



THE B2B BAROMETER

Report 3.
September 2010



IN CONJUNCTION WITH





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1. Introduction

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

Wave 1 of the benchmark study (conducted April 2009) canvassed the opinion of 100 leading client-side B2B marketers and found that despite gloom about the economic situation, a majority of B2B marketers remained confident about the outlook for their own organisations.

Wave 2 (conducted November 2009) canvassed the opinion of 197 client-side and agency marketers, and found that:

- Business optimism was gradually returning, with three fifths of respondents anticipating an economic recovery within the year
- Newer media was continuing to increase its share of the wallet, accounting for 41% of total marketing spend
- There was a noticeable trend towards measuring Return on Marketing Investment (ROMI)
- Social media was perceived to be relevant in a B2B context, but continued to be an area which challenged marketers

This report contains the latest findings from Wave 3 of the B2B Barometer. A total of 120 interviews were conducted in June 2010 with client-side B2B marketing professionals and B2B marketing agencies (principally offering integrated marketing services).

One of the key requirements of a study of this nature is to monitor and track trends. In order to ensure comparability, relevant questions from Waves 1 and 2 were repeated. In addition, this report aims to provide real insights into important and topical areas of interest in B2B. In Wave 2, clear areas of opportunity for social media were identified. In Wave 3 the contexts in which social media is relevant are highlighted.

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

2. Executive summary

More revenues and enquiries suggest mostly bright future for agencies

- One half (49%) of agencies report higher revenues in the past 12 months
- Two thirds (64%) of agencies report an increase in the quantity of enquiries in the past 12 months

Agencies are optimistic about their own future, and that of the wider economy. Revenues are rising for some, but it appears that even more will benefit in the next 12 months from the increase in enquiries seen in the past year. Two fifths (41%) of clients anticipate a greater marketing budget in the next year.

Yet a sizeable minority will continue to struggle:

- Three fifths (59%) of agencies report a decline in the quality of enquiries in the past 12 months
- One third (30%) of agencies are still experiencing declining revenues

Social media is declining in relevance, but it is not a passing fad

The endless discussion of it is getting tiresome, businesses are concluding that it is not relevant to them, yet spending on it is increasing. 'It' could only be social media.

- 86% of client-side respondents expect their spending on social media to increase over the next 12 months
- 70% of client-side organisations still have no social media strategy in place.
- 79% of client-side organisations do not measure the impact their social media activities has on their reputation, even though 64% believe it is possible

Social media is relevant to some organisations, but not all, and only in certain contexts. Some of those that hurried to jump on the social media bandwagon are increasingly questioning its relevance to their business. 28% of respondents have a social media strategy in place, and they are the ones most likely to stick with it in the long-run.

Social media is not the only show in town

Respondents also made clear that discussion of social media fails to appreciate other important trends in B2B at the moment:

- Increasing recognition of the need to maintain a two-way dialogue in the customer relationship. There is hope that email marketing will be a more effective tool in relationship marketing
- The importance of data quality to marketing
- Continuing cost pressures on clients' budgets, versus the need to balance quality and creativity, according to agencies, to achieve differentiation in the market place
- Growing willingness to measure the return on digital investment

The challenges of measuring ROMI remain a large obstacle

More integrated systems and better sales force alignment are required to make the measurement of ROMI more effective. Still only 43% of client-side respondents measure ROMI, and the metrics used tend towards calculations that are the easiest to measure, not necessarily the right ones for business. The anticipated rise in marketing spend is likely to make measurement of return more important than ever, but it is not yet clear whether this will be able to overcome such obstacles. Yet to be seriously considered as a major contributor to business success, Marketing must measure and clearly demonstrate impact to the bottom line revenue results.

3. Budgets and economic confidence

- Respondents trust government's economic competence
- Agencies getting greater quantity of enquiries, but lower quality
- Newer media likely to continue to take an increased share of wallet

3.1. Confidence in the wider economy

When the pulse of the B2B community was last tested in Wave 2 (November 2009), there was a marked improvement in confidence compared to Wave 1 (April 2009). When digging deeper into the results, the story seemed to be one of falling pessimism, rather than of a new-found bullishness. Yet there were signs for hope. Like mammals emerging from a long hibernation, B2B marketers could finally see the first signs of economic spring.

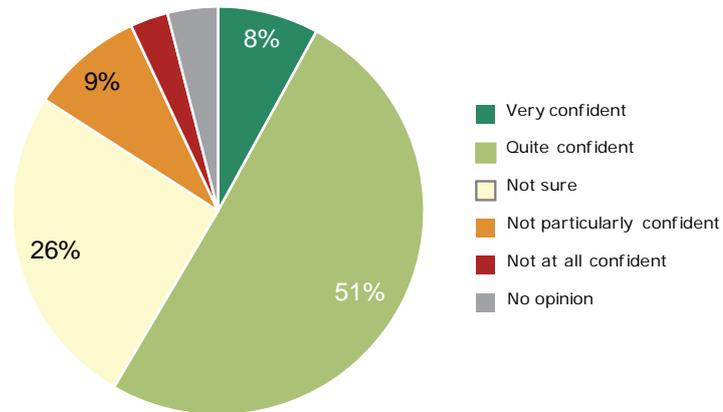
Much has changed since November 2009. The UK economy has crawled its way to positive growth. The all-singing, all-dancing new coalition government has acted quickly to change the direction of economic policy. Fiscal austerity is the new watchword.

The spending cuts announced in the emergency budget are designed to prevent a sovereign debt crisis, but also serve the purpose of reducing the size of the public sector, in theory allowing the private sector to step in and take the slack. Fiscal tightening may have set a long-term path to prosperity, but there has been a lot of speculation that these cuts may cause a double-dip recession. What is the opinion of the B2B community?

Of the 120 client and agency-side B2B marketers interviewed for this wave of the Barometer, 59% told us that they were very or quite confident in the ability of the current government to effectively manage the economy, while only 12% were not particularly or at all confident.

The survey was administered in a two week period prior to the emergency budget, when political briefings were being used to manage expectations of the budget's severity, so respondents will not have been taken by surprise at the extent of cuts.

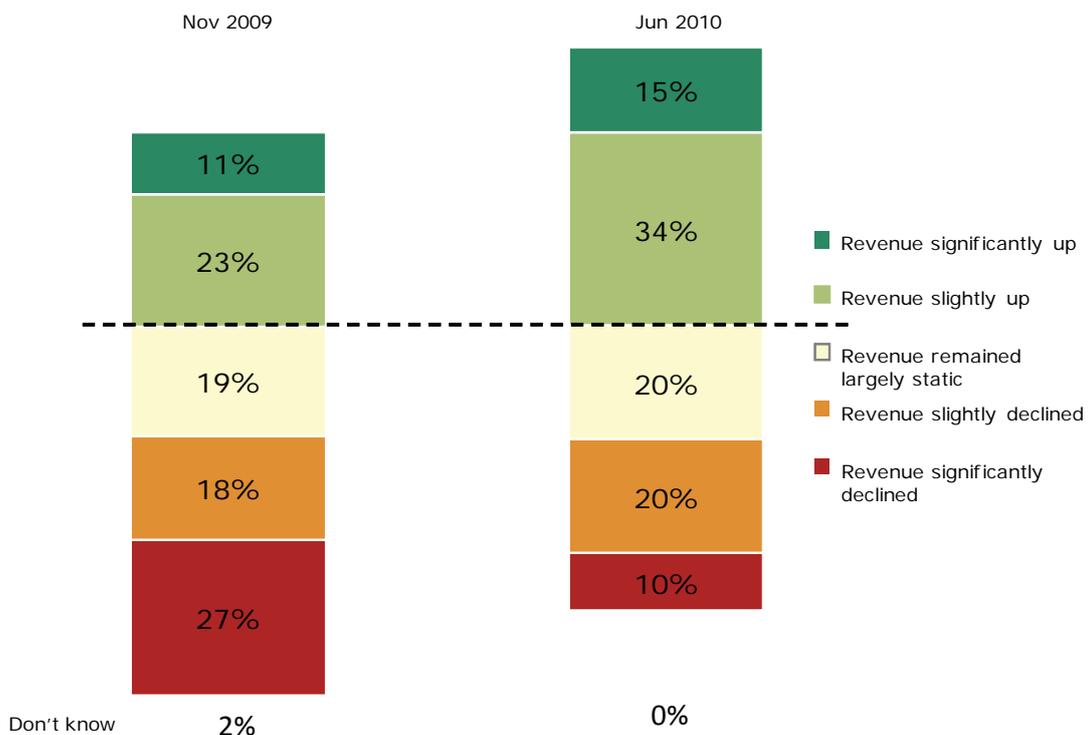
How confident are you in the ability of the current government to effectively manage the UK's economy?



3.2. Confidence within the B2B community

As with the wider economy, so with the B2B community. Once again, results are mostly positive: 49% of agencies report higher revenues in the past 12 months, an increase from 34% in Wave 2. It is worth cautioning that revenue continues to decline significantly for 10% of agencies, down from 27% in Wave 2, but overall 30% of agencies are seeing declining revenues of some magnitude.

