

MEDIA FIRMS & MARKETERS WIN MORE SMB CLIENTS

by Designing Intelligent Data Systems

November 2017



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Executive Summary

B2B Marketers selling to Small and Medium Businesses (SMBs) face a dynamic, complicated and demand market. For example, just finding where these companies are located and their characteristics relevant to marketing services to them is a big challenge. The SBA reports that in 2014 there were 404,000 firms that started up but almost the same number (392,000) closed their doors.

BIA/Kelsey's survey series studying the Small and Medium Business (SMB) market provides insights into how these businesses operate when it comes to utilizing traditional and digital advertising and marketing solutions. Not all SMBs behave similarly and having data-driven insights into SMBs allows marketers seeking to reach these businesses with an intelligent basis for segmenting this SMB market and developing connections in sales and marketing outreaches that resonant.

For example, when examining the business life cycle stage, over half (52.9 percent) of SMBs describe themselves as "growing and expanding" versus a third (35.6 percent) who are "maintaining size and share." These two segments – growth and maintain – have different sets of needs, attitudes, and behaviors. Similarly, 60 percent of SMBs expect to increase revenue by at least half as much. Being able to identify and target a segment of SMBs identified as "growth stage *and* expecting 50+ year over year percent revenue growth" is

extremely valuable. Developing a next-generation data solution that is comprehensive, timely, accurate and relevant provides B2B marketers a huge advantage.

In the classical path-to-purchase model, SMBs will travel along the "Awareness," "Consideration" and "Selection" phases of making a purchase. A distinction can be made about the marketing **Channels** used for managing conversations with SMBs in each marketing phase and how **Intelligence** and **Data** can be utilized to segment, score, and prioritize prospects by predicting purchase intents and behaviors. With deep data and segmentation analytics, and use of artificial intelligence for modeling, much better fits between intents and behaviors can be established in the SMB market to connect with SMBs with relevant and timely messaging to increase conversions and help drive revenue growth.

Key questions to build a next-generation data solution to identify, segment and target SMBs we address in this report include:

- *How do I clean up my data for good?*
- *What's my addressable market and the ideal customer profile?*
- *How do I select and reach our target accounts?*
- *How do I target more of the right leads?*
- *How do I prioritize and take action on inbound leads?*
- *How do I increase partner campaign effectiveness?*

Armed with these insights and data assets, the conversion rates and sales lifts can achieve double digit increases versus traditional approaches.



Introduction

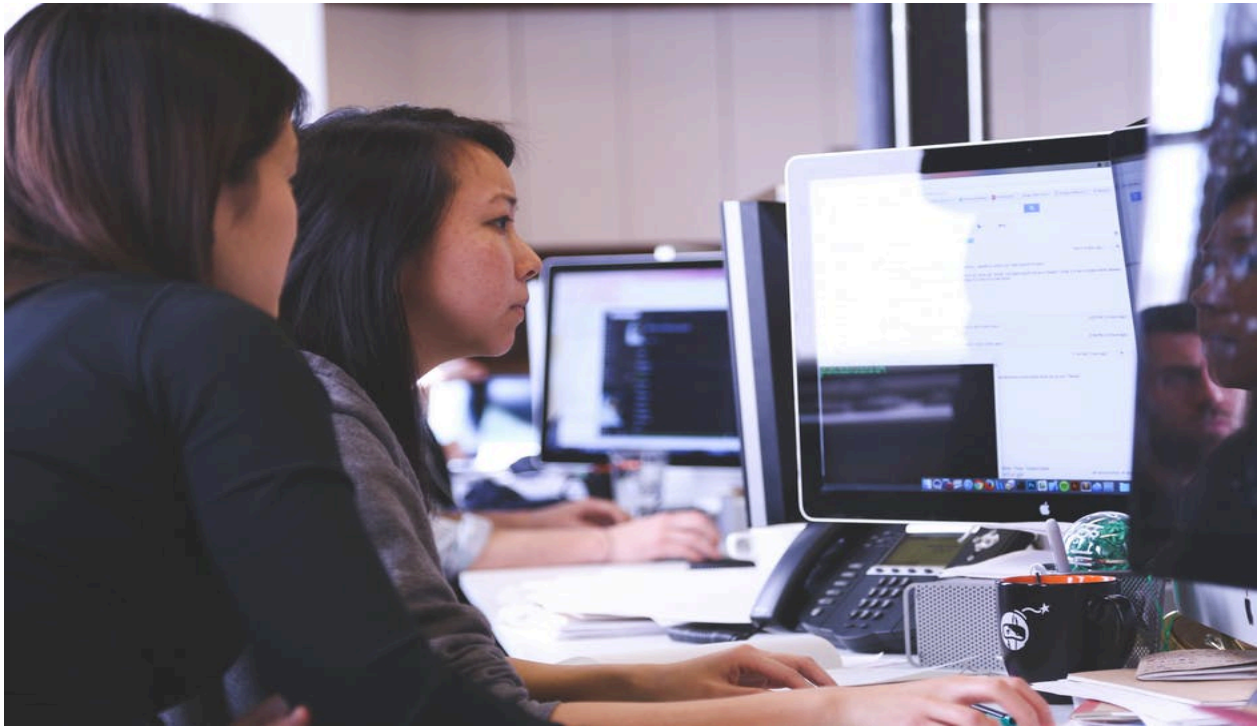
B2B Marketers selling to Small and Medium Businesses (SMBs) face a dynamic, complicated, and demand market. Marketers often look to technology platforms and data-driven solutions to attain both scale and targeting SMBs cost-effectively and impactfully. The SMB marketplace is large, nearly 6 million businesses with at least one employee according to the U.S. Small Business Administration (SBA).

