



Advertising Among SMEs

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INTRODUCTION

In this white paper we draw together 35 years' experience as business-to-business market researchers and the findings of a recently commissioned study of over 245 small and medium enterprises (SME) throughout the UK to give a deeper understanding of how b2b advertising works.

All advertising programmes aimed at business audiences require answers to four important questions:

- *"Who is it that I want to communicate with?"*
- *"What do people look for who are buying my type of product (or service)?"*
- *"What message (or messages) can I use to get them interested in my products?"*
- *"How can I reach these people?"*

These are questions that we will discuss in this white paper.

WHO IS IT THAT I WANT TO COMMUNICATE WITH?

Whereas consumer marketers aim their products and services at people, buying for themselves or their families, business to business marketers target companies, other businesses that they hope will buy their wares. This oversimplification does miss the point that the company may pay the cheque when the deal is consummated, but it is a warm bodied person within the company that actually makes the decision. What is more, there may be more than one warm bodied person involved in the buying decision ranging from people who are specialist buyers through to staff with specific interests such as technicians, production mangers, safety officers, finance people and the like. In other words, we may have a **decision making unit** of some complexity and each with a different need or requirement.

The complexity of the decision making unit is at least partly compensated for by the more tightly defined audience of the business to business marketer. Typically, the b2b marketer is aiming at a few thousand companies and sometimes only a few hundred. This means that we are more able to use rifle rather than a shotgun.

In fact, the starting point of all marketing tasks within a b2b company is the customer and potential customer database. What is more, this is nearly always the subject that requires most attention because it is a near impossible job keeping it up-to-date. If the database is to be effective it needs names of people within the companies who are in the decision making unit and this is an ever moving feat. In today's mobile society, it is becoming quite unusual for someone to hold the same position for more than five years so it follows that the database of target customers is need of constant weeding and correction.

The customer/potential customer database is one of the most important assets of a b2b company and yet there are very few organizations that give the task of its management to a senior person. It may, if we are lucky, get a spring or summer clean up by the student intern. The upshot of this is clear, if the database is badly managed and out of date, any promotions that use it will fall on a good deal of stony ground.

Advertising and marketing that is carried out using a database is direct and in advertising speak is often referred to as 'below the line' (so called because the budget is not included in the media spend of the agency – which is the above the line advertising). Not all b2b marketing is below the line and we will talk later about advertising in magazines and the use of public relations. However, for all b2b marketers, the database of customers and prospects is the starting point for analyzing and defining the target market however it is reached.

WHAT DO PEOPLE LOOK FOR WHO ARE BUYING MY TYPE OF PRODUCT (OR SERVICE)?

The next question we have to address is what sparks the interest of the potential customer. We have already said that b2b decision making is often made by a decision making unit (DMU) and not a single individual. The different member of the DMU could have different interests. It would not be surprising to find that a buyer is more interested in price and a production person is more interested in quality or reliability.

This forces us to consider whether we can find common ground across all our different types of customers, or if we should segment them in some way according to their needs. In theory the segmentation by needs is attractive since this would enable us to more effectively interest the different audiences. However, needs are forever changing and getting to grips with the nuances of different needs amongst the target audience could result in misclassifications and incorrect targeting that undo all the good intentions. In other words, we are better to find a common theme that will interest most people rather than try to work out each individual's needs.

WHAT MESSAGE (OR MESSAGES) CAN I USE TO GET PEOPLE INTERESTED IN MY PRODUCTS?

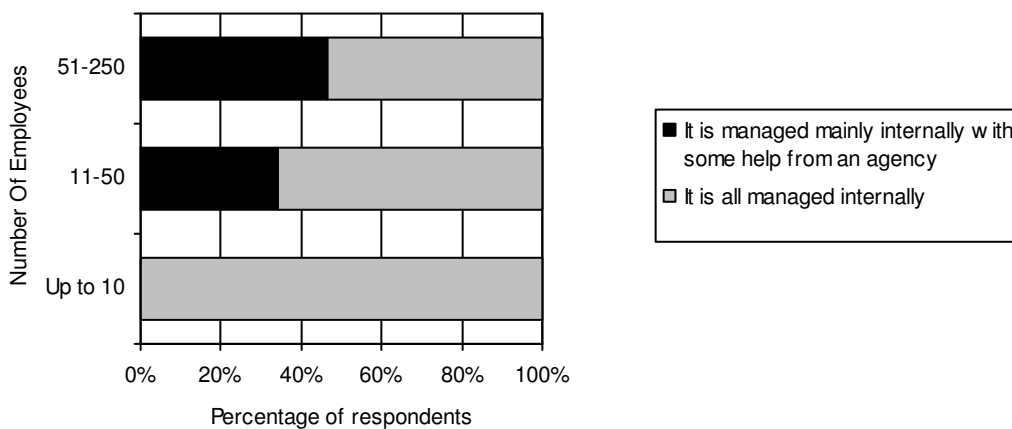
For many SMEs their advertising spend is 2% or less of their turnover. The 245 companies in the B2B International survey had advertising spends in the following range.