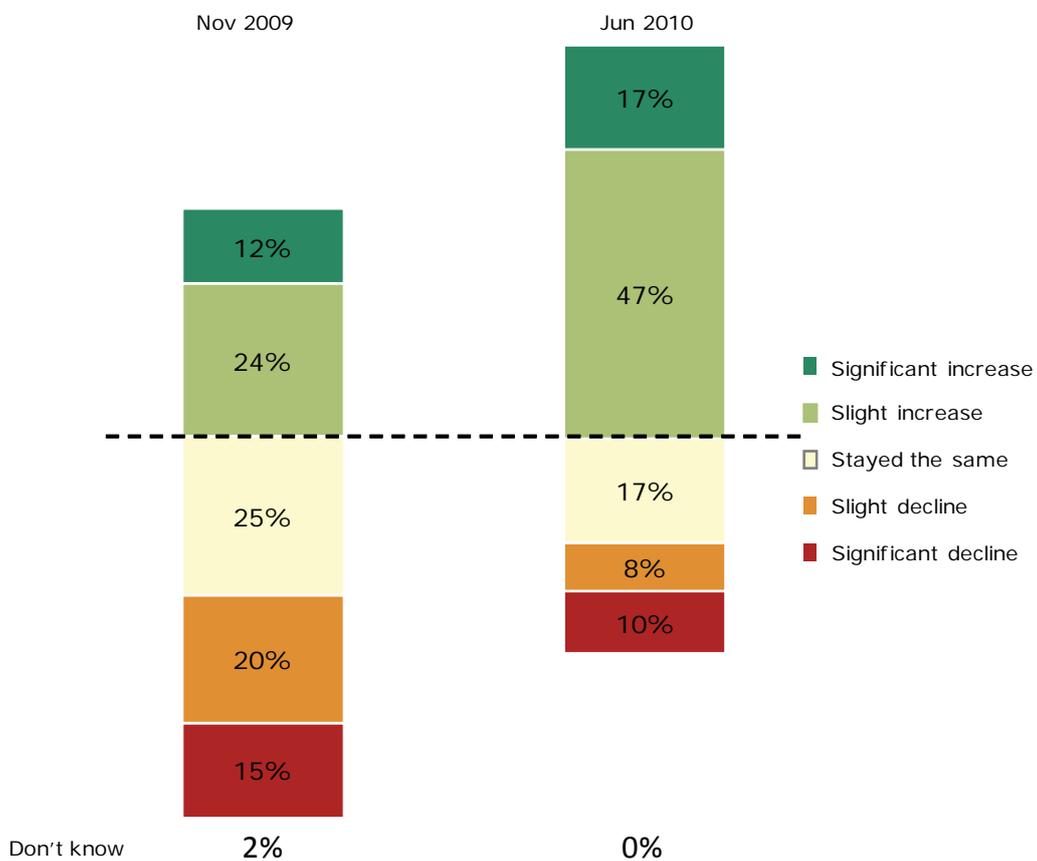
Thinking about your organisation's revenue, to what extent has it changed over the past 12 months?



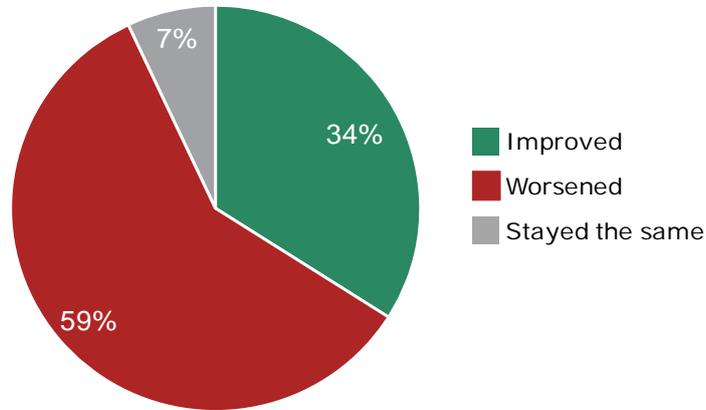
When we consider the quantity and quality of enquiries, we also get a slightly mixed outlook. What has been encouraging in the last six months has been the growth in the quantity enquiries. The percentage of agencies reporting an increase in enquiries has almost doubled, from 36% to 64%. This result would anticipate higher revenues in the next six to twelve months as enquiries translate into revenues.

34% of agencies have found that this increase in enquiry volume has been accompanied by a rise in quality. But interestingly 59% of agencies have seen a fall in quality, suggesting poor return in investment in the long-term.

In the past 12 months, how would you say the number of enquiries you have received has changed?

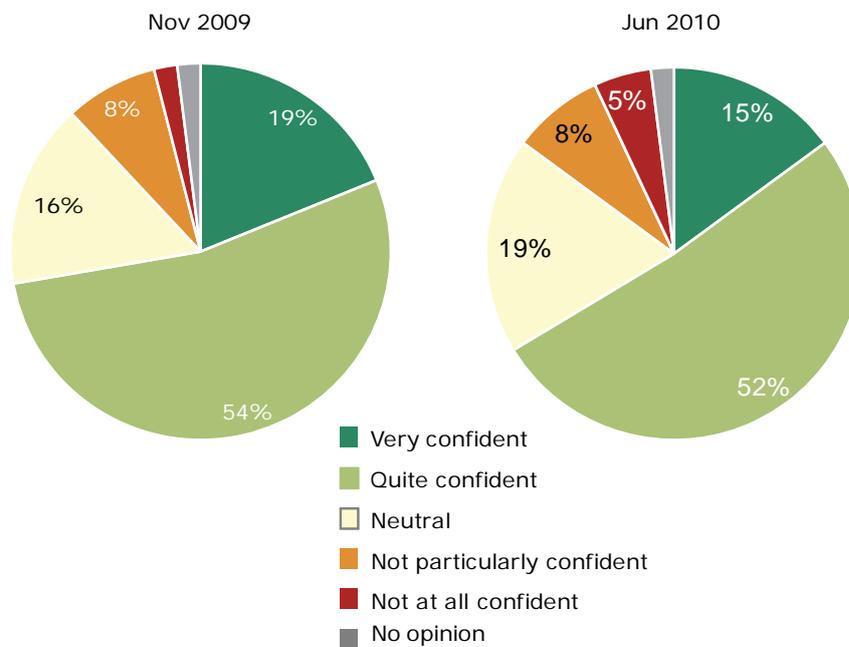


And now thinking about the quality of these enquiries, would you say they have...?



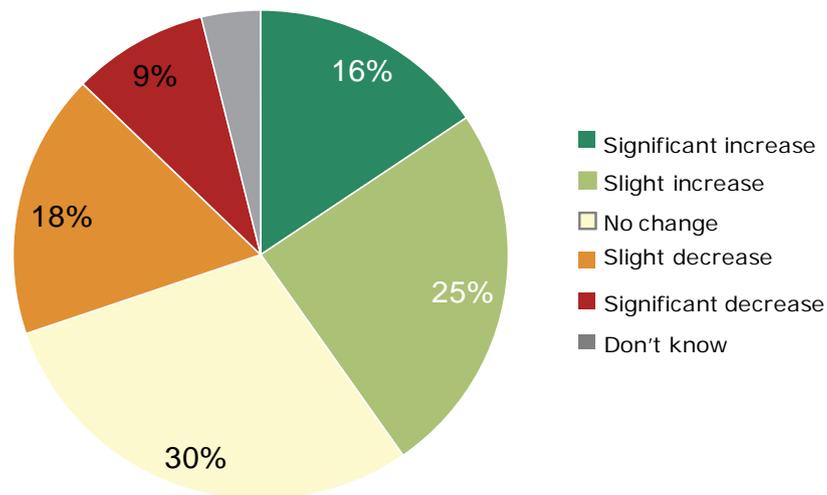
Agencies are optimistic about their own outlook, with two-thirds of agency respondents telling us they were very or quite confident about their prospects for the next 12 months. This almost matches the level of confidence shown in Wave 2, when 73% of agencies were bullish about their prospects. As we have seen, only 49% of agencies have actually seen revenues increase in the last 12 months, so such high levels of confidence shouldn't be used as a solid predictor of future performance.

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



What can be used as a solid predictor for future agency performance is the likely size of clients' budgets. 41% of client-side respondents told us that their projected budget for the next 12 months is likely to increase relative to the previous 12 months, while 27% anticipated a lower budget. This figure of 41% is a large improvement on the preceding two waves, in which only 14% and 16% respectively of client-side respondents foresaw a budget increase in the following 12 months.

Compared to the previous 12 months, does your budget for the next 12 months represent an increase, no change or a decrease?

