



**Goldstein**Group  
communications

2018  
**B2B Marketing  
Budget Planning Guide**



*Measurably Better Marketing*

# Marketing to the Engineering Audience

## Building an IMPACT Budget for 2018

Building a B2B marketing budget is harder today than it's been in the past. It's even harder when trying to reach a busy engineering/technical audience.

With the explosion in marketing technology tools, and the changing methods in how the technical buyer learns about companies and products, it's no longer a simple task of taking last year's budget as a template to continue forward.

**For marketers seeking true impact on revenue, a variety of new questions need to be answered:**

- What's working in branding and lead generation for you today?
- What's your cost/quote, cost/sample or cost/SQL (Sales Qualified Lead)? How can we reduce that?
- How long does it take to move a prospect through your sales funnel, and how can we accelerate that?

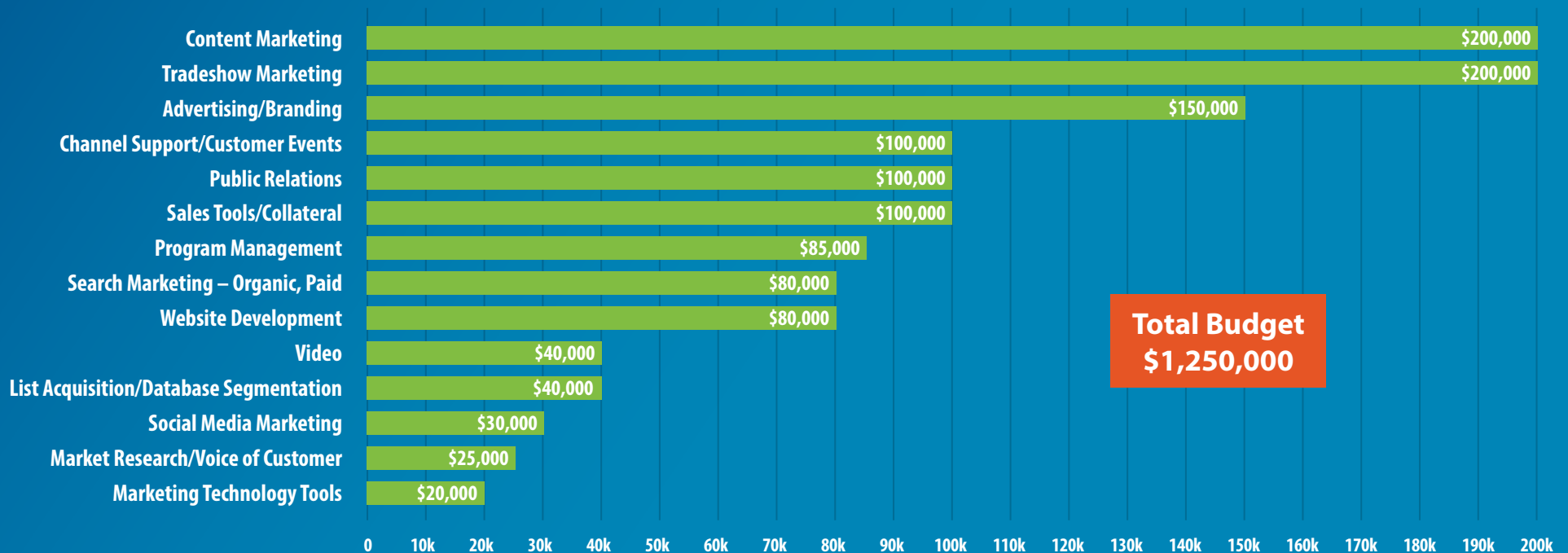
It's beyond just publishing more blogs or pushing out more emails. When building your budget for 2018, it's time to get more sophisticated, more strategic and more focused on the metrics that matter – revenue, opportunities and quote generation, not just lead generation.

This ebook was created from a variety of sources, listed on page 17.

