



Business Traction From Smarter SMB Interaction: Advancing Enterprise Excellence in SMB Marketing

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ABSTRACT

Small to medium-size businesses—more specifically, those with fewer than 100 employees—should expect to see some serious love from big business in the next 12–18 months. Marketers surveyed by the CMO Council clearly state that there will be an increased focus on the market, driven by increased demand from an economically healthier market segment in addition to the fact that the SMB sector is increasingly important to business performance and success.

But with this increased focus and investment comes the harsh reality that marketers may not be fully equipped with the right insights and intelligence needed to execute highly measurable, effective and efficient campaigns. The study, “**Business Traction From Smarter SMB Interaction**,” highlights where marketers are looking to close data gaps and build bridges with customers in an effort to co-innovate with the market and deliver better products designed specifically for the SMB audience.

Chief among the issues raised in this study is a call to enrich databases with more targeted and relevant market and industry insights. As small business maturity, success and even survival are hard to track, marketers worry that their data and intelligence systems cannot adequately track and aggregate even the most basic points of contact within an organization. Yet without this insight, marketers are flying blindly, developing products, solutions and strategies aimed at a large, general segment rather than a targeted market or industry within the SMB space.

Within this 51-page report are detailed findings from a 29-point review of how marketers are engaging and connecting with the SMB customer. An online audit was taken by 160 senior marketing executives selling to small businesses, and one-on-one interviews were conducted with six senior executives from leading brands targeting the SMB sector. Thirty-nine percent of respondents represent organizations reaching more than \$1 billion in annual revenue, and 60 percent allocate up to 40 percent of overall marketing expenditure on SMB-specific campaigns or programs.

INTRODUCTION

The Great Recession arguably hit small to mid-size businesses the hardest as everything from sales and revenue to the ability to secure loans and capital declined. According to a DePaul University study, lending to SMBs plummeted some 18 percent compared to the 9 percent decrease felt by big businesses. Jobs at small businesses also declined by about 11 percent, according to the U.S. Bureau of Labor Statistics, compared to big businesses that saw payroll shrink by about 7 percent.

As access to critical funds began to dry up, some small businesses—also crippled by the drop in demand by customers—had no choice but to close their doors. According to U.S. Census Data, some 170,000 small businesses closed their doors in the two-year period between 2008 and 2010.

This rapid closure rate only adds to the already volatile rate of change within the SMB market. Consider that an estimated 6 million small businesses are started each year, yet an average of 6.5 million small businesses close their doors each year, according to Yahoo.

Even in the face of all these challenges stands a real opportunity. Consider these key SMB market statistics:

- The 23 million small businesses in America account for 54 percent of all U.S. sales; small businesses provide 55 percent of all jobs and have accounted for 66 percent of all net new jobs since the 1970s.
- The 600,000-plus franchised small businesses in the U.S. account for 40 percent of all retail sales and provide jobs for some 8 million people.
- The small business sector in America occupies 30–50 percent of all commercial space—an estimated 20–34 billion square feet.

For those hoping to tap into this market, small business represents big bucks. Companies like American Express have spearheaded marketing campaigns to help drive traffic to small businesses. Government organizations like the Small Business Administration and private-sector organizations like FedEx and Facebook now embrace Small Business Saturday two days after Thanksgiving, a marketing campaign launched by American Express.

According to a report released by American Express and the National Federation of Independent Business, the 2013 Small Business Saturday campaign saw an estimated influx of \$5.7 billion dollars in sales for small businesses, up 4 percent from 2012.

Big business has invested in the success of small business, but that raises a few questions: Have these investments and approaches paid off? How effectively has big business tapped into the SMB market? How much do they really know about their SMB customers?

To address some of these questions and benchmark the progress that big business has made with SMBs, the CMO Council set out to conduct an audit of enterprise marketing effectiveness. During the third and fourth quarters of 2013, more than 160 senior marketing executives were surveyed and interviewed.