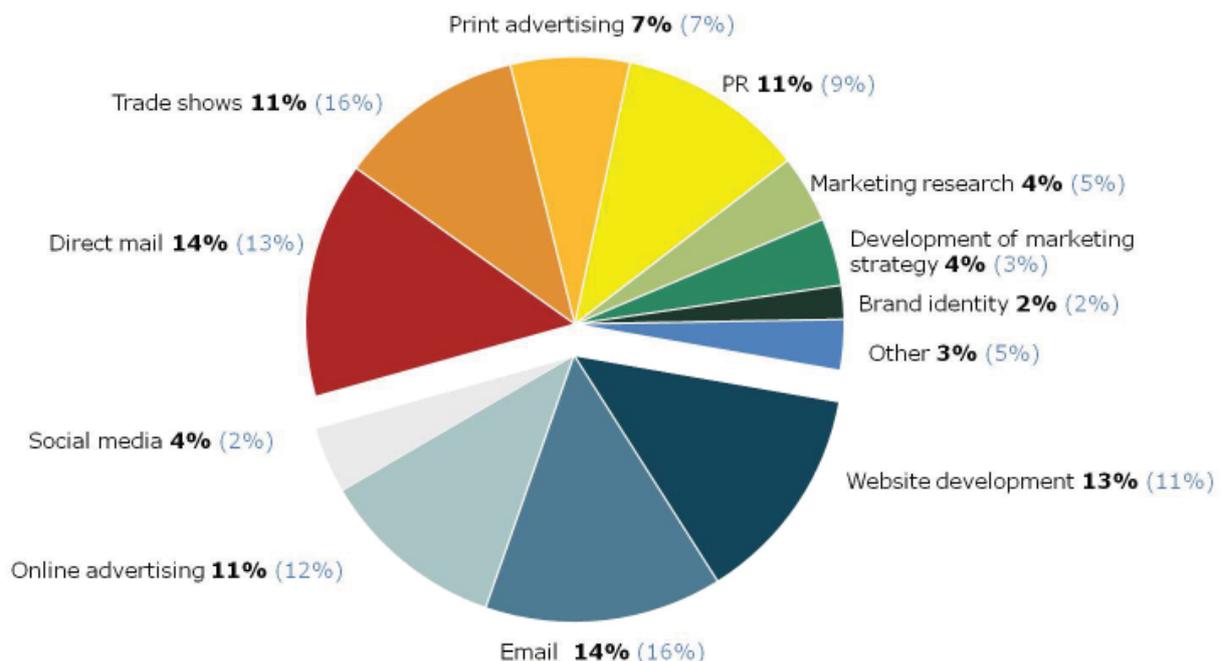


3.3. Budget Allocation

Questioning of client-side marketers on how budgets are allocated yields some interesting results:

- The biggest proportion of marketing spending is on email and direct mail marketing
- Regardless of supposed trends, budget allocation continues to be spread across many channels
- Trade shows are likely to account for a smaller proportion of the marketing budget over the next 12 months, suggesting a possible trend away from face-to-face marketing
- Spending on newer media is likely to account for 42% of marketing budgets in the coming year. Social media is still only a minor contributor (4%) to this figure, in spite of its share doubling since Wave 2

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

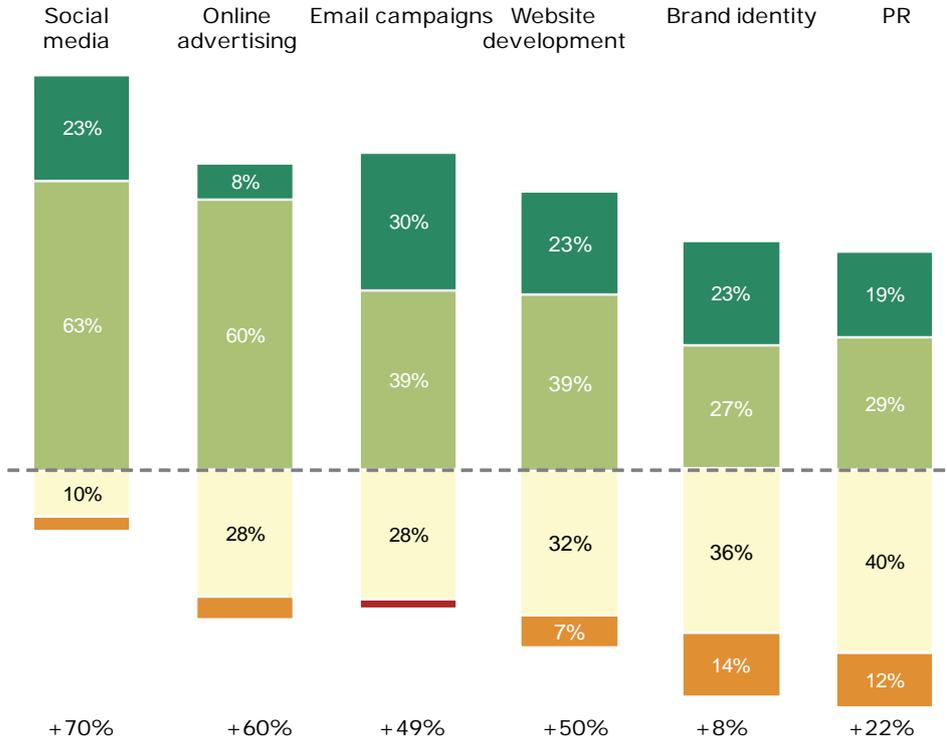


Nov 2009 figures shown in brackets

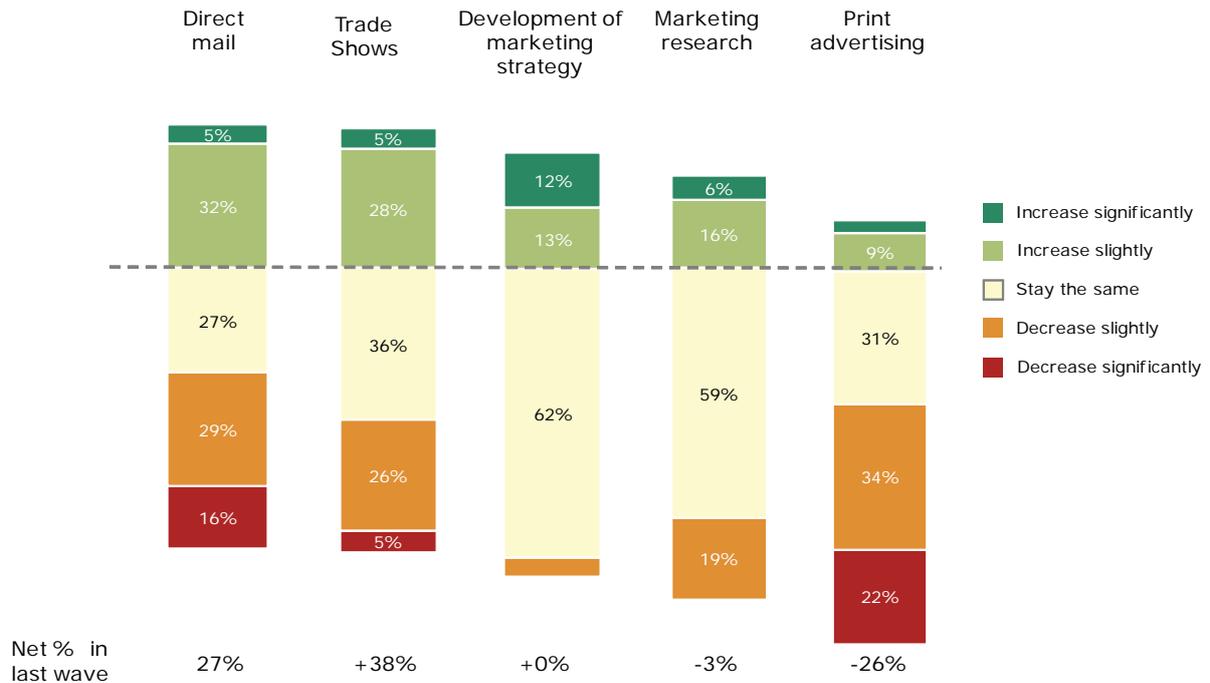
Spending on most channels is likely to increase over the next 12 months:

- All of the newer media channels are expected to see a significant increase in spend
- In particular, 86% of respondents believe that spending on social media is likely to increase from its low base in the next 12 months
- Expenditure on PR and brand identity is also expected to rise
- As in Waves One and Two, expenditure on print advertising is expected to decline

Compared with the previous 12 months, would you say your level of spend in each of these areas will increase, stay the same or decrease?



Compared with the previous 12 months, would you say your level of spend in each of these areas will increase, stay the same or decrease?