Figure 1 Advertising Spend of SMEs

Size of SME	Average Promotional Budget
1 to 10 employees	£2,000
11 to 50 employees	£52,400
51 – 250 employees	£87,200
Overall	£63,000

With such small budgets, it is hardly surprising that many SMEs can't afford to engage the help of advertising agencies. Results of the B2B International SME study show that two thirds of companies manage their advertising and promotions internally, without any external help. The very smallest companies in the survey are all DIY while those at the top end are able to afford more agency help. See Figure 2.

Figure 2 Advertising Spend of SMEs





The SME may not be able to afford the help of an advertising agency but we can learn from the published wisdom of the legendary advertising guru, David Ogilvy. In his book “Ogilvy on advertising”, he had an advertising mantra based on four basic principles.

- Research – Coming, as he did, from a background in research, he never underestimated its importance in advertising. In fact, in 1952, when he opened his own agency, he billed himself as Research Director.
- Professional discipline – “I prefer the discipline of knowledge to the chaos of ignorance.” He codified knowledge into slide and film presentations he called Magic Lanterns.
- Creative brilliance – A strong emphasis on the BIG IDEA (always written in ALL CAPS)
- Results for clients – One of his famous quotes in this respect is, 'In the modern world of business, it is useless to be a creative, original thinker unless you can also sell what you create.'

In this section of the white paper we want to focus on the third of Ogilvy’s principles – creative brilliance, as this is how we can hit the hot buttons of our target audience. This is made all the more difficult as the proprietor or manager of an SME will have many skills but they are not necessarily those of a creative genius.

In the second of the questions we posed in this white paper, we said that it is important to know what people are looking for when they are choosing a supplier of products or services. This gets complicated because people are always looking for a number of things – a good price, good quality, excellent availability and good service (and so on with much more sophistication than this). The trap that the DIY advertising executive at the SME can fall into is to try to tell the audience about all these benefits and in so doing, communicate nothing.

It is significant that when Ogilvy won the advertising account for Rolls Royce motor cars in the 1960s he didn’t try to tell his audience that these were the best cars in the world; rather his ad had the headline: *At Sixty Miles Per Hour the Only Sound is the Ticking of the Clock*. This was his BIG IDEA. It is what we need to look for when marketing our products and services.

HOW CAN I REACH MY TARGET AUDIENCE?

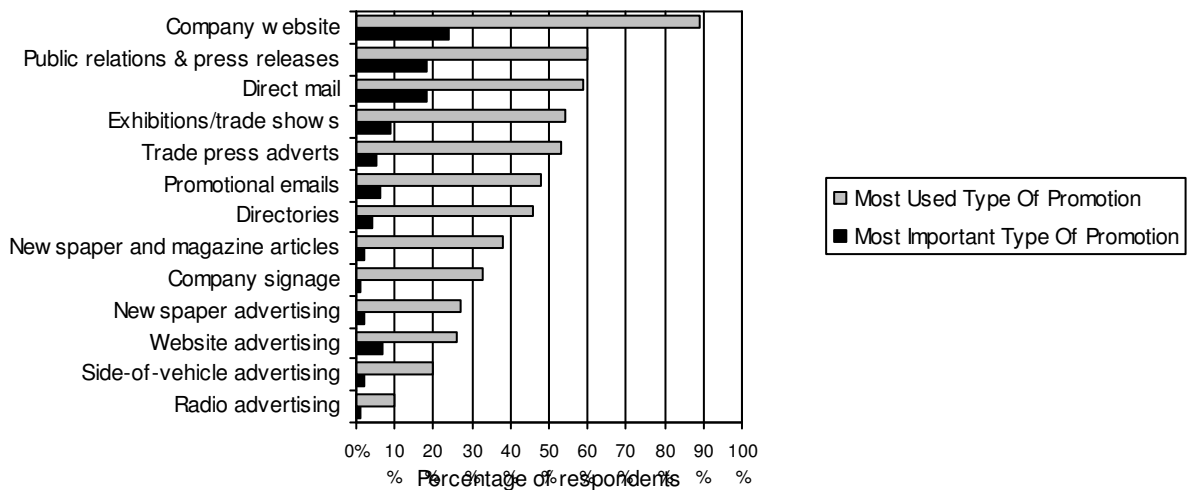
The options open to a business to business marketer (especially an SME) are not quite the same as those open to a consumer marketer. The consumer marketer faces hundreds of thousands of potential customers, sometimes millions. To reach this scattered audience requires bigger budgets and a tool kit that includes TV, radio, cinema and outdoor hoardings. Some b2b marketers may use these mass market media but most find that their budgets don’t allow and in any case they work harder with the below the line tool kit.

