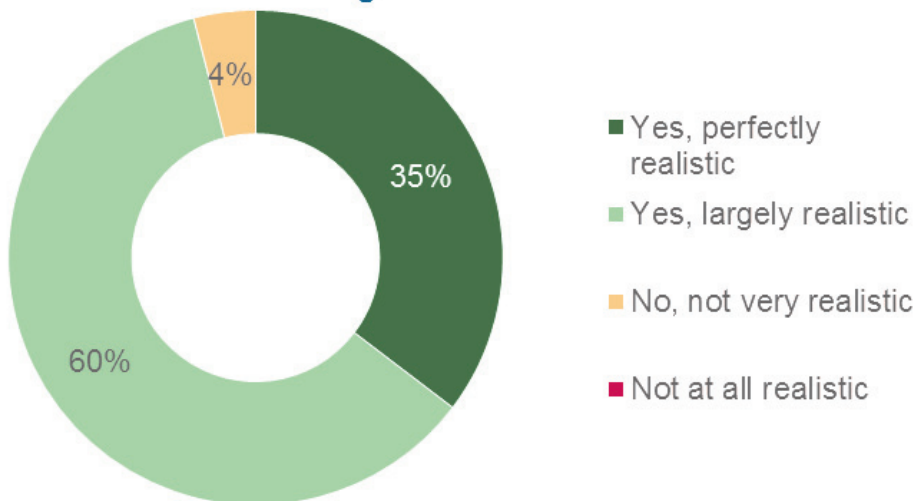
We shall see...

To what extent is aligning sales and marketing an important objective for your organisation?



Base: 68 B2B client-side marketers

Do you think that that sales and marketing alignment can be realistically achieved by your organisation?

