

B2Bs Aren't Spending Big on Digital Advertising (Yet)

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Business-to-business (B2B) companies aren't traditionally big spenders on digital ads. According to our estimates, B2B digital ad spend makes up only 4.6% of the total digital ad market.

To get a better understanding of why the market still lacks maturity, as well as the various challenges B2B companies face, we spoke to several industry experts for our recent "US B2B Digital Advertising Trends" report. Here's what we found:

B2Bs Still Heavily Rely on Traditional Channels

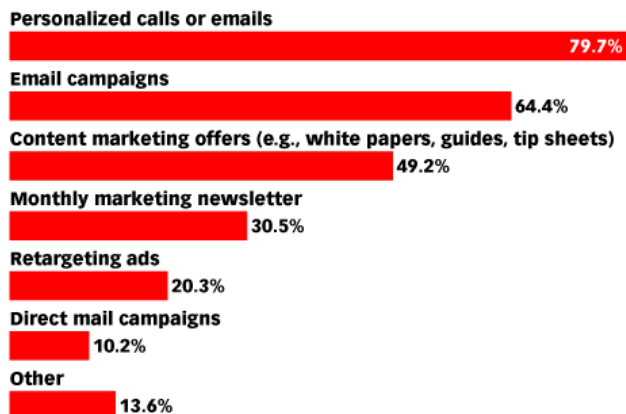
For many B2Bs, traditional marketing methods like content marketing, email and personalized calls work.

In an August 2018 survey from Informa Engage, 78% of US B2B professionals said email marketing was one of the leading marketing tactics they used in 2018, followed by industry events (70%).

A similar survey conducted by Bop Design also found that personalized calls or emails were used by 79.7% of B2B marketers for lead nurturing, with email campaigns following closely behind at 64.4%. In contrast, just a quarter said they used pay-per-click ads to get leads.

Tactics Used by US B2B Marketers for Lead Nurturing, April 2018

% of respondents



Note: n=59

Source: Bop Design, "The State of Lead Generation in 2018," May 7, 2018

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There Is a Need for Transformation

Some B2Bs may not be comfortable using certain digital tactics because their company hasn't undergone a digital transformation.

"B2Bs are comfortable buying direct from a digital publisher because that is the way their business is set up to purchase digital media," said eMarketer analyst Jillian Ryan. "Whereas B2B firms that have gone through digital transformation generally have the right people and technology in place to execute more sophisticated digital ads with greater volume."

A lack of the necessary skills on existing teams also presents a challenge. "Our biggest weak point is hiring for marketing business intelligence and marketing operations roles," said Max Altschuler, vice president of marketing at Outreach. "Once we hire for these positions, we will be able to be more data-driven in our advertising."

Convincing stakeholders to allocate budget for unproven methods can be a challenge as well. "B2Bs that want to increase spend on digital should first get a handle on what is happening in customer relationship management [CRM] and have an understanding of how people and accounts are moving through the funnel," Ryan said.

The Challenges of Programmatic

B2Bs looking to reach niche audiences are still facing several barriers. “In many cases, programmatic ad tech providers—especially those that aren’t ABM-specific—are still designed for B2C [business-to-consumer] advertisers, which means there is a lack of scale if B2Bs are too specific with their bespoke audience,” Ryan said.

For Joseph Leichman, senior director of buyer development at OpenX, one of his team’s biggest hurdles in getting B2Bs to go programmatic is the lack of scale. He gave the example of a B2B company that wants to target only IT decision-makers in the US between 9am and 5pm. That doesn’t give much room to work—and the ability to spend and hit the desired reach and frequency isn’t what it needs to be. “That forces the marketer to say ‘Oh well, programmatic won’t get there for me, so I’ve got to pull back into trades, magazines and events, and keep doing what I’ve been doing the last 30 years,’” Leichman said.

The high price tag that comes with programmatic is another hurdle B2Bs face, especially those without B2C arms and the sophisticated tech stacks that accompany them. Laura Milsted, global advertising director of B2B and insight at the Financial Times said that when a client buys ads directly from her company, all of that investment goes to the media itself. With programmatic, that’s not the case. “A typical supply chain for a programmatic buy results in less than 50% of the initial budget being spent on publisher inventory, with the rest being spent on middlemen and tech providers,” Milsted said.

Data Difficulties

Most B2Bs have a CRM system in place. According to September 2018 research from Dun & Bradstreet and Adweek Branded, 36% have a CRM with advanced functions, and 48% have basic functions. Still, many have a hard time combining their first-party data with their second- and third-party data.

A separate study from Dun & Bradstreet found that nearly a quarter of brands rated their organization’s ability to manage their first-party data as “above the competition,” and only 18% thought the same of their third-party sources.

Again, B2Bs with B2C arms are much more advanced in how they piece together data sources. “Tech companies, especially online digital natives, are further along in many cases, and that’s partially because they started with a more unified view of data,” said Pieter De Temmerman, COO of Liveramp.

2019: What Needs to Happen for Growth

Many of the industry experts we spoke with emphasized that 2019 would be a year of growth for digital ad spend. In fact, we increased our estimates by more than \$500 million from the previous year (in line with our larger digital ad spending estimates).

Even B2Bs in niche verticals that aren’t traditionally early adopters are starting to spend on digital. “We see the tech, healthcare and financial services companies doing a lot with experimentation, but now forward-leaning companies that are exploring digital ad units are the ones that have a very niche customer to reach,” said Robert Rose, chief strategy advisor at the Content Marketing Institute.

The shift could be credited in part to the larger trend of better alignment between sales and marketing teams, along with a desire to understand how marketing functions help sales teams close deals.

A hesitancy to go programmatic is also slowly changing as more B2Bs double down on the wealth of new ABM platforms and people-based strategies.

As the market evolves and data pools and targeting capabilities become more advanced, it is likely that the shift to digital advertising will pick up steam.

Explore more trends that are driving (and preventing) increased B2B digital ad spend. eMarketer PRO subscribers can read the full "US B2B Digital Advertising Trends" report now.

Report by Jillian Ryan Jan 17, 2019

US B2B Digital Advertising Trends

US B2B DIGITAL ADVERTISING TRENDS

Spend Will Exceed \$6 Billion
in 2019, but Market Still
Lacks Maturity

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