

HOW DIGITAL LEADERS ARE TRANSFORMING B2B MARKETING

By Phillip Andersen, Robert Archacki, Nicolas De Bellefonds, and David Ratajczak

SOME CALL IT THE consumerization of B2B marketing: the use of digital technologies and techniques, pioneered by the likes of Amazon and Google, to engage customers online. But true B2B leaders go much further. They are not only rapidly following as their customers are going online, but also dramatically transforming their marketing functions into digital- and data-driven machines that engage customers and fuel sales better than ever before. They are taking advantage of an explosion in B2B marketing innovations—including marketing automation, nurture marketing, predictive analytics, content automation, and new approaches to account-based marketing (ABM)—to deliver personalization at scale. In addition, marketing and sales are bridging their historical divide to work together to serve customers all along the buying journey.

It's a big transition for most B2B marketers, but leaders are pushing forward as the shift from predominantly providing sales support to generating revenue gathers speed. And at top companies, marketing is becoming the

driving force behind go-to-market strategies and execution, including demand generation, lead conversion, and the end-to-end measurement of results. As has been demonstrated in industry after industry, early movers can establish significant advantages, while laggards may be left behind.

Here's a look at what digital leaders are doing to transform their marketing functions.

It Starts with the Customer

There's a new B2B buyer out there—one who does not expect, and in many cases does not *want*, to deal with a salesperson until it is time to close the deal. More than three-quarters of all B2B purchasers today, including both small businesses and enterprise customers, have only limited interaction with salespeople. Instead, these buyers rely on digital resources—such as suppliers' and third-party websites, videos, buyer reviews, blogs, and social media. And they increasingly use mobile phones to get that information, particularly through search and social media. Half of all customers to-

day expect a supplier's website to be a helpful channel, and more than one-third expect the site to be their *most* helpful channel. In this digital environment, pushing products or services on customers is not very effective. Marketing—and sales—must become more pull oriented.

What's more, these new B2B buyers look for the same online and mobile experiences and features that they encounter as consumers. They want, for example, enhanced search functionality, ratings and reviews, personalized product and service recommendations, and a consistent experience. Buyers expect content that tells a story about a vendor's products and services seamlessly across all digital media (website, video, interactive), channels (landing pages, print magazine, webinars), devices (computer, tablet, smartphone), and stages of the research process, from awareness through purchase and retention.

More than half of all B2B buyers view at least eight pieces of content during the purchase process, and an additional 30% view five to seven pieces. They want concise and coherent interaction however it occurs—and when they don't get it, they often eliminate a vendor from consideration before any direct sales contact takes place.

In addition, these new B2B buyers are supported by young, tech-savvy researchers. A Google study showed that millennials (people under 35 years old) constituted almost half of B2B researchers in 2015—a huge shift from just two years earlier, when only a quarter were millennials. Members of this generation grew up with the internet, and they have been able to access it with their phones for at least a decade. (Millennials spend more than six hours a day on their phones, twice the time spent by people over 45 years old.) Many also exercise substantial authority over their company's purchases. And they buy digitally—more than half have used suppliers' websites to make purchases, and almost 20% use Amazon. This trend will only accelerate as millennials age, taking on more senior roles, and as Gen-Z enters the workforce.

Heightened Complexity and Accountability

As we have explored in other contexts, the shifts from products and services to thinking about customer journeys, and from legacy IT to digital systems, can be time consuming, difficult, and expensive. (See, for example, “Transforming Media Core Technology to Meet Digital Demands,” BCG article, September 2016, and “Digitizing Customer Journeys and the New Insurance IT Model,” BCG article, August 2016.)

A plethora of (mostly) new companies offers thousands of products and services designed to help B2B marketers navigate the digital world in general and these shifts in particular. In fact, the number of so-called martech vendors has soared from 150 in 2011 to almost 4,000 today, according to martech blogger Scott Brinker. The sheer volume of technology has both pluses and minuses. New software and applications generate efficiencies and enable more sophisticated capabilities. But their ever-increasing complexity makes building a marketing technology stack a challenge for both marketing and IT leaders.

One thing is growing even faster than the number of martech vendors: the volume of customer data available to B2B marketers. This data enables a company to engage a customer and shape the purchase journey from the earliest stages. A company can combine its own data—from its website, mobile app, and other sources—with relevant data from third parties, such as business partners and social media, to compile a comprehensive picture of accounts and of individual customers, including their priorities, needs, and interests. Since the data sources and capabilities of B2B are not as advanced as those of B2C, managing this data adds considerable complexity.

The best marketers have figured out how to handle personalization in this complex environment. They use data, technology, and advanced analytics to create sophisticated profiles for each customer (or team member, in the case of larger purchasing organizations) and then approach that customer as an individual and engage on the

basis of his or her needs and role. Since the B2B buying journey often can take months and buying groups can involve multiple individuals (researcher, analyst, IT support, procurement support, legal, and senior decision maker, to name a few), this ability is critical.