In the B2B International survey we asked 245 SMEs to tell us which methods of promotion they used and which they found most effective. In the last two years the website has become the most widely used method of advertising with around 90% of SMEs using this medium to promote their goods or services.

A close second are two time honoured forms of b2b promotion; PR and direct mail. Each is used by around 60% of SMEs.

Websites, PR and direct mail also take the top three slots in answer to the question “which is the most important method of promotion?” (See Figure 3 overleaf).

Figure 3 Most Important Methods of Promotion Used By SMEs



Although the budgets of the SMEs may be of a similar proportion to those of larger companies, they are small in absolute terms. There is not a lot you can do with a £50,000 per year budget for promotion. This is why websites, PR and direct mail are so popular and such important promotional tools. A website can be set up for next to nothing and a £10,000 budget would buy you something that was all singing and dancing. Press relations can be written internally or even with outside help; a good deal can be achieved for £10,000 per year. Direct mail is a more open opportunity to spend money but simple newsletters and mailings cost very little and often less than £2 per shot.

What has fallen from importance in recent years is trade press advertising. It is used by 53% of companies and is only classed as the most important medium by 1 in 20 SMEs. At a typical price of £2,000 per page for an ad in a trade journal (which does not include the origination cost of the ad) it is clear that this could be an expensive means of promotion. One ad achieves very little and so a monthly commitment will take a large chunk of the promotional budget in one journal.

Exhibitions similarly have declined in importance although they remain important for companies that have products where a physical demonstration or sight of the product helps. Exhibitions would be favoured by a company making machines and may be eschewed by a company offering services. As with trade journal advertising, the cost of an exhibition is not for the faint hearted. Even a small exhibition will end up costing at least £5,000 while a reasonable stand at a larger exhibition could push this cost up ten fold. This is not accounting for the time and cost of the executives who are required to man the stands – not something that the average SME has much to spare.

Sir William Hesketh Lever, founder of Unilever, once said “half the money I spend on advertising is wasted, and the trouble is I don't know which half”. This ambiguity that companies face when trying to gauge a return of investment from their advertising implies that a large budget would be required to measure the effectiveness, as many promotions are pervasive and work over time. It was therefore of some surprise to learn that half the smallest SMEs – those that spend less than £10,000 per year on advertising – claim to make some attempt to measure the effectiveness of their spend. This compares with less than one in ten of the larger SMEs – those spending over £250,000 per year on advertising – who try to track how effective they have been in their outlay. This apparent lack of sophistication of the larger companies compared to the smaller ones may simply be that it is easier to keep track of results if you are spending much less. In fact our panel told us that the most common method of tracking effectiveness is simply asking where the enquirer heard of the company.



WHAT HAVE WE LEARNED?

There are around 4 million small and medium enterprises in the UK. They are hugely important to the health of the nation in the number of people they employ and their contribution to the economy. In fact they make up a half of all the jobs in the UK and account for half of our GDP.

Officially SMEs are companies that employ less than 250 people. Actually, 99% employ less than 50. These are therefore very small companies running businesses often on a shoe string. They are attempting to market their products and services professionally and yet they cannot afford professional help. Most of what they do is DIY marketing.

In this white paper we have seen that the website has become the most popular and most important promotional vehicle for SMEs. It is cheaper than a company brochure and easier to keep up to date.

There is a wide range of other means of promotion available to SMEs and all find a place in some business or another. However, public relations in the form of press releases and direct mail are important tools supporting the website. We have argued that for most SMEs the management of the customer/potential customer database is crucial to its promotional strategy as it defines who is being targeted and it provides the mechanism for delivering the message. Our strong message has been to make sure that this database is as up to date and well managed as possible.

Given that we have been talking about small companies, advertising with small budgets, it is fitting to finish with a quote from someone who is never short of a few apposite words: *"Many a small thing has been made large by the right kind of advertising."* Mark Twain (1835 – 1910).



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