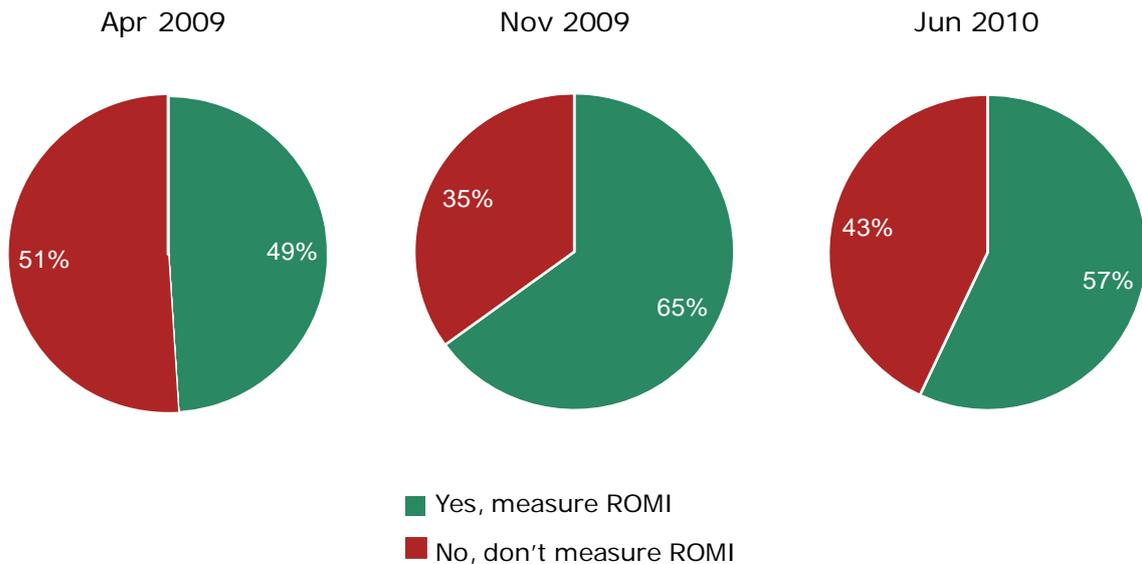


4. Measurement of marketing effectiveness

- Sizeable minority still don't measure ROMI
- Considerable challenges to ROMI measurement remain

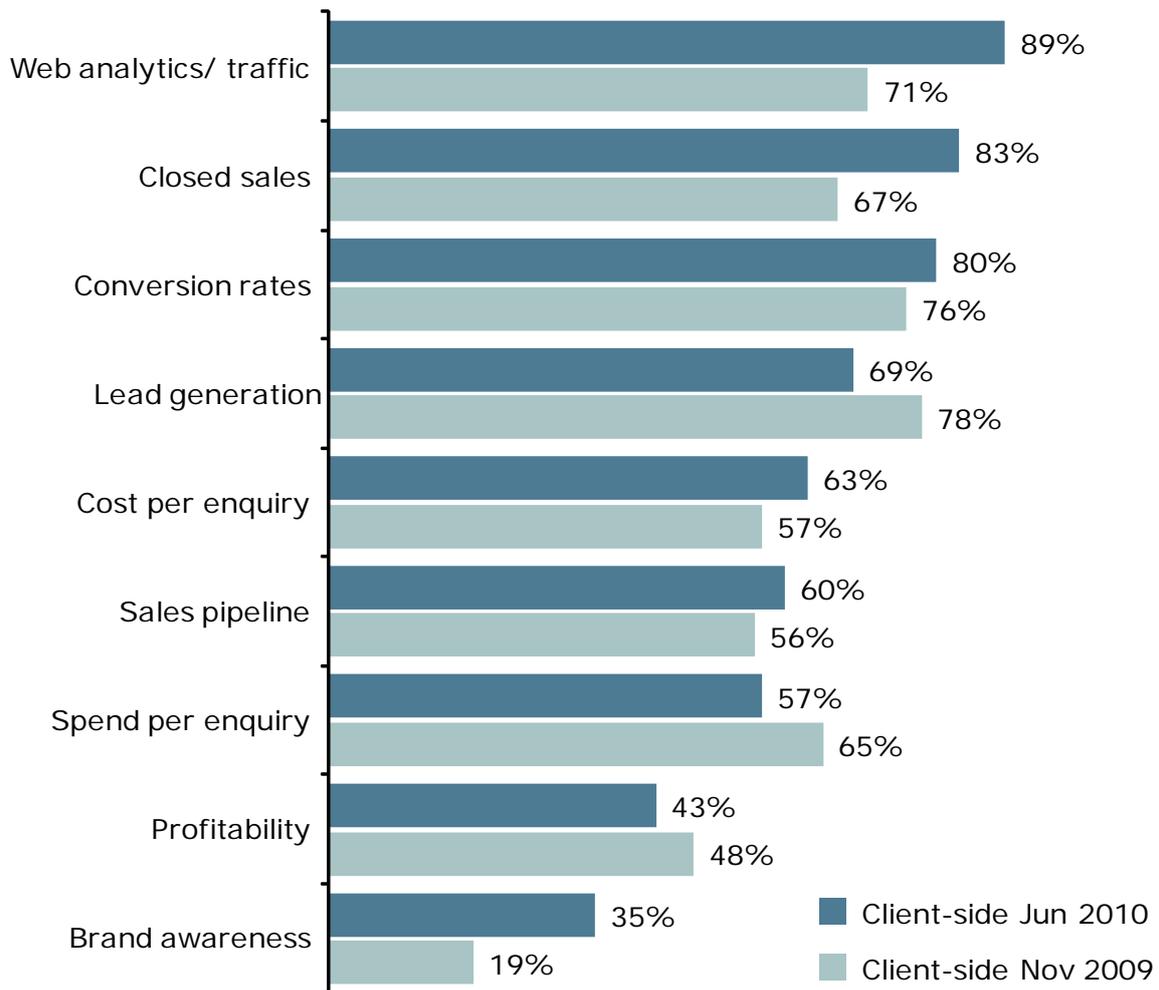
In Wave 1 we found that only 49% of clients measured ROMI, and that the diverse methods employed by clients were more suited to measuring sales effectiveness than marketing effectiveness. There were more reassuring results in Wave 2, since following the slight improvement in client-side organisations' fortunes as many as 65% of organisations claimed to measure ROMI. In Wave 3, there has been a slight fall in enthusiasm for measuring ROMI, as only 57% of clients claim to measure it.

Does your organisation currently measure ROMI?



Those that do measure ROMI use a wide variety of metrics. Of the nine metrics featured in the survey, seven are used by a majority of respondents. The most used metric, web traffic, happens to be the one that is easiest to measure, while the least used is one of the most difficult to measure. This result may warrant further investigation in Wave 4 – are tangibility and accessibility major factors in choosing how to measure ROMI?

As a client, what metrics do you use to measure ROMI?

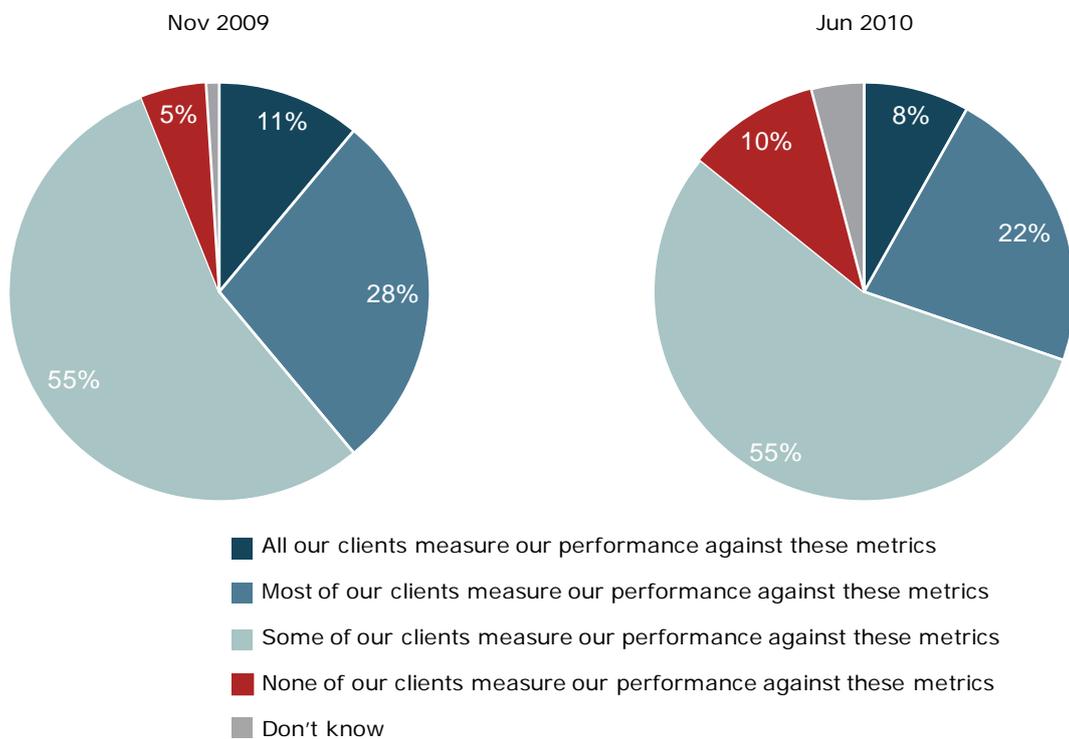


Regardless of the method of measuring ROMI, client-side marketers identified the challenges they face when measuring marketing success:

- Lack of sales force alignment means enquiries into contact centres aren't recorded properly, making it difficult to track the link between market-generated leads and sales, particularly if the selling process is complex with many variables and inputs
- Hard to get an overall picture when information is not integrated into one system – different programmes give different numbers
- It's difficult to demonstrate direct ROMI when the lead time is over a year

There are clearly challenges to measuring ROMI which mean that a significant minority of client-side marketers are still not measuring it. This means that not only are clients missing out on direct benefits – the ability to channel spend effectively, the ability to demonstrate value of marketing to management – they are also missing out on the ability to effectively gauge the performance of their marketing partners. Indeed, the majority of agencies believe that only some of their clients measure their performance against ROMI metrics.

To what extent do you believe your performance as an agency is measured against these ROMI metrics?