A big part of the challenge is making sense of the available information: harnessing the data and applying the analytics that help the company engage buyers and customize offers. Customers and top management alike increasingly expect marketers to make effective use of data and of such tools as predictive analytics, rapid test and learn, machine learning, and artificial intelligence to create data-driven customer journeys that result in high-quality leads and, ultimately, closed deals. The current lack of integration of marketing analytics is a big constraint for many. A survey by Forrester Research found that only 26% of marketers are satisfied with their marketing analytics tools, while the rest are unsatisfied.

Meanwhile, top management’s financial expectations are also rising, propelled by the promise of digital accountability. CEOs and CFOs expect evidence showing that

digital campaigns and content are resulting in increased sales. About half of B2B marketers today have direct revenue accountability, and that number is growing quickly, according to Forrester.

Transforming Marketing into a Digital Function

All these changes demand that B2B CMOs look closely at their departments and rethink their approach, from strategy through capabilities and organization. (See Exhibit 1.) Many will need to radically revamp their organization to stay current with their customers and to establish an advantage over their competitors. As shown in Exhibit 2, BCG has adapted its time-tested transformation framework specifically to help companies that are pursuing the shift to digital. (See *How to Jump-Start a Digital Transformation*, BCG Focus, September 2015.)

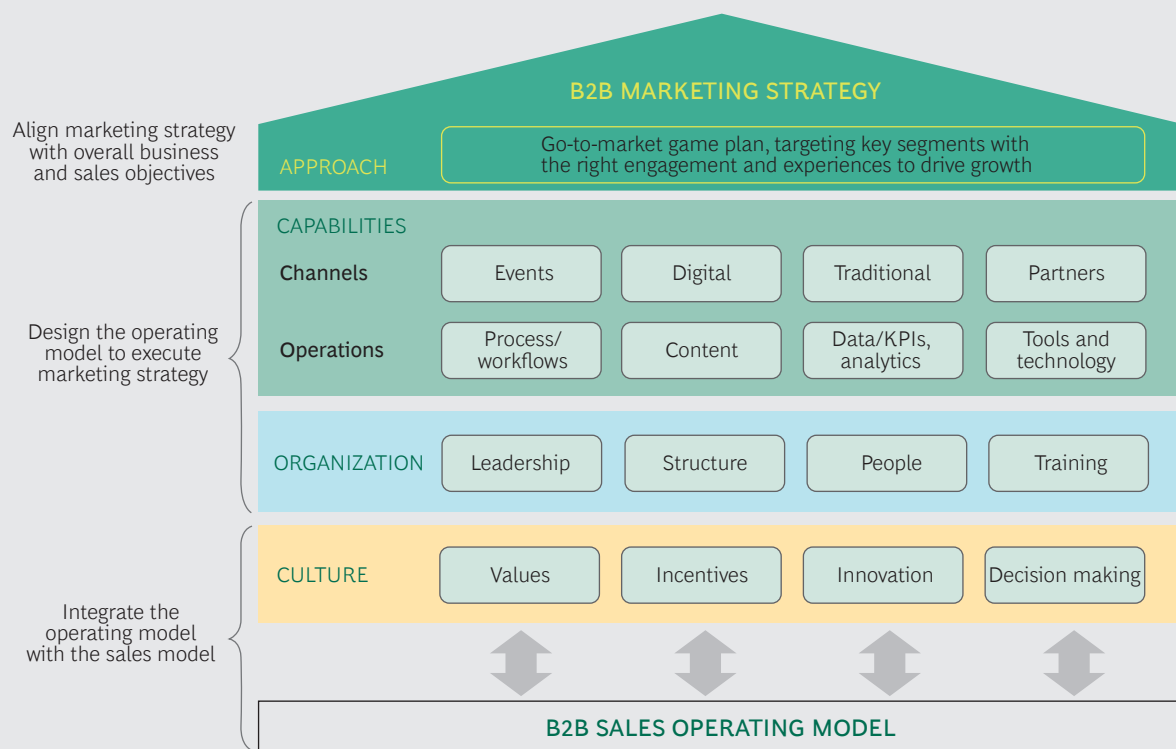
For B2B companies, the process starts with getting the go-to-market strategy right, then enhancing or building out core marketing capabilities. Most companies will need to retool existing capabilities, such as brand marketing, events, and content. Put-

EXHIBIT 1 | Shifting Customer Behavior Drives Changes in B2B Marketing

	OLD WORLD	NEW WORLD
STRATEGY	Sales-led, uninformed buyer	Marketing-led, informed buyer
MARKETING	Push-oriented, mass, disjointed customer experience; mobile an afterthought	Pull-oriented, personalized, customer experience integrated across channels and devices; mobile is central
CHANNELS	Mostly offline (for example, events, traditional media)	Digital and offline are integrated; greater “consumer-like” behavior drives mobile, video, and social media usage
OPERATIONS	More manual, siloed data	Automated, tech-enabled, connected/real-time data
MEASUREMENT	Activity-based, periodic, last-touch focused	Results-based, continuous, multitouch focused
ORGANIZATION	Siloed	Integrated
SKILLS	Creative	Technical, analytical
CULTURE	Rigid, top-down	Flexible, collaborative, agile

Source: BCG analysis.