Not only do SMBs make-up a large addressable market, it is also a dynamic market. For example, just finding where these companies are located and their characteristics relevant to marketing services to them is a big challenge. The SBA reports that in 2014 there were 404,000 firms started but almost the same number (392,000) closed their doors.

About half of SMBs survive past five years. Of course, these SMBs operate in a various industry sectors, geographies, competitive environments and, other situations that create a diverse set of customer segments.

Sorting out all the complexity in this SMB universe to productively segment, target and sell to these businesses to grow top line revenue is a process greatly enhanced by access to data and intelligent analytics.

In this report, we'll highlight some of the characteristics of the SMB market and then dig into how developing intelligent data systems when selling into this market can help drive revenue growth.



Part 1: Understanding the SMB Market for Digital Advertising Services

Rick Ducey, Managing Director, BIA/Kelsey

In this section, we'll highlight some of BIA/Kelsey's analytics and insights from its Local Commerce Monitor™ SMB survey research program to identify and better understand core segments.

SMB Business Age, Life Cycle, Revenue Growth

BIA/Kelsey has a long running survey series of SMBs, businesses that we define as having less than 100 employees. We'll provide some highlights of some basic firmographics in this section. Our survey, the BIA/Kelsey Local Commerce Survey™ features an in-tab sample size of 1,000 SMBs that make at least at least some advertising or marketing expenditures.

Age of Business

We mentioned the SBA data showing a significant churn of SMBs that are starting-up and shutting down, with nearly half of these businesses failing to survive beyond five years.

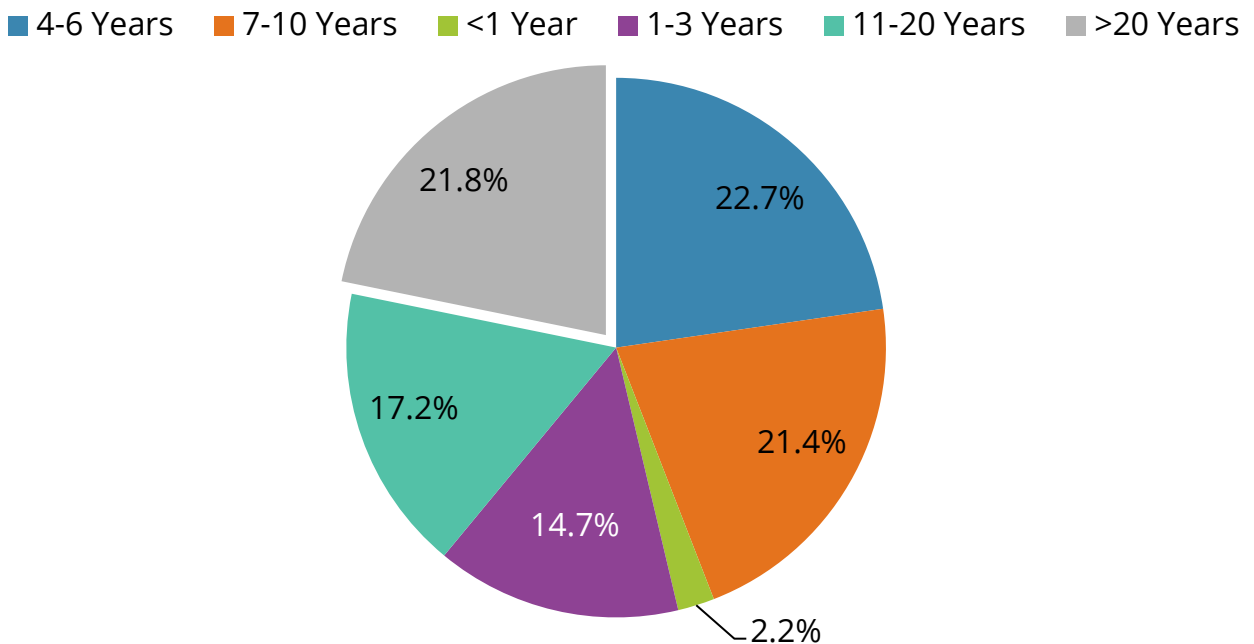
In Figure 1, we break out our survey results on age of business. About 2.2 percent of SMBs are less than one year old, 14.7 percent are 1-3 years old and 22.7 percent fall into the 4-7

