SaturnFive
Briefing

The 95:5 Rule

Marketing in the B2B sector

The 95:5 rule is the new 60:40 rule

| Developing effective marketing in the business-to-business sector

Les Binet and Peter Field's 60:40 rule changed the way marketers operate, inspiring a much-needed rebalancing towards brand marketing. Harnessing the vast resources of the IPA Databank and the campaign effectiveness data within it, they famously decided that the most effective marketing strategies spend 60% of their budget on brand promotion and 40% on activation – whereas today many brands are skewed more towards activation.

While every brand and business are different, this work provided important insights for marketers, albeit their focus was on B2C brands. However recent studies have suggested that, for B2B, a 60:40 split underestimates the need for long-term brand building and one such piece of work goes as far to say that, for business-to-business marketing investment, 95:5 is the 'new' rule. [1]

Marketers sometimes have a wildly inaccurate understanding of how B2B marketing works and, because of that fundamental misunderstanding, many are setting themselves up to fail.
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B2B marketers shouldn't be spending time and money convincing out-of-market buyers to consider a purchase but instead invest in making every buyer remember their brand next time they need its product or service.

How marketers think marketing works: The 5:95 rule

There is a belief in B2B circles that marketing works through persuasion, 'pushing' buyers down a funnel by explaining the product benefits. According to the Ehrenberg-Bass surveys, the vast majority of B2B marketers expect to see significant sales within the first two weeks of a new campaign. And that's a reasonable expectation in consumer markets if you believe that 'advertising' convinces buyers to purchase products.

However, the conclusion of research by the Professor John Dawes is that only 5% of B2B buyers are in-market to buy right now meaning 95% of the buyers that you reach are out-of-market and won't buy for months or even years. And, contrary to popular belief, you cannot persuade the buyer to go in-market because they already have what you're selling and won't need a newer version any time soon.

Marketers don't move buyers in-market – business buyers move themselves in-market based on their needs. For example, if an IT manager just purchased a brand-new cloud computing solution yesterday, then that need is gone – probably for several years. There's nothing a B2B marketer can do to generate an immediate sale with that prospective customer.

"*A lot of companies haven't fully realised yet that most people are not in the market for any product at any given time. You need to target them with a long-term lens.* "

Jann Martin Schwarz, LinkedIn B2B Institute

The B2B sector often concentrates too hard on sales without really understanding brand, he adds, with investment in brand seen as discretionary.

“Nothing could be further from the truth. We all know from real life how much trust and confidence in a brand is important. And how it is about building memory structures in the long term,” Schwarz says. [2]

So there are two, alternative approaches to consider:

1) Focus marketing activity on the 5% of buyers who are in-market and ignore the 95% who aren’t - or

2) Focus on the 95% the out-of-market buyers

Effective B2B marketing increases future sales in future buying situations by increasing the probability that the brand comes to mind when the buyer goes in-market. Simply put, the brand that gets remembered is the brand that gets bought. You can’t push buyers down a funnel, but you can, to quote Professor Jenni Romaniuk, “catch buyers as they fall.” [3]

This has profound implications for B2B marketing strategies.

Implication #1: Rethink your objectives

The most obvious implication of the 95:5 rule is that most marketing outcomes are long-term, not short-term. B2B buyers may only be actively in the market on a very occasional basis so there’s a low ceiling on your short-term sales potential. The 95:5 rule teaches us to set realistic and appropriate objectives, especially in relation to short-term sales.

Implication #2: Rethink your messaging and content

If you think marketing works by pushing buyers down a funnel, then you should develop product-centric messaging with an aggressive call-to-action ('Buy this now!!!'). This may be appropriate for tactical marketing in consumer markets but will have less impact with business customers for the reasons above.

However, the most effective B2B marketing works by influencing future buyers by keeping your brand on their radar and relevant. As such, marketers should develop content that gets noticed and gets remembered. Buy-this-now messaging will be ignored and forgotten by the 95% of buyers who are out-of-market – it's only relevant to the 5%.

The 95:5 rule gives permission to be bold with content and engage on potential buyers on a different level. Contrary to popular belief, business customers do engage on an emotional level and their purchase motivations are not all rationally based on things such as price, specification and availability. This broadens the creative canvas in B2B, encouraging us to focus on publicity, not persuasion.

Implication #3: Rethink your distribution

Focusing marketing activity on in-market buyers will require hyper-targeting and re-targeting a tiny segment of customers based on 'intent signals.' If, on the other hand, you apply the 95:5 rule, you will take a different approach.

First, you will acknowledge people largely use their memories when buying, rather than searching. Even the fraction of buyers that do search tend to prefer brands they're already familiar with, so it follows that if you wait until the buyer goes in-market, it's already too late. You need to prime the market far in advance.

So instead of hyper-targeting the 5%, broadly target the 5% and the 95%. In other words, target the category and reach all potential buyers. Ignore competitors who target only today's IT decision makers and target both current and future IT decision makers – your future self will thank you. And run your media at a leisurely pace, with budgets spaced over long periods of time, so that your brand is always fresh whenever buyers happen to enter the market.

- Successful investors don't try to "time the market."
- Successful marketers don't try to "time the customer."

Implication #4: Build a brand, not just a business

At SaturnFive® we often see B2B organizations, including start-ups and SMEs, understandably focused on their developing their product or service and pushing these in a sales-led activity. We believe long-term value comes from building a strong, distinctive brand that thrives on a demand-pull dynamic.

Short-term sales tactics and long-term brand building are not mutually exclusive – it's about balance, but we believe successful business strategy is about creating an unfair advantage, meaning it is in the interest of companies to continually invest in their brand to establish and protect their position.

References
[1] Ehrenberg-Bass Institute Study (Professor John Dawes), 2021
[2] Global head of the LinkedIn B2B Institute, Jann Martin Schwarz
[3] Building Distinctive Brand Assets, Professor Jenni Romaniuk

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