EXHIBIT 2 | A Framework for Guiding the Digital Transformation of B2B Marketing



Source: BCG analysis.

ting digital tools to work in these areas helps generate momentum and demonstrate value to the rest of the organization. More challenging is building new marketing capabilities, such as digital approaches to ABM and digital media, data, and analytics. Companies will also need to acquire or develop the requisite technical skills and rethink their organizations for the digital world. (See Exhibit 3.)

RESETTING THE GO-TO-MARKET STRATEGY

As more customers research and buy through digital channels, marketing's role expands and takes center stage: the marketing function is in the best position to maximize revenue by shaping customer journeys and leading them to a successful conclusion. This expanded role requires that companies rework the marketing budget and spending mix, shifting more resources toward digital channels. Already, we are seeing a strong migration in spending. According to IDC, the typical B2B company spends about 4.5% of revenue on marketing (with about 40% going to digital), but newer

cloud companies can spend as much as 10% (and sometimes even more). Companies shifting to pull marketing and embracing digital channels report improved results at lower costs. Research by software developer HubSpot shows that the importance of digital channels for lead generation is rising quickly and that costs per lead have dropped by as much as 65%.

How companies spend their budgets is just as important as the amount they spend. Digital marketing and automation are about managing high-quality leads with a multitouch experience that results in improved sales efficiency and the ability to track performance across the purchase journey. A seamless integration with sales—with smooth handoffs and no loss of customer information or tracking capability—remains critical. For many companies, making this happen may involve a convergence of marketing, sales, and IT.

RETOOLING EXISTING CAPABILITIES

Digital technologies and tools can augment and enhance existing activities.

EXHIBIT 3 | Marketers Need to Retool Old Capabilities and Develop New Ones

BRAND Get the brand story out in a way that resonates and engages Expand from traditional advertising (such as TV) to build storytelling capability; leverage digital and social media	EVENTS Leverage digital to expand and extend the impact of events Augment events with digital and social media to drive engagement; use webinars and online communities to ensure conversion of leads	CONTENT Make deeper and richer content available for multiple channels Improve quality; manage expanding volume and personalization efficiently, making it easy to use and leverage online
DIGITAL Rethink digital advertising budget and allocation Target digital spending to ensure the right message gets to the right person at the right time to increase return on marketing investment	DATA AND ANALYTICS Leverage the power of data and analytics for customer insight Leverage best-in-class tools and models (such as predictive analytics) to get highest value out of the growing volume of data from digital	ACCOUNT-BASED MARKETING Enable ABM techniques (at both large and small companies) Move away from mass marketing; approach accounts as distinct markets and ecosystems of buyers
MARKETING OPERATIONS/TECH <ul style="list-style-type: none"> • Develop the right marketing-tech stack, and feed it the right data to maximize results • Build marketing operations infrastructure to support strategy and new capabilities 		

■ Capabilities to rethink ■ Capabilities to create

Source: BCG analysis.

Note: ROMI = return on marketing investment.

Brand. The focus of brand marketing can be expanded from traditional advertising, such as TV and print, to brand storytelling. General Electric, for instance, has built a multichannel, multimedia campaign focused on the theme of “digital industrialization,” which encapsulates GE’s efforts to apply digital technologies to traditional products such as aircraft engines and power plants. The campaign has three objectives: to increase awareness of what GE does; to support the recruiting pipeline for young engineers and business talent; and to engage a new generation of investors who have grown up during the digital revolution. According to GE’s CMO, “For every \$1.00 we spend, we get back \$1.25 in value when we layer in social and earned media.”

Events. Typically, events are a B2B company’s biggest marketing expenditure, often representing up to 20% of the marketing budget. Digital technologies can amplify their impact:

- Digital and social channels can extend event participation to audiences outside the convention hall.
- Mobile apps can heighten convenience, engagement, and personalization.
- Integrating the offline and online

experiences can make the event more immersive.

- Moving some events online via webinars reduces cost and expands the audience.
- Digital channels make it easy to funnel event-generated leads into CRM or marketing automation systems.