# Let's Start at the End: What's a Budget Look Like?

Before we share some of the B2B marketing budget research for 2018, let's review a typical template for what a company might allocate to marketing to the technical buyer or engineer.

Let's assume a 5% budget, to be conservative (see page 3 for more guidance). For a \$25 million manufacturer, then, that's a \$1,250,000 marketing budget. We'd typically see that broken out in a variety of different ways, but here's how it might start:



# And For That, What ROI Should I See?

So, will that pay off? What ROI should you expect for your 5% marketing investment? That ties back to lead flow and closing ratios. That may surprise some people, who equate marketing more with the color of their ads or website home page. In fact, marketing is math. It's a defined discipline just like the accounting, manufacturing or engineering departments are at your company. And as a discipline governed by a set process, you can calculate what you should expect.

## **As you begin your calculations, a few thoughts:**

- The best marketing outcomes come as part of a collaborative process between marketing and sales. When they agree on what to expect and how to organize, the ROI will always be higher and more predictable.
- There's a difference between leads, Marketing Qualified Leads (MQL) and Sales Qualified Leads (SQL). For marketers today, in truth, it's less about generating leads. It's easy to do that today, and the methods for doing that (search, webcasts, emails, etc.) are proven and predictable. So rather than pointing to web traffic or clicks as ROI metrics (so-called "vanity" metrics), we prefer looking at Sales Qualified Leads as the true measure of the success of a marketing program.
- While marketers don't always have total control of the sales process through to customer close, they do control the sales funnel down through the Sales Qualified Lead, or opportunity. In that case, we encourage companies to both measure and drive down their cost/SQL and days to SQL (the time it takes to travel from initial lead to becoming an SQL). Those "uber-metrics" are a true indication of marketing impact.

If you are in fact able to connect via CRM the total lead-to-sale pipeline, here's a typical ROI formula as an example:

➤ <b>Annual Marketing Budget:</b>	<b>\$1,250,000</b>
➤ <b>Leads Generated:</b>	<b>6000</b>
➤ <b>Marketing Qualified Leads Generated:</b>	<b>3000</b>
➤ <b>Sales Qualified Leads Generated:</b>	<b>1000</b>
➤ <b>Average SQL-to-Close Percentage:</b>	<b>20%</b>
➤ <b>Average Sale Value:</b>	<b>\$30,000</b>
➤ <b>Number of Closed Transactions:</b>	<b>100</b>
➤ <b>Total Anticipated Sales:</b>	<b>\$6 million</b>
➤ <b>Return on Investment:</b>	<b>480%</b>

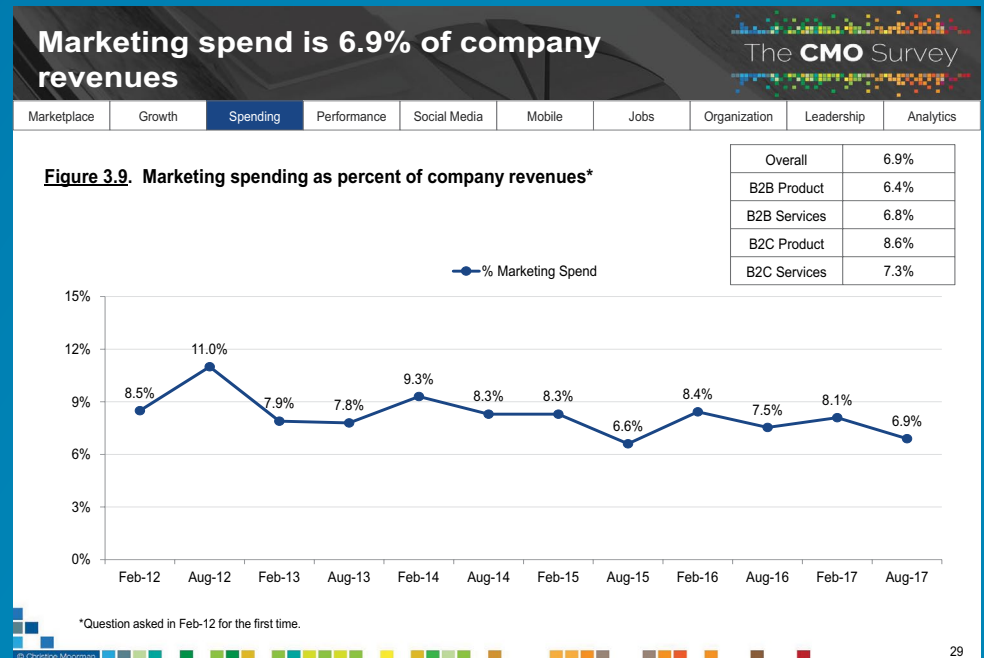
Of course, every company's ROI is different, because every ratio in the step outlined above is different. You may close more than 20% of your SQLs, or more of your early-stage leads may become SQLs that what we have in this outline. But, regardless of your numbers, it's important to fill in the formula so you have a roadmap of what to expect.