5. Marketing trends and issues

- Agencies see a variety of trends as important, including data quality
- Spending on social media marketing is increasing
- Many businesses are realising social media is not appropriate for them

5.1. An overview of key B2B marketing trends

Clients and agencies were asked to give their perspective on the key issues and trends that will shape the future direction of B2B marketing.

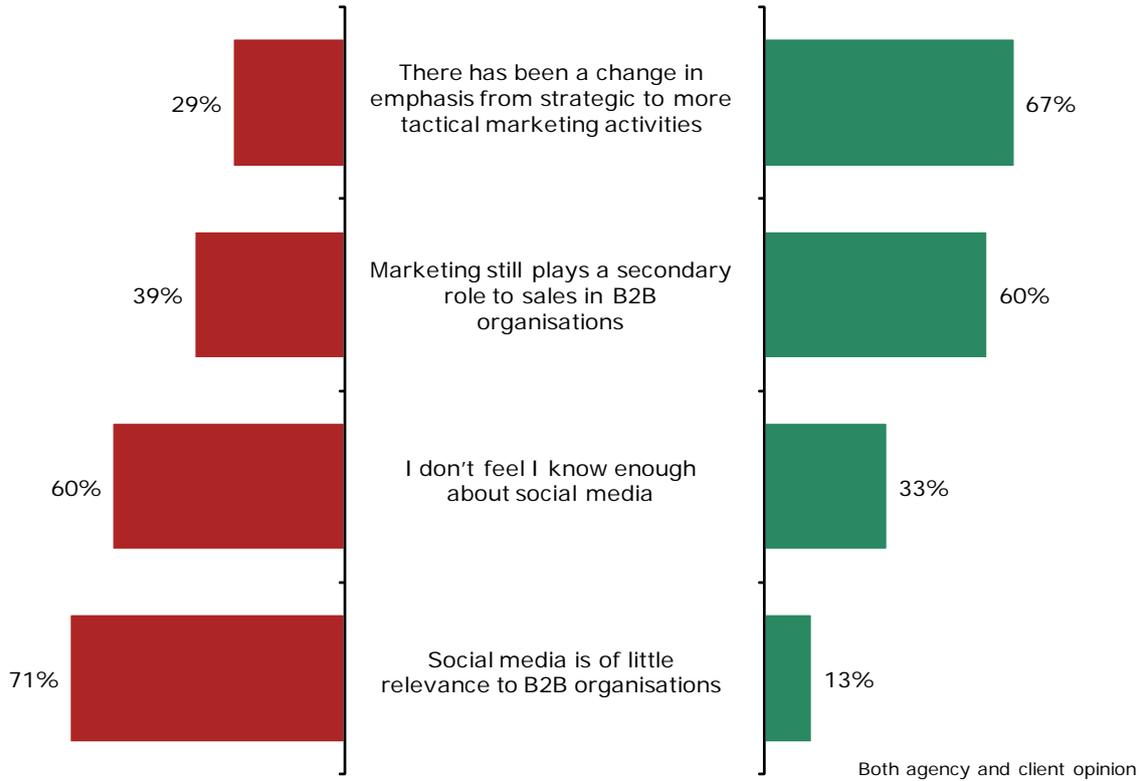
Agencies were asked to spontaneously identify the most important current trends in B2B marketing. After all, in a fast-moving marketplace, the last wave's social media can be next wave's WAP. This wave's social media was, once again, social media. Even though, as one respondent put it, 'it's been done to death'. The findings highlight some key themes:

- Uncertainty exists about the true benefit of social media to business. Respondents still take a considered approach to social media strategy
- Budgets are increasingly allocated to digital marketing, and there is a growing willingness to measure the return on investment. There is hope about using email marketing for relationship building, but also fear that email may be over-used
- Some agencies feel that pressure to increase effectiveness and reduce costs must be balanced with the need for quality and creativity, and that in order to make money go further clients must avoid falling into the trap of being risk-averse
- The importance of quality contact data to marketing is increasingly clear. Quality data is not always seen as an end in itself, but instead as a means to greater insight

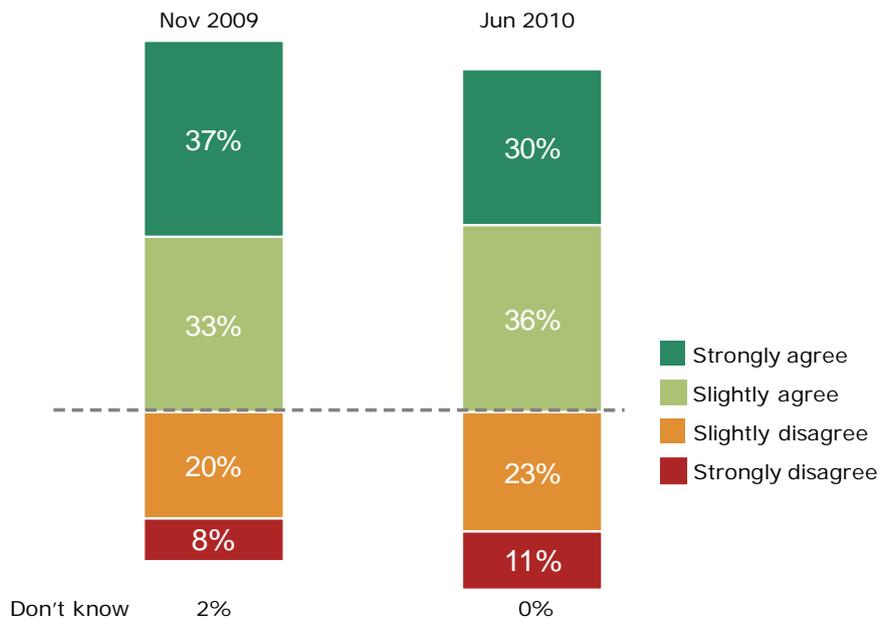
Clients and agencies were then asked for their perspectives on four questions:

- Two thirds of respondents agreed that there has been a shift from strategic to tactical marketing activities recently
- 67% of agents and clients agreed that sales and marketing are effectively aligned, while 60% agreed that marketing still plays a secondary role to sales
- 60% of respondents feel that they now understand social media. Interestingly, this sentiment is stronger for agencies (68%) than for clients (52%)

Would you generally agree or disagree with the following statements?



To what extent would you agree or disagree that your organisation's sales and marketing functions are effectively aligned?