A state of optimism in the market and frustration in the complexity of that same market were revealed through the course of the study. While the majority of brands see an overwhelming upside and opportunity in the SMB market, there is also a sense that brands have a significant insight gap when it comes to key sales information, including difficulty in the identification of business decision makers.

Yes, big brands are eager to increase investment and focus more on SMBs over the coming year. But when you consider the gaps that big brands admit to having in their intelligence repositories, there is uncertainty around whether these investments will be directed in the right places.

The report findings highlight the opportunity and challenges that marketers experience within the SMB marketplace. From the shift in engagement channels to meet the increasingly digital small-business owner to challenges in aggregating the right insights and data around transactions and influencers, marketers need more information about the key drivers of the market.

Overall, prospects for the SMB market are up as we head into 2014. According to *Inc. Magazine*, a recent survey of its Inc. 5000 CEOs revealed that 37 percent characterized their business prospects as excellent, and another 45 percent said their prospects were good. But other pundits warn that 2014 could be a year of more uncertainty thanks to everything from predictions on deficit increases that will impact loan accessibility and interest rates to concerns of additional U.S. government shutdowns and bureaucratic wrangling that could make the “Main Street” business owner the center of an election-year tug-of-war.

Either way—boom or bust—big business is planning to invest in SMBs. How effective and impactful those investments will truly be remains to be seen.

SUMMARY OF KEY FINDINGS

Big businesses need small businesses. This is a drastically simplified statement, but according to 70 percent of respondents to the online survey fielded by the CMO Council and Penton, the small and medium-size business (SMB) market is extremely important to business today. And the influence of the SMB market will take on even more importance in the coming year as 66 percent of respondents are planning to increase focus on the market, with 38 percent of that group saying the shift will involve an aggressive push into the market.

This aggressive approach is likely due to a belief that the market will increase in value in the coming years. Some 87 percent of marketers believe the value of the SMB market will increase over the next three years. In fact, only 7 percent of respondents do not see any increases in the future.

But the level of growth is largely dependent on the state of the overall economy and may not be entirely guaranteed. Nearly half of respondents (47 percent) believe that greater demand will be created as the economy improves, but 35 percent envision that the growth will entail more moderate, albeit consistent expansion.

Cautious Loyalty

According to more than 160 marketers surveyed for this study, brand recognition and relationships are established, with 28 percent of respondents saying they have been growing relationships and market share and 25 percent saying they have well established and trusted relationships with their customers.

Marketers are also confident that these relationships have led to loyal SMB customers. Nearly half (47 percent) say they have a good rapport and are growing the relationships, and an optimistic 22 percent say there is a high level of loyalty as evidenced by high levels of repeat business and purchase. Only 12 percent say there is little advocacy among customers.

So why don't more marketers feel that SMB buyers see big businesses in a positive light?

Thirty-six percent of respondents say that SMB buyers only have a reasonably positive view of their big business brands. Less than a quarter of marketers actually believe that SMBs have a cautious view of big brands. In reality, the majority of respondents can only muster the confidence to say that SMBs view big brands reasonably well.

The SMB Approach

While most brands have a dedicated SMB-centric experience—ranging from specific products, pricing plans and policies to support programs and services—36 percent are looking to improve their experiences. Several brands (42 percent) also have dedicated departments, teams or organizations within the company specifically dedicated to SMB engagement. Just over half of respondents (52 percent) either have or are working to develop a dedicated team, but within this group, the majority (35 percent) have integrated an SMB focus into their existing overall marketing plan, viewing SMB more as a segment within their whole marketing program.

Brands are also investing beyond programs and staff, earmarking significant portions of their marketing budgets to SMB market activation and penetration programs. The majority, 60 percent of respondents, indicate they are allocating up to 40 percent of marketing budgets to SMB-centric campaigns and initiatives.

Despite this intense focus and commitment to serving the SMB market, 42 percent of marketers give their organizations only moderate scores specific to their ability to develop a compelling SMB value proposition and execute measurable, multi-channel campaigns to engage this critical market. Another 38 percent say they are in a state of continuous improvement, looking at their ability to target and address the SMB audience. But only 6 percent feel their organizations are extremely effective at engagement.