# How Much Should I Budget for Marketing?

With those formulas in hand, then it's time to start building your own marketing budget for 2018. The first question every CEO asks is how much they should allocate for marketing. Typically, that's calculated as a percentage of sales, and there are a variety of different studies that point to the proper number for B2B and B2C.

The CMO Survey has published the most consistent numbers on this question, with current spending for B2B manufacturing/product companies at 6.4% of revenues and B2B service companies at 6.8%. These numbers have dipped slightly in the last survey in August 2017 compared to earlier in the year, which is somewhat surprising. Most companies are doing well, which is not typically when we see them reducing marketing programs.

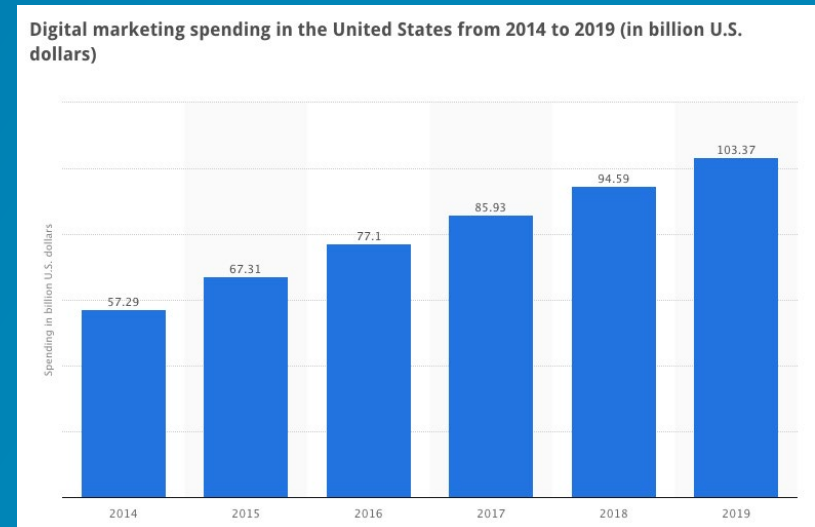
While the survey doesn't stipulate it, this number may very well include salaries for the marketing department.





# What Areas of Digital Marketing Will See the Most Spending?

Are marketers done shifting their ad dollars from traditional to digital? It appears so, at least according to forecasters at Forrester. The tech analyst firm points to continued growth through 2019 in digital marketing spend levels, although it predicts that growth rate will slow from levels earlier in the decade. Gartner Group, another analyst firm, predicts the same, with both warning marketers that the time for simply throwing more money at digital to achieve gains will start to give way to adding more sophistication in their efforts – outthinking competition, not outspending them, as Forrester says. We see that as well at GGC, with declining response rates for email most notable. Our application of advanced marketing automation software and other technology tools will be increasingly important as we move through 2018 and 2019. Engineers in particular are becoming used to the email-to-landing page form practice, so it's time to apply more targeting and other approaches that will be more powerful and fresh. Search marketing, online video and email marketing will continue to be budget priorities for digital marketers, predicted Forrester.