Content. Buyers seek advice and confirmation from peers and people they trust. Research shows that business buyers use content from multiple sources and that social media plays an important role in three-quarters of B2B purchases (in 82% of purchases by C-level executives). Through digital technologies, companies can—and should—tailor multiple types of content (such as white papers, blogs, case studies, testimonials, web copy, quotes, and social media) to particular audiences and localize that content by country or region. Online video is also growing rapidly, and there is increasing evidence that it can be employed effectively in a B2B context. Customer testimonials, product demos, tutorials, and events are all potential uses. To be effective, digital content must be coordinated across multiple digital platforms, including websites and online advertising, organic and paid search, and

social media and online communities.

BUILDING NEW CAPABILITIES

Consumer marketers employ a variety of digital tools to engage customers and shape their purchase journeys. B2B leaders are now using these tools as well, but they lag their consumer-facing counterparts. The key is to identify customers and track behavior with such tools as web-based and mobile advertising, digital targeting, and social media. The goal is to understand where customers are in the buying process and to use lead-nurturing digital outreach to provide the right information to the right person at the right time. Top B2B marketers also ensure leads are handed off to sales at the best time for engagement.

Good sources of data and effective analytics are essential to this process. But finding a common source of high-quality data to feed to marketing automation and sales CRM systems is often a significant constraint because the data generally is not available for B2B contacts in the same way that it is for B2C customers. B2B companies need a unified source of data structured for digital use (“a single source of truth”) and a common data model that works across functions, including sales and marketing.

Once companies can successfully access and harness data, they can use predictive analytics and machine learning to go beyond simple lead scoring to identify, and create profiles of, potential customers. Such capabilities not only build the sales pipeline faster, but they also have the potential to prioritize how the company approaches the marketplace with virtually no employee involvement.

To date, digital techniques have had the biggest impact on high-frequency, fairly low-value B2B purchases. Managing larger, more complicated accounts, which often involve teams of buyers and very big deals, requires taking an approach that focuses more on accounts than on leads. For these complicated accounts, ABM is a key tool, and new marketing technology platforms are enhancing its effectiveness and enabling its broader use by automating on-

line tracking and advertising with an account-specific lens. As a result, ABM approaches are becoming much more viable for midmarket accounts as well.

BUILDING A NEW MARKETING ORGANIZATION

As marketing becomes more and more tech driven, organizations need to acquire both the technology tools themselves and the skills to use them. On average, according to Gartner, companies with annual revenues of at least \$500 million are spending about one-third of their marketing budget on marketing technology; and CMOs are expected to spend more on technology this year than CIOs. The expenditures are driven largely by cloud-enabled solutions, which move spending from the IT capital budget to the marketing expense budget—a shift that has implications for marketing staff, skills, and funding. At more than 70% of companies, the marketing department is now responsible for choosing and managing marketing technology providers.

With the rising importance of data and technology, marketing organizations need to build out their technical capabilities. Four out of five companies today have a chief marketing technologist, who bridges the gap in expertise between the CMO and the CIO in such areas as martech strategy, tool evaluation and selection, data and analytics, and application development. Business program managers serve as the primary interface between global enterprise platform owners and marketing operations functions. At many companies, they are accountable for project management, budget and resource management, and spending prioritization. Marketing operations specialists manage the IT backbone for the marketing organization, including the technology itself, processes, data, and analytics.

But marketers (and their agencies) are not used to recruiting or developing many of these new skills. They need to make the development of digital capabilities a top business priority, rewiring the organization accordingly and significantly boosting learning and development programs.

(See *The Talent Revolution in Digital Marketing*, BCG Focus, September 2015.)

For many B2B companies, the expanded role of marketing within the organization and the importance of technical skills may dictate a rethinking of organization. There is no one right model; we have seen companies successfully organize around various criteria, including products, channels, geography, functions, and segments. What is clear is that success requires marketing and sales to work together much more seamlessly than they have in the past. This entails integrating technology (including marketing automation and CRM platforms), developing a common approach to managing customer data, and working out smooth transfers of qualified leads and opportunities to sales with no loss of information or visibility. To be successful, B2B companies will also need a comprehensive end-to-end measurement capability with proper attribution throughout the buying journey.

Finally, the company's culture needs to support the new ways of working. Collabora-

tion and unification across functions and teams are key. Leaders must embed digital ways of working—including agility, a test-and-learn approach, and the ability to execute at digital speed—into their cultures. As always, leadership from the top sets the tone, and incentives that reward the pursuit of common goals are essential.

THE MAGNITUDE OF change facing B2B marketers requires a truly transformational approach. Marketing organizations may need to journey through a phased process to achieve such a transformation, and they should keep the endgame clearly in sight. Marketers have the opportunity to use technology and data to engage customers in fundamentally new ways both online and off, anticipating their needs and accelerating their purchasing decisions while strengthening brand loyalty. Rapidly shifting buyer behavior requires that marketers move with a heightened sense of urgency or be left behind.

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