Not only are these teams and programs not extremely effective, but at their core, strategies and plans to engage are also not fully evolved. Fifty-six percent of marketers say their strategies are somewhat evolved while 14 percent admit that their programs are not very well or not at all evolved.

When asked how and where marketers would like to improve or continue to evolve programs or strategies, data and intelligence emerge as core competencies in need of improvement. Specifically, 45 percent feel they would like to see better integration and use of customer data as a key improvement, followed by the ability to create a well-defined go-to-market plan and platform. Marketers also feel they need to have a deeper understanding of the SMB market. Interestingly, few marketers feel their advertising strategies are in need of help as only 5 percent of respondents indicate they are in need of better or more intrusive advertising campaigns.

New technologies (42 percent) and a review of the competitive landscape (35 percent) will be two other ways that brands will look to evolve their SMB marketing effectiveness. The majority (67 percent) will look to selectively add new capabilities and start to prioritize SMB sectors to engage. In fact, better segmentation is how more than half (57 percent) of brands are looking to improve their connection with the market. Personalization of communications is also high on the list of how marketers are looking to engage.

Marketers indicate that their companies are looking to create better products and services that will engage their SMB customers. Many (40 percent) are looking to tailor and adopt products specific to the market while 30 percent will look to create dedicated, interactive programs to better reach the market.

All of these strategies could prove to be increasingly difficult as marketers admit they simply do not have the right knowledge of their customers or the market to actually execute these types of segmentation and personalization campaigns effectively. In fact, 61 percent of marketers agree that their customer interactions are in need of improvement.

The SMB Data Gap

Only 8 percent of marketers have a 360-degree view of their SMB customers. Given the universal challenges facing marketers today specific to big data and customer insight, this is not necessarily surprising. And similar to overall big data issues, while marketers believe they have good access to transactional and customer support data (50 percent), 21 percent admit their customer data is in silos across the organization while 39 percent only have basic contact details without rich profiles or background information on customers or markets.

Marketers believe that their biggest data gaps revolve around some of the most basic and fundamental sales and revenue development needs, including buying behavior insights (32 percent), purchase decision makers (26 percent), and basic contact information (26 percent). Predictive analytics are also lacking, as is the ability to accurately size and segment the market. Interestingly, marketers are less concerned about accessing purchasing histories but struggle with understanding attitudes, values and predispositions of their SMB customers.

The volatility in the SMB market—with its fast turnover and varying degrees of sophistication of business owners and decision makers—is certainly at the core of this data challenge. This is reflected in two key challenges that marketers face when servicing the SMB customer: lead verification and sales cycle visibility. More than one-third of respondents struggle to verify leads and engage and cultivate them in a timely manner. Marketers are also challenged to gain visibility into the selling cycle and conversion process.

Most telling is that more than one in four marketers struggle with acquiring customer insight and intelligence in the fast-moving market. When asked how brands have learned more about the SMB market within the past six months, the majority (43 percent) say they are turning to SMB-centered industry webcasts, events or seminars that are focused on the market. When not looking to industry resources like consultants and SMB experts (32 percent), industry research reports (26 percent), or research providers (30 percent), marketers are turning to internal resources in an attempt to cultivate big data into SMB insights. Thirty-three percent of respondents turn to their IT, finance, sales and channel groups to learn more about the market.

But are these the right resources, or are marketers missing an opportunity to look beyond SMB segmentation and begin to understand more about their customers' needs and requirements at the industry or market-need level?

In reality, marketers may not be tapping into some of their most valuable repositories of intelligence, from social media to media partners that have access to deep insights about the market. As an example, 48 percent of marketers say they are leveraging social media as a key touch point with SMB customers, but few are leveraging social media analytics to learn about the market (15 percent).