# Market Penetration Continues To Top Efforts to Grow Over Adding New Products or Markets

The CMO and a study from Sirius both show that marketers are focused most on a traditional approach—selling more of the products they have to the markets they target. That’s not surprising, since it’s the simpler approach to growth: “let’s just sell more of what we have in more effective ways.” So market penetration remains a key goal for most companies this coming year.

**It’s a consistent group. Responses mirrored the same pattern in 2016.**

**Existing markets and offerings continue to dominate growth spending** The CMO Survey

Marketplace	Growth	Spending	Performance	Social Media	Mobile	Jobs	Organization	Leadership	Analytics
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**Types of growth strategies**

	Existing Products/ Services	New Products/ Services
Existing Markets	Market Penetration Strategy	Product/Service Development Strategy
New Markets	Market Development Strategy	Diversification Strategy

**Table 2.1. Spending on growth in past 12 months\***

Growth Strategy	Feb-2017	Aug-2017
Market Penetration Strategy	51.1%	53.2%
Product/Service Development Strategy	24.2%	22.3%
Market Development Strategy	15.0%	15.0%
Diversification Strategy	9.7%	9.5%

\* % of spending for each growth strategy

A SiriusDecisions study shows same priority, with a little less variation: penetrating existing markets to get new buyers is the top strategy, rather than finding new sandboxes to play in.

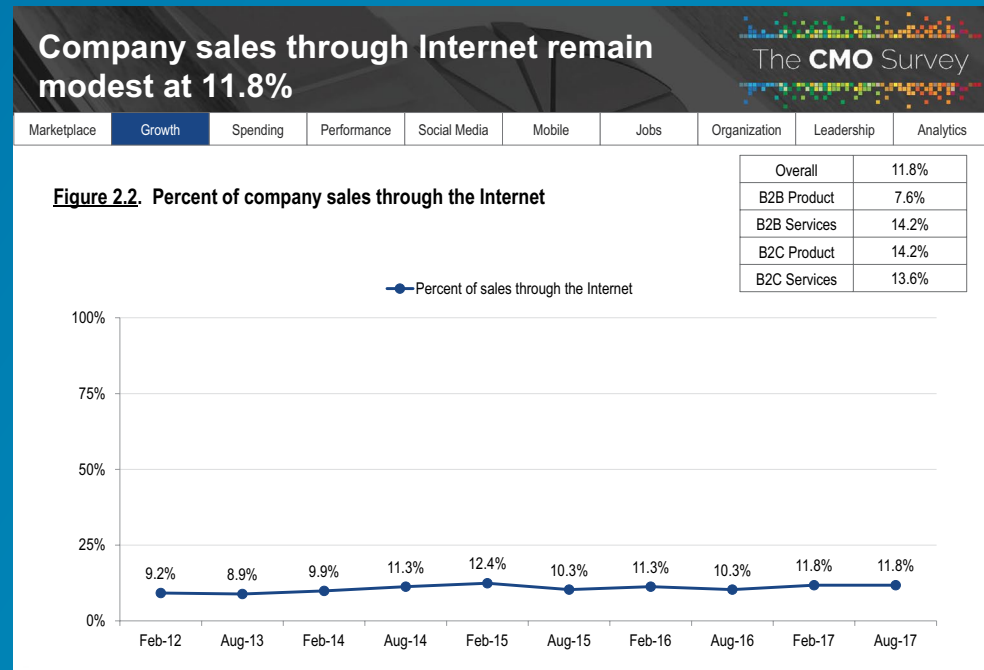




# Online Sales Remain Modest

For all the emphasis on building eStores and Amazon presence, a strategy we're actively and aggressively pursuing for several manufacturing clients, the amount of revenue companies are reporting from online continues to appear flat, at least in the CMO survey.