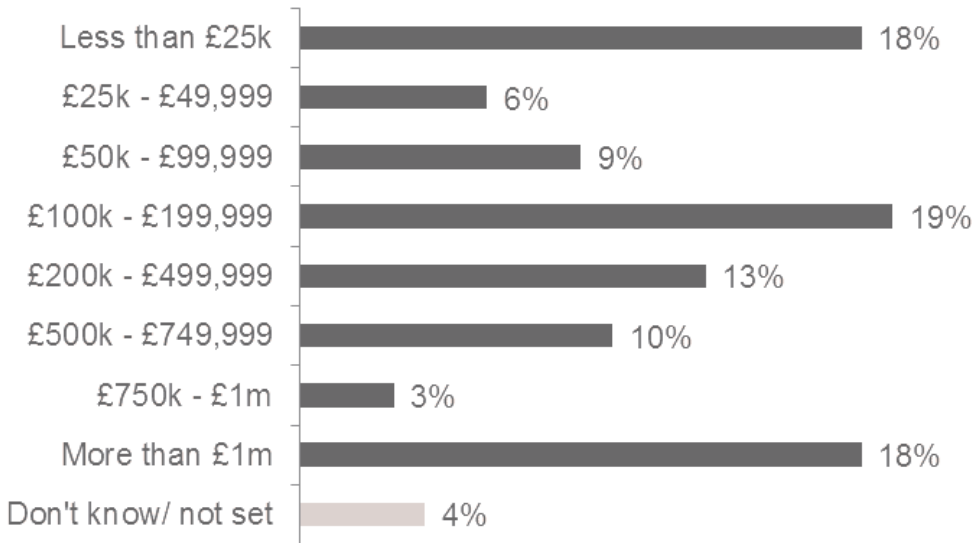


Base: 68 B2B client-side marketers

5. Appendix

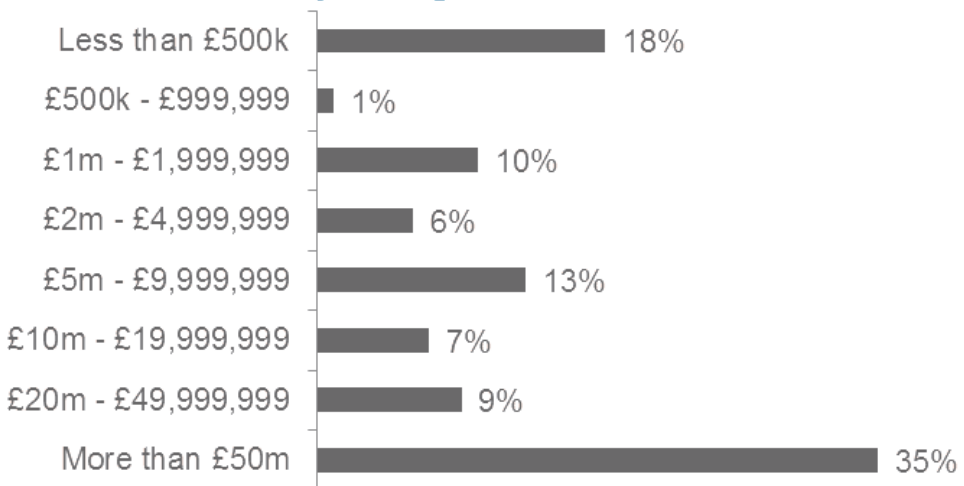
5.1. Profile of client-side respondents

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



Base: 68 B2B client-side marketers

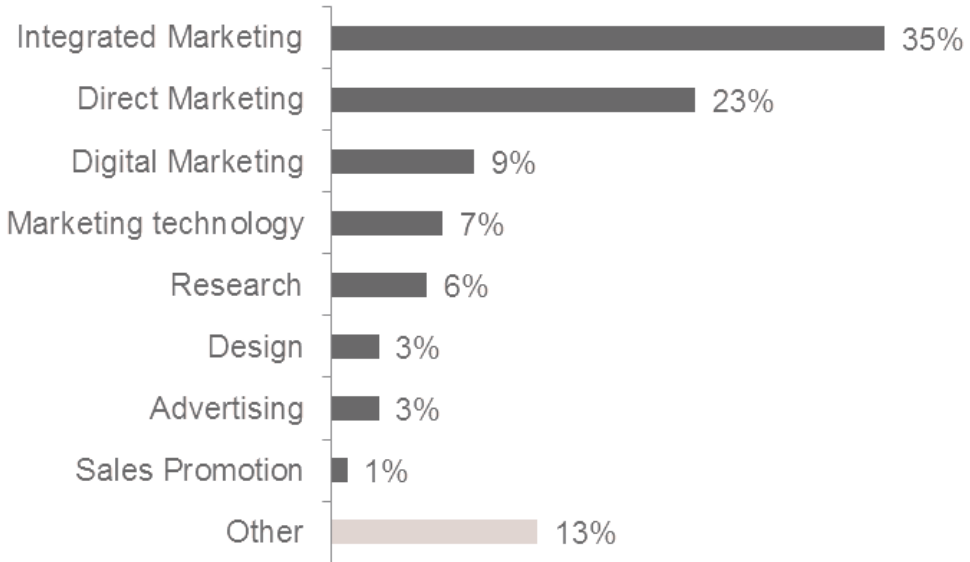
What is your organisation's turnover?



Base: 68 B2B client-side marketers

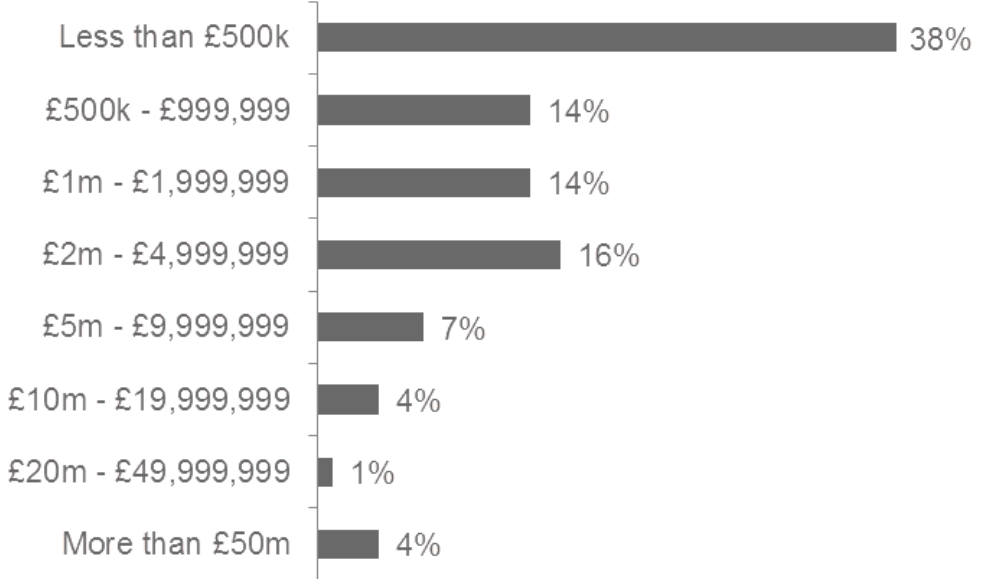
5.2. Profile of marketing agency respondents

Type of marketing agency



Base: 69 B2B marketing agency respondents

Agency turnover



Base: 69 B2B marketing agency respondents

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. www.b2bbarometer.co.uk

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



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