Few brands are turning to partners or resources that can provide insights into the SMB market through direct access to SMB customers or insights into the vastly different needs of SMB customers by industry versus by company-size segmentation. So while 44 percent of brands are turning to SMB analysts for market information, fewer are turning to online portals or communities of SMB customers for insights. Some 36 percent of marketers turn to small business associations while only 17 percent mine intelligence from SMB social media channels, and only 18 percent are gathering information from online small business communities.

The fact of the matter is that brands are creating strategies, products, services and campaigns in a bubble, powered by general insights and intelligence about engaging with small business but with little intelligence about the actual customers or markets. This became evident when marketers were asked how well they co-innovate with their SMB customers. Only 8 percent feel they are co-innovating extremely well, with most (41 percent) admitting failure at embracing their customers.

When you consider that so many marketers are looking to improve their reach and connection with SMB customers by improving products and services specifically designed for the SMB market, this lack of insight, connection and co-innovation certainly plant doubt that these new programs will really work. Rather than developing products and services with the customer or with the customer's voices at the center of the process, marketers are evolving thanks to the voices of analysts and SMB "experts." This is not to say that analysts and experts are disconnected from the customer, but without direct knowledge about what impacts and shifts the SMB customer, there will be little room to evolve programs and practices.

Conclusion

Given the clear opportunity that brands see in the small to mid-size business segment, relying on basic insights and a single segmentation strategy that only looks at the size of the prospect or customer will result in brands falling short of expectations and goals. Marketers must start reaching

for new points of insight and intelligence, be it social media or expert channels with deep access into key vertical markets and customer segments within the SMB market. This deep insight will assist marketers in better reaching and engaging with products and services that are highly relevant and timely based on the specific needs of the highly segmented market. Furthermore, it will mean the difference between understanding the SMB market and understanding the brand's individual SMB customer.

The key call to action for marketers looking to target the SMB segment goes back to the most basic principle of marketing: Know your audience. Companies will need to extract richer insights from the data they gather for this market and build their understanding of these customers in order to demonstrate value and build engagement. Only then will marketers begin to gain traction within this complex and rapidly evolving segment.

EXPERT PERSPECTIVE

Kate Spellman

Senior Vice President, Marketing
Penton



There is no doubt that small and medium-size businesses are a massive market. And while a constant discussion exists among large companies about the opportunity in this sector, the statistics really do tell the story. SMBs drive the U.S. economy and account for nearly 65 percent of the gross domestic product worldwide. The underlying challenge, however, is how to effectively tap into that market opportunity.

Big businesses talk and invest a great deal to capture business, increase sales and grow revenues, but they are not getting the job done. This is evidenced in research that reveals that more than 75 percent of SMBs feel they are not effectively marketed to by the companies that target them—and with 27 million small businesses in the United States, that's a lot of missed opportunities.

According to our research, large businesses are finding this \$5 trillion marketplace to be increasingly valuable and have begun to focus more resources in this area to drive sales. Two out of three businesses are planning to increase their focus and investments in engaging SMB customers over the next 12 to 36 months, yet businesses acknowledge that while the SMB category is important to their marketing strategies, they are finding it challenging to access customer data, the right decision-makers, and market intelligence and insights that can improve their marketing campaign effectiveness and drive sales.

So why is reaching this market segment so difficult?

The market is highly fragmented, diverse and unconventional. It is local, regional and industry sector-specific. Despite the criticality of the market and the opportunity that it clearly represents, few marketers have the dedicated resources or tools to fully exploit effective and directed marketing engagements. Traditional one-size-fits-all approaches are proving ineffective, and new approaches must be taken. Only 8 percent have a complete view of the SMB customer, and a review of data gaps reveals an even bigger challenge—namely a key deficiency in customer contact information and difficulty in identifying and connecting with actual decision-makers.

It's clear that big businesses need small businesses. Seventy percent of large enterprise marketers view the SMB market as extremely important to their businesses. However, these marketers lack the data, insights and intelligence (such as buying behavior, sourcing processes, predictive analytics and market segmentation) to execute highly effective and efficient campaigns.