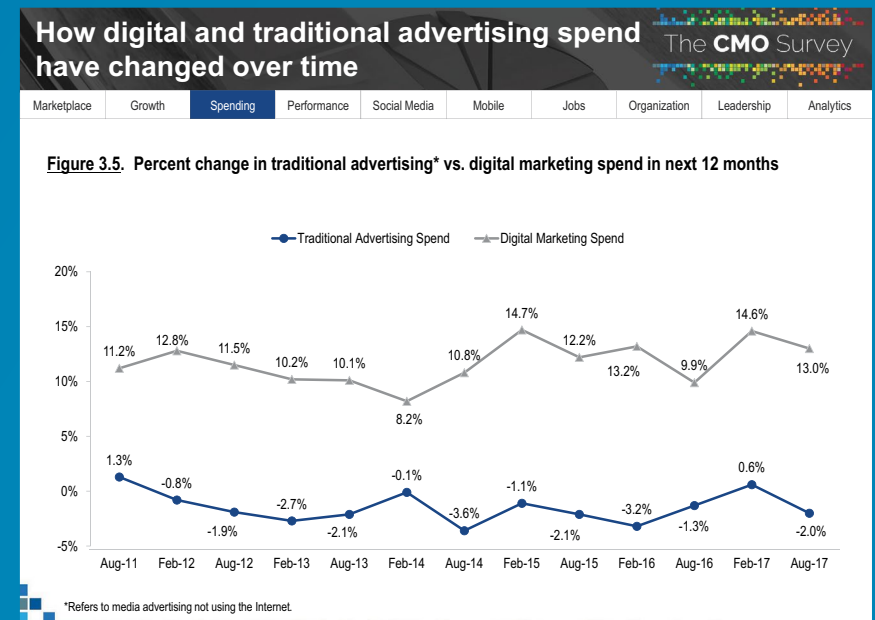
Regardless, most of our clients are just entering the world of eStores and Amazon commerce, with exciting results. In fact, in the not too distant future, we expect these initiatives to convert marketing in the Account Department as an income source in companies, rather than as an expense.



# Traditional Marketing Budget Items Decline

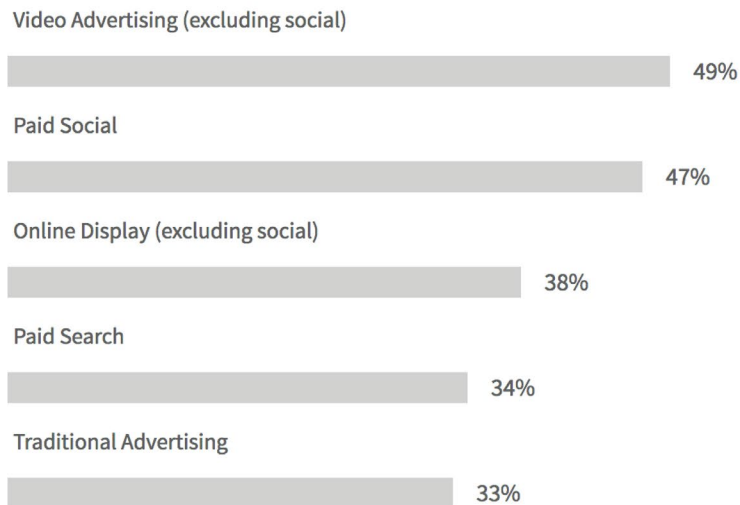
It's no surprise to us that the proportion of marketing spending going to traditional methods, such as shows or print advertising, is declining. We haven't seen much value in print advertising programs for a while, even though some publisher research continues to point to its impact. The engineering or technical buyer seems to clearly favor online sources for their information, as we've published in other ebooks.

While spending on tradeshow remains the largest part of a company's budget, just because of the sheer cost for them, we do see value in that traditional tactic continuing to receive funding from marketing departments. We see the quality of trade show attendees – at the right shows – at a rather high level, so going to those shows is worth the high cost. Engineers and decision-makers are only attending shows today to answer a specific question, or learn how to solve a particular problem. They're no longer attending to find out what's new, because they can do that simply by going online. While a trade show lead cost is steep – at about \$300/name compared to \$25/name for other marketing programs – the quality of the visitor at a show is typically worth the cost.