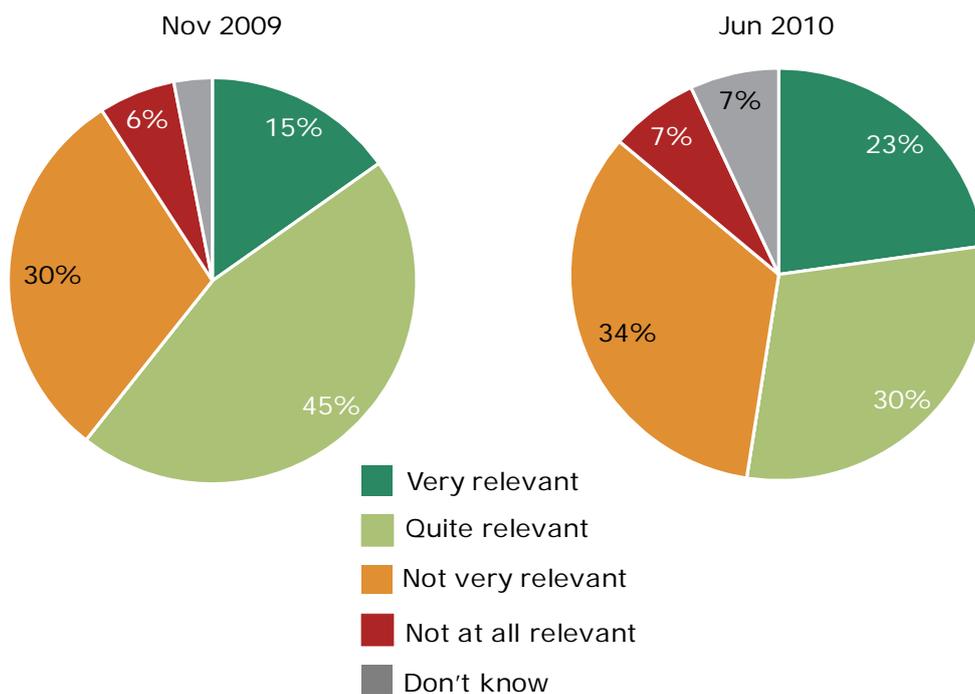


5.2. Social media

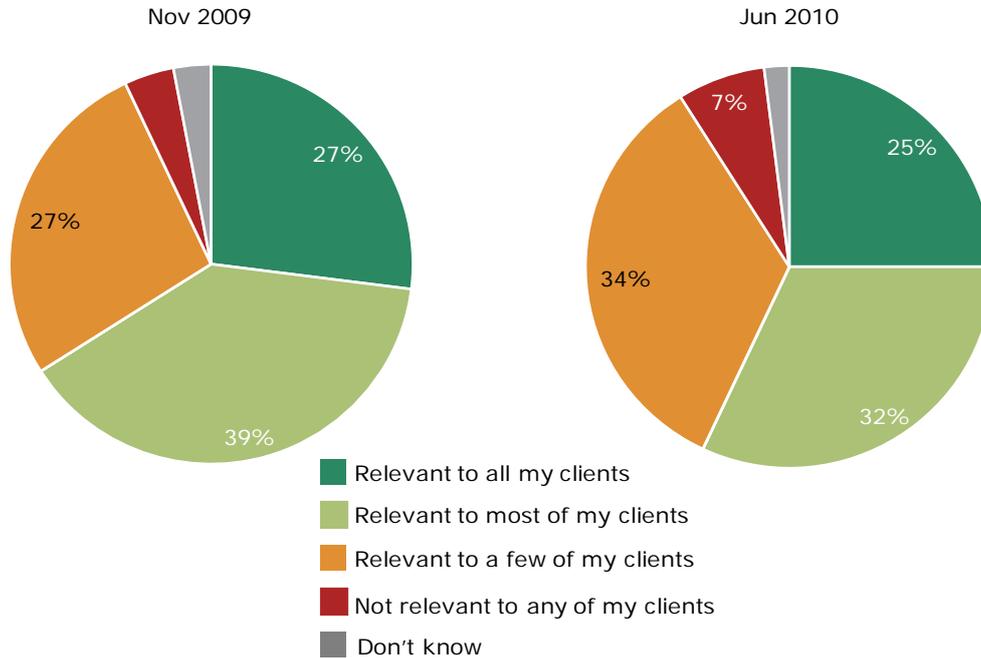
Spending on social media continues to increase, but there is a growing sense of fatigue with the subject, while more businesses seem to be reaching the conclusion that it is not suitable for them.

It was clear from Wave 1 that social media is relevant to some businesses but not necessarily all. 71% of client-side marketers believed social media was relevant to B2B organisations in Wave 1, and since then this number has steadily fallen, to 60% in Wave 2 and now to 53% in Wave 3. Similarly, there has been a decline in the number of agencies with the belief that social media is relevant to their clients. Faith in the relevance social media may be in decline, but a majority still feel that it has a part to play in a B2B environment.

Currently how relevant is social media to your organisation?



Which of the following best describes how relevant you think social media is to your clients?



On the one hand, spending on social media marketing is likely to rise in the next 12 months. On the other, interest in social media marketing is falling. Are these two results contradictory and irreconcilable?

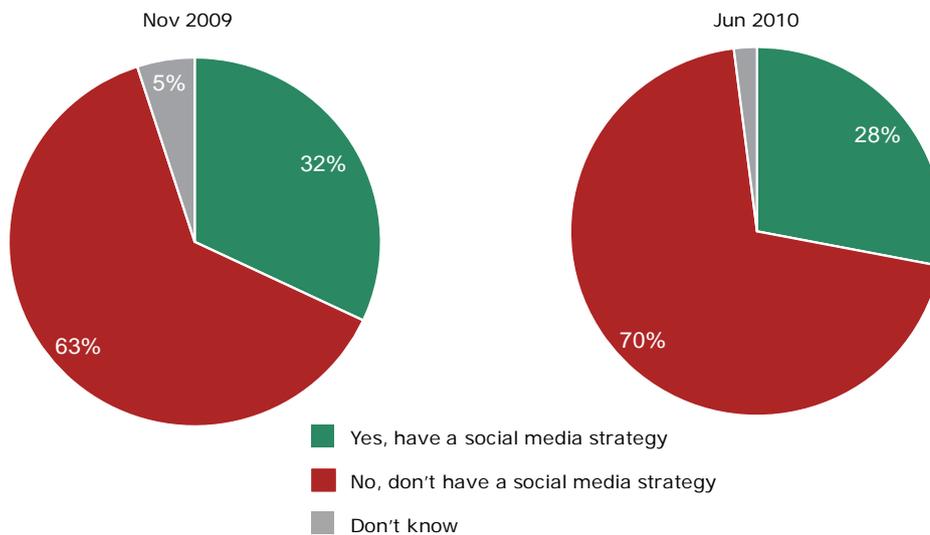
Many firms jumped eagerly onto the social media bandwagon as it came hurtling past. Just as quickly, some are stepping back off the bandwagon as they struggle to realise its relevance to their business. But this does not mean that social media is irrelevant. It is particularly useful when:

- There is a strong sense of community identity within the target market
- Suppliers will be welcomed into the community
- There is engagement with a product category
- There is the opportunity to add value in ways not directly related to the product area

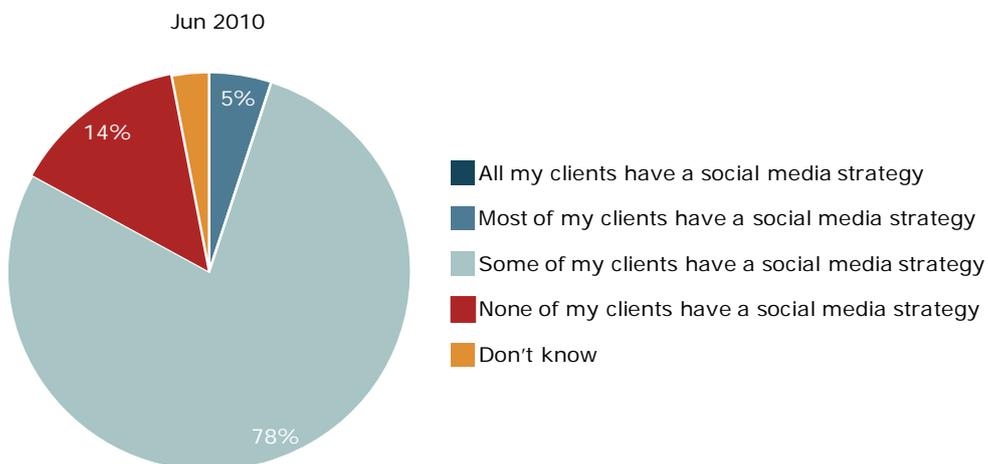
So if social media is a tool in the marketing toolbox with relevance in specific contexts, surely B2B organisations are approaching social media marketing with more of a strategy than previously? In November 2009, there was certainly a sense that marketers were making plans on an ad hoc basis, with 63% of client-side marketers reporting that despite accepting the importance of social media they had no strategy in place.

In Wave 3, this ad hoc attitude looks to still be the case, as even more client-side marketers (70%) report that they have no social media strategy. Those with a strategy are those taking a more nuanced approach to social media marketing, and are likely to be those who stay with it in the long-run. The proportion of businesses using social media marketing is likely to continue falling, but it is clear this decline will stop at some point.

Does your organisation have a social media strategy?

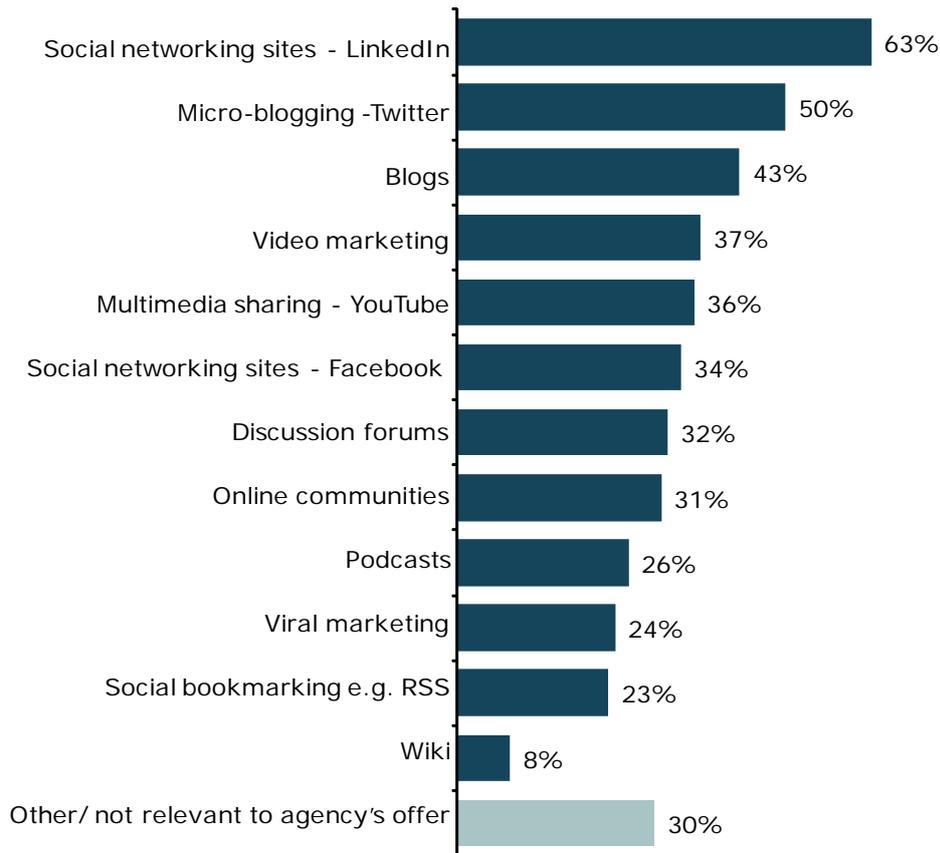


Based on what you know, do you think your clients have a social media strategy?



Social media is a fast-moving arena, with channels' popularity rapidly rising and falling. In the past six months, social networking and micro-blogging sites have been increasingly valued as channels to engage with target markets. Our respondents highlighted three growing channels for social media marketing: podcasts, wiki and webinars.