Understanding the customer is critical. SMBs are looking for enterprise marketers to help them navigate through the clutter to reach the customers that are going to help their businesses grow. Yet only 40 percent of marketers have a formal SMB marketing department, and 42 percent of marketers admit that their organizations do not co-innovate well with customers.

While they plan to increase attention and focus on the SMB sector, with 38 percent likely to boost their marketing investments, it should be clear that enterprise marketers need to design and implement optimal marketing strategies for this market.

Of course, this may sound disconcerting to marketers, but there is a solution. Our research shows that brands who are able to learn more about the intricacies and nuances of individual markets are better able to reach and engage with their relevant segments and targets. For example, identifying the right time of day to send critical information, provide insights, and market products and solutions is critical. The needs of the farm vertical are drastically different from those of the restaurant or manufacturing fields. However, many organizations make the mistake of approaching all SMB markets with the same formula and offerings. Intelligence and insights are key to SMB success.

Penton reaches and engages with more than 4 million small business decision-makers every day through multiple touch points using the appropriate work flow tools and content. We have a deep understanding of our five core markets—agriculture, transportation, natural products/food, infrastructure and industrial design, and manufacturing—as well as the knowledge needed to reach these key industries, which generate a large percentage of SMB spend. Through our deep understanding of the SMB market, Penton offers proven engagement programs to generate an immediate return on investment for any business. Using customer profiling, data insights, predictive modeling and buyer intelligence tailored to the needs of an SMB, market experts can provide consulting services to identify key industry opportunities/programs, as well as market research, expert industry content/syndication and lead-generation programs.

The future is bright for SMBs and the marketplace. Enterprise organizations are striving to develop the most compelling products/services possible to engage the SMB market, and we hope this study will provide marketers with the intelligence they need to create new partnerships and discussion points. The report offers a wealth of data and intelligence to help you connect with decision-makers at SMBs and will enable you to enhance product development, create innovative and collaborative solutions, and ultimately generate additional business and deliver on the promise of the SMB marketplace that has been talked about for so long but has yet to be fully realized.

AFFILIATE PARTNERS



MARKETWIRED

Marketwired is a leader in the evolving category of social communication, with a client base that spans Fortune 500 companies, advertising and PR agencies, government, educational institutions and non-profit organizations around the world. Our solutions, powered by our innovative social intelligence engine Sysomos, are the choice of nine of the top 10 on Interbrand's list of the 100 best global brands. We help clients make sense of social media conversations in 186 languages, and we offer translation services for our distribution clients in 55 languages. An innovator since our founding in 1983, we've changed the way companies do business with breakthroughs like social media releases, embedded multimedia, SEO-enhanced press releases, and the ability to create content shaped by real-time social media insights. Learn more at www.marketwired.com.



NORCAL BMA

Established in San Francisco in 1938, the Northern California chapter of the Business Marketing Association (Norcal BMA) is the leading B2B marketing organization in the San Francisco Bay Area and Silicon Valley. Norcal BMA offers a robust set of programs to members and the marketing community at large, including a series of regular roundtables on various marketing topics, as well as monthly educational and social events, networking, resources and B2B job listings. www.norcalbma.org



QUALTRICS

For a long time, the only people with access to Qualtrics survey software were our closest friends and a bunch of Scott's MBA students. It was our research clients who pushed us to open up the system and gave us the feedback needed to make it both the easiest to use and most sophisticated research suite on the market. www.qualtrics.com

ABOUT THE CMO COUNCIL



The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership, and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 7,000-plus members control more than \$350 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 30,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Mobile Relationship Marketing (MRM) Strategies, LoyaltyLeaders.org, CMOCIOAlign.org, Marketing Supply Chain Institute, Customer Experience Board, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). Learn more at www.cmocouncil.org.

ABOUT PENTON



For millions of business owners and decision-makers, Penton makes the difference every day. We engage our professional users by providing actionable ideas and insights, data and workflow tools, community and networking, both in person and virtually, all with deep relevance to their specific industries. We then activate this engagement by connecting users with tens of thousands of targeted providers of products and services to help drive business growth. Learn more about our company at www.penton.com.

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