The SoDA Report also detects a decline in traditional marketing spending, with 2/3 reporting spending on those items will either decrease or remain flat. Video, paid social and online advertising line items will get the lion's share of budget increases, it says.

#### % OF MARKETERS PLANNING BUDGET INCREASES



#### SPENDING ON TRADITIONAL ADVERTISING IS A MIXED PICTURE

**33%** of marketers plan to increase traditional ad budgets

**33%** of marketers plan to keep traditional ad budgets flat

**34%** of marketers plan to decrease traditional ad budgets

# What Are the Top Five?

As we moved through 2016 and into 2017, we began investing more heavily in webinars as part of our advertising programs. A variety of surveys indicate that's money well spent, particularly for the engineering audience that needs to learn about complex topics.

The DemandGen 2017 study identifies five key items that have the most impact for programs going forward.



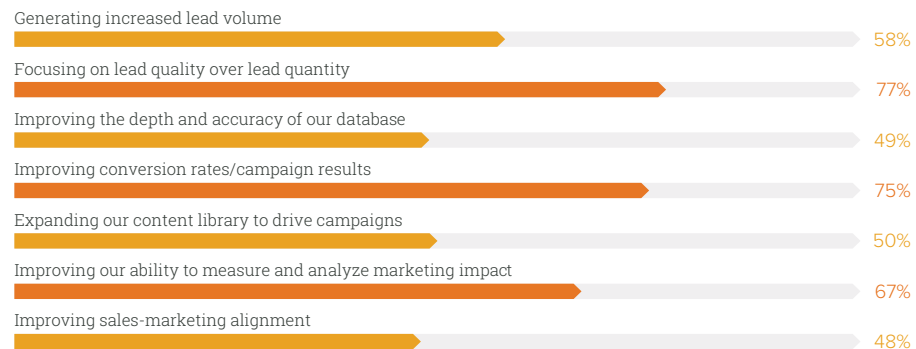
# Marketers Move Away From Lead Flow As Key Metric

As mentioned on page 3, generating leads, while not trivial, is giving way for many marketing decision-makers to a focus on programs that create opportunities and SQLs. As digital and content programs become more routine for marketers (send an email, push to a landing page), we're seeing response rates starting to decline. So it's more important to run digital marketing campaigns with more advanced tools, more sophistication, than the commonplace marketers who aren't applying the very latest best practices to lead generation and lead nurturing.

The DemandGen survey reflects this shifting priority, as "lead quality over lead quantity" emerges as the most important priority for this year.

Rank your organization's demand generation priorities during 2017?

(Ranked on a scale of 1-5 with 5 being most important)





# Don't Forget To Market to Millennials

Millennial engineering decision-makers are well established today, so it's particularly important to determine the average age of your database, and take steps to lower it. It's common for manufacturers to see an average age in the 50s for their prospect and customer base; leaving it there is a going-out-of-business strategy, as those engineers will continue to retire and turn decisions over to younger buyers who may not be familiar with your company – and find companies in different ways online.