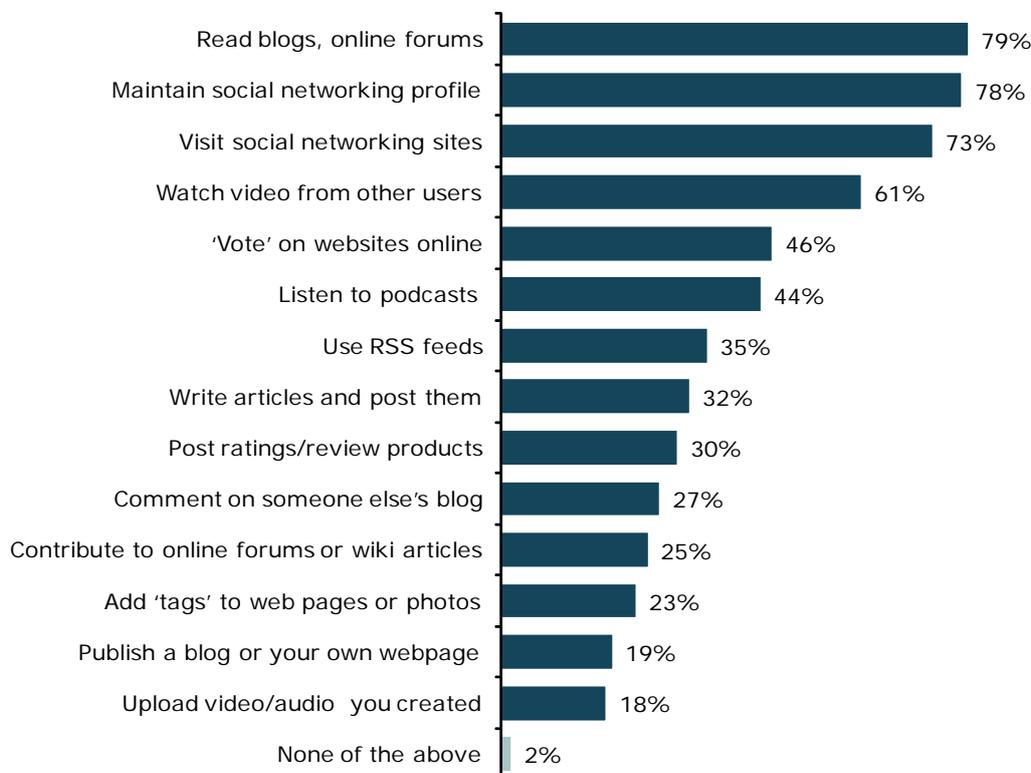
Which of the following social media channels does your organisation currently use to help your clients engage with their target market/to engage with your target market?



Organisations were then asked which of the social media channels they thought had the most powerful impact, video marketing, online communities and blogs were all put forward, but it was clear that social networking sites are seen as having the most powerful impact. Micro-blogging sites may be used by a large and increasing number of respondents, but few respondents believe micro-blogging to be the channel with the most impact.

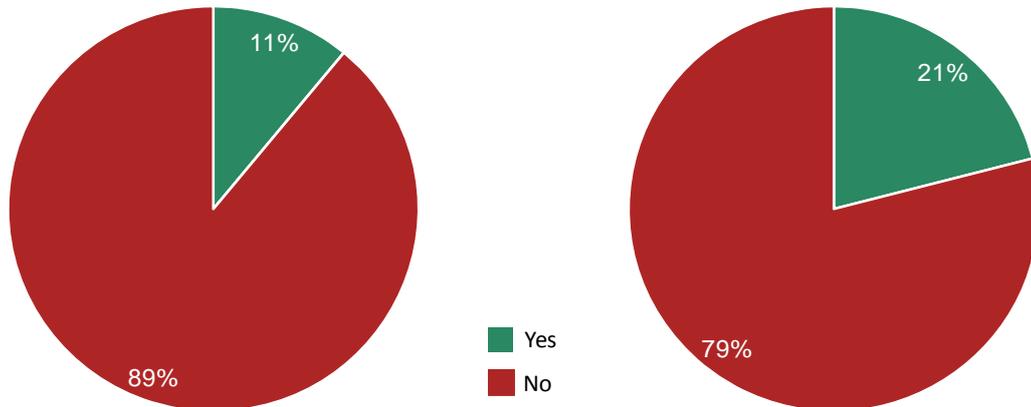
Social media can be more than another channel for marketers to engage their target market. It can be a source of learning, a source of potential suppliers of services and a professional community. It is interesting then to consider how client-side marketers and their agency counterparts personally engage with social media. In this respect, usage levels on a personal basis are significantly higher than on an organisational basis with two channels – social networks and blogs – dominating. For the most part, the more popular activities (reading a blog, watching video from others, listening to podcasts) were the more passive ones, and the more interactive activities remained niche.

As an individual, which of the following activities do you currently engage in?



Measurement of the impact of social media activities on a clients' reputation has risen, but remains at a low base, with only 21% of clients measuring it. As spending on social media marketing continues to rise, this metric is expected to become more important.

Do you currently measure the impact of social media activities on your organisations' reputation?

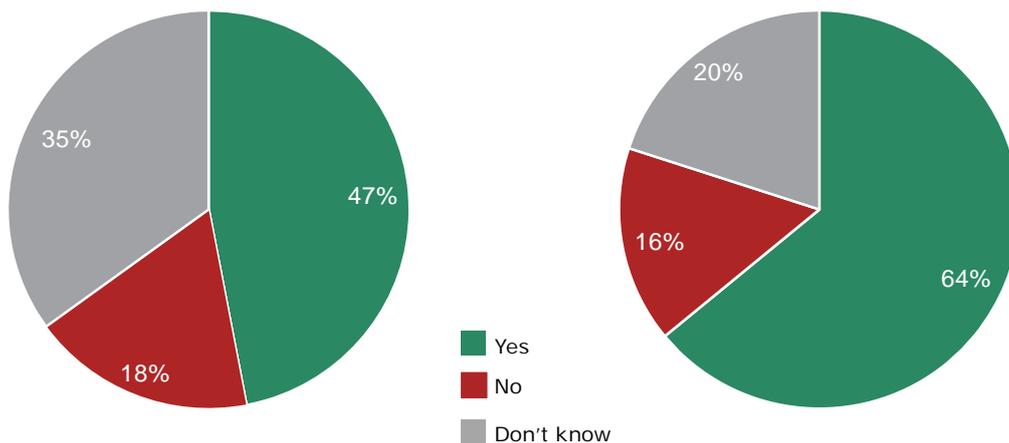


Agencies and clients were then asked whether they thought that the impact of social media activities on an organisation's reputation can be measured. The response was a resounding 'yes', with almost two-thirds of respondents agreeing with the statement. However, as observed above, there is a big difference between believing something can be measured and actually measuring it.

Do you think the impact of social media activities on an organisation's reputation can be measured?