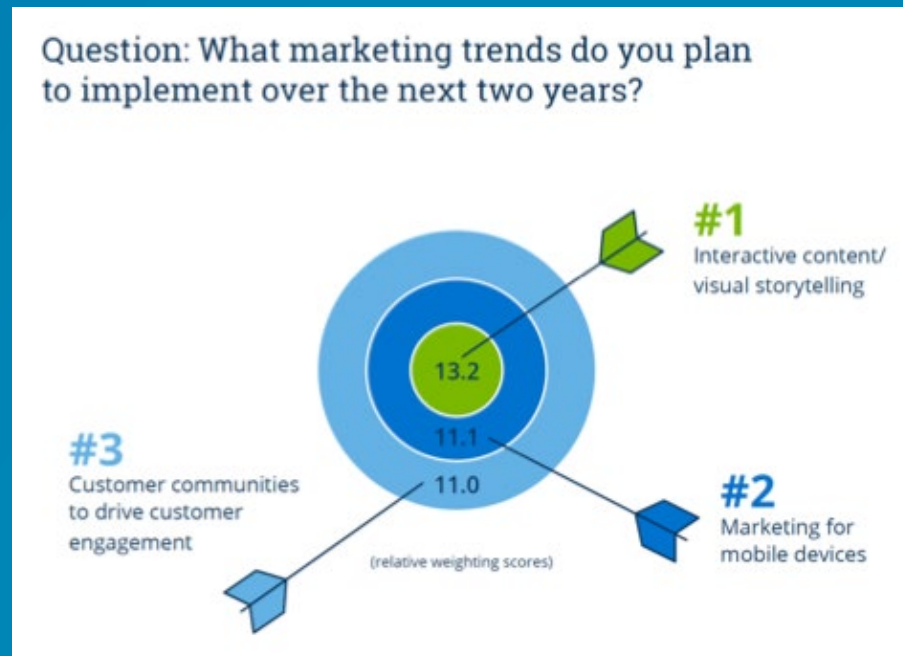
Marketers not only need to reach millennial buyers in different vehicles, but they need to do so in different ways, with different messaging. It's not just about sending out more emails or publishing more white papers. These buyers are seeking greater customer engagement and a deeper experience with companies they choose. In fact, customer engagement communities ranked in a Sirius Decisions study as the #3 marketing trend companies are pursuing.



# Don't Forget To Market to Millennials (continued)

Some companies are going a step further to become a “purpose-driven” organization, and sharing that mission with their customers since research indicates Millennials prefer working with those types of companies. Of course, younger employees find themselves more at home working for a purpose-driven employer:

**According to Ernst & Young, 72 percent of global customers would recommend a company with a purpose. And LinkedIn confirms that employees are three times more likely to stay at purpose-driven companies.**



# Even More Numbers

Not had your fill yet of marketing stats and studies? Here are a few other key figures the B2B marketer must keep handy:

- **The average click-through rate (CTR) for display ads is 0.06%** (Source: HubSpot)
- **Consumers who are retargeted in digital channels are 70% more likely to convert** (Source: HubSpot)
- **Companies that publish at least 16 blog posts per month get almost 3.5 times more traffic than companies that publish four monthly posts or fewer.** (Source: HubSpot)
- **On average, long-form blog posts with over 1,000 words generate 9x more leads than short-form posts.** (Source: Curata)
- **70% of people would rather learn about a company through articles rather than an advertisement.** (Source: Demand Metric)
- **Email has a median ROI of 122% – more than four times higher than other marketing formats, including social media, direct mail and paid search.** (Source: Direct Marketing Association)
- **The average white collar professional sends and receives 121 emails a day.** (Source: The Radicati Group)
- **Segmented email campaigns have an open rate that is 14.32% higher than non-segmented campaigns.** (Source: Mailchimp)
- **The open rate for emails with a personalized message averages 18.8%, as compared to 13.1% without any personalization.** (Source: Statista)

# Sources

We are grateful to a variety of companies for supplying good work and data to help guide the B2B marketer. These are the studies cited in this report:

- **Sirius Decisions 2017 CMO Study**
- **Global Digital Outlook Study 2017**
- **The SoDA/Forrester Report**
- **HubSpot**
- **CMO Survey**





# About Goldstein Group Communications

Goldstein Group Communications (GGC) creates high impact branding and lead generation programs for B2B companies that are seeking more powerful ways to find and keep customers. The agency brings an unusual combination of corporate communications management and engineer-level writing capability to its client roster. With deep experience in electronics, healthcare and industrial markets, the agency is able to draw on its skills to articulate with impact and clarity the technical advantages its clients offer their customers.

GGC was founded in 1992 as a public relations agency and today represents both entrepreneurial and billion-dollar multi-national firms throughout the country, with 60% of revenues coming from clients outside Ohio. GGC combines both left-brain analytics with right-brain creativity to provide a powerful marketing approach that leads to "Measurably Better Marketing."