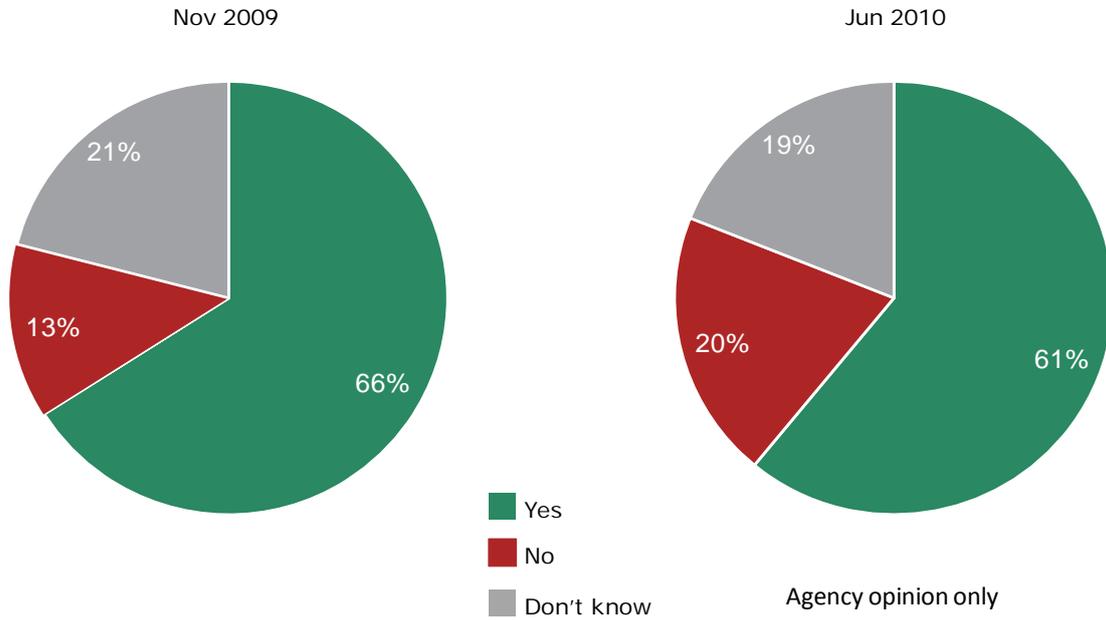
Nov 2009

Jun 2010



Client opinion only

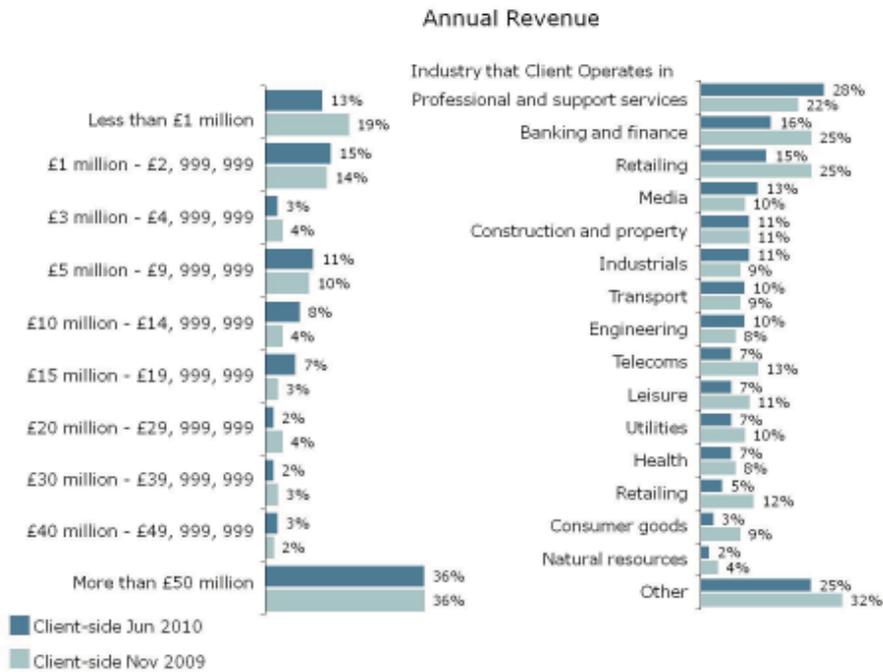
Do you think the impact of social media activities on an organisation's reputation can be measured?



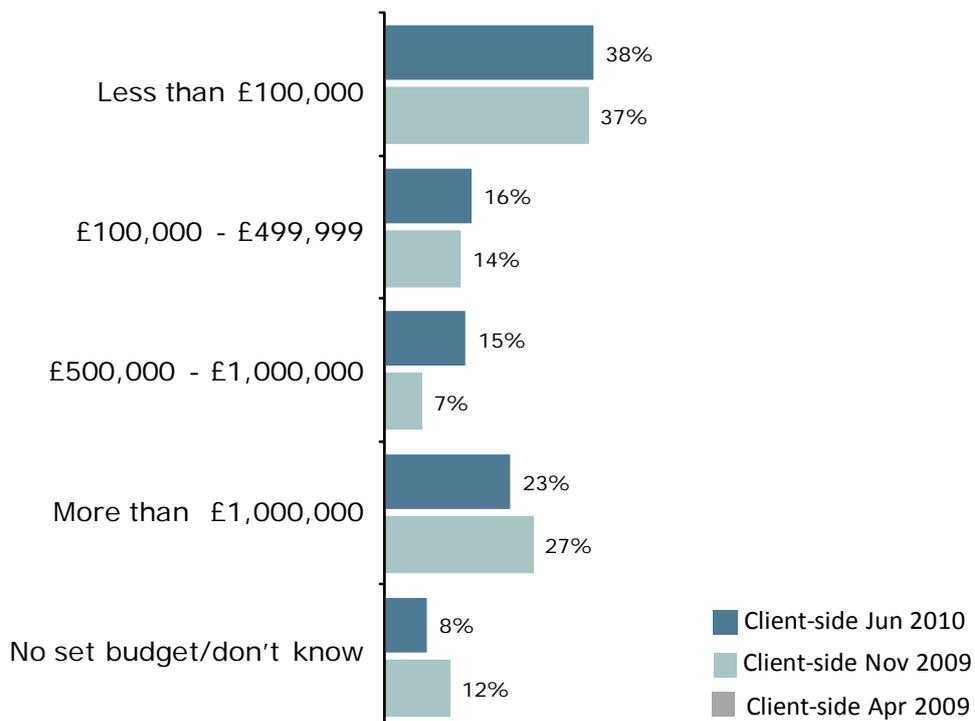
When clients and agencies were asked how the impact of social media activities can be measured, it became clear that there is a strong belief that it is possible to quantify mentions of a brand in a social media environment, at the same time as tracking overall brand health using traditional techniques. No single measurement method was preferred over others, and responses demonstrated a nuanced approach which changes according to the social media channel used (e.g podcast, viral marketing).

6. Appendix – respondent profile

6.1. Client-side respondents

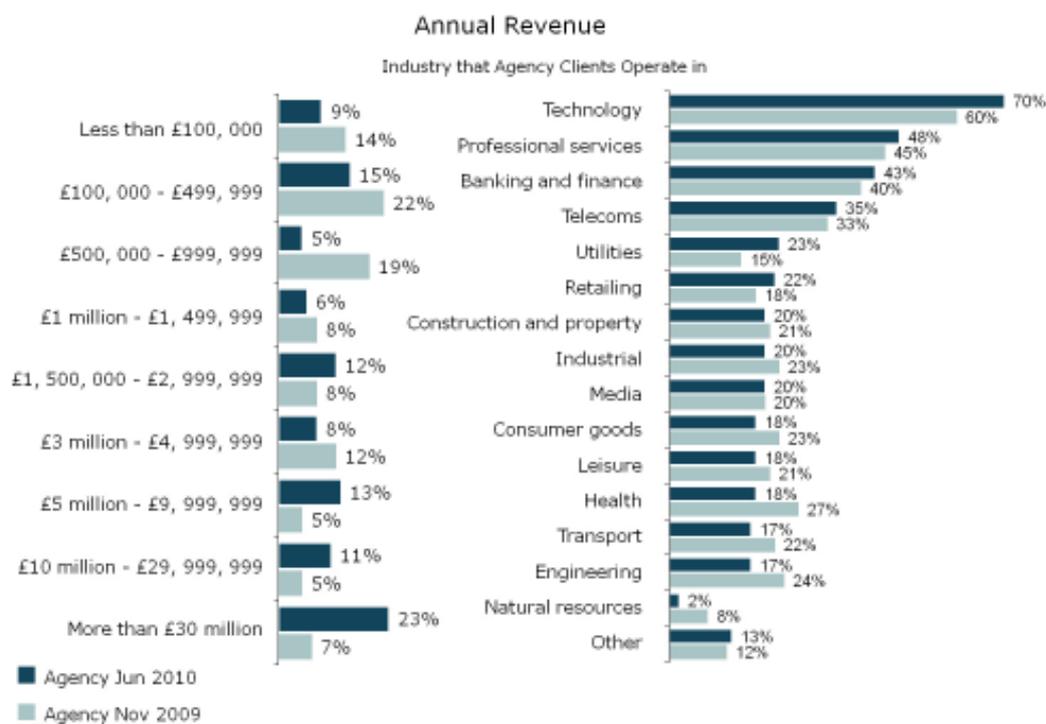


How much is your organisation likely to spend on B2B marketing activities over the next 12 months?

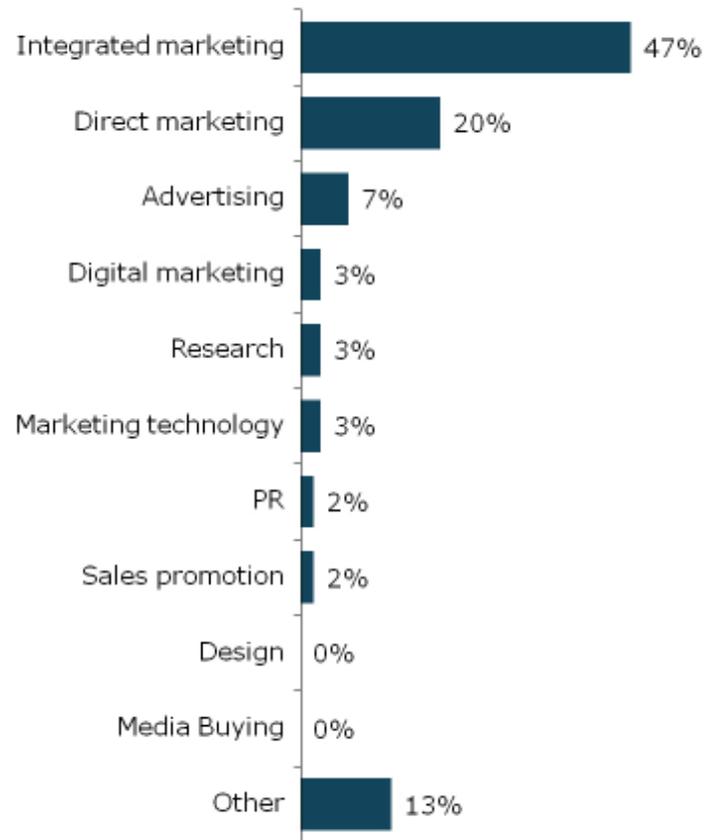




6.2. Agency-side respondents



Agency Type



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:



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