year category. That means that almost 40 percent of SMBs are six years old or younger. About a fifth (21.8 percent) are more than 20 years old.

SMB Marketer Implication

Finding businesses entering new phases of their lifecycle can impact whom to target and when.

Figure 1 - Age of Businesses with Under 100 Employees



Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016.

Business Life Cycle

Another factor when assessing SMBs is their business lifecycle stage as this can be an indicator of their demand for different types of services.

For companies marketing to SMBs, we can see that about half (52.9 percent) of SMBs are actually "growing and expanding."

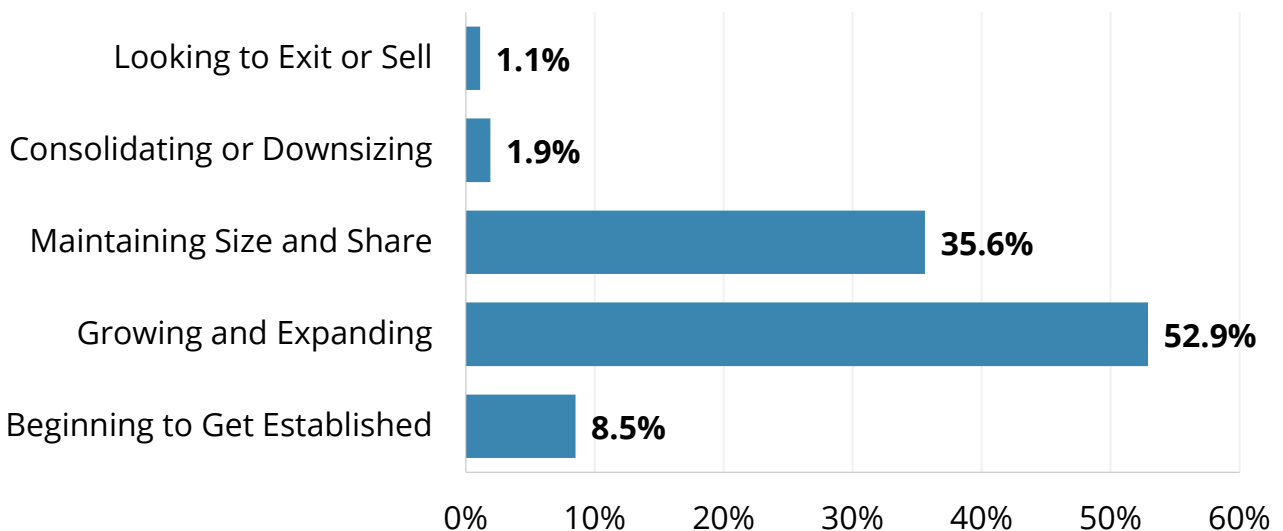
That's a strong signal they'll be in the market for products and services to help them scale.

About a third (35.6 percent) are maintaining size and share. Only 1.1 percent are actively looking to exit or sell. Less than a tenth (8.5 percent) of SMBs are essentially in start-up mode.

SMB Marketer Implication

Targeting 'lifestyle' businesses many times yields little results. Companies downsizing, or just maintaining, may be less receptive to new services and solutions that will help them take their business to the next level.

Figure 2 - SMB Business Life Cycle Stage



Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016

Expected Company Revenue Changes Over the Next Year

Another diagnostic in segmenting the SMB market is to assess their expectations for revenue growth in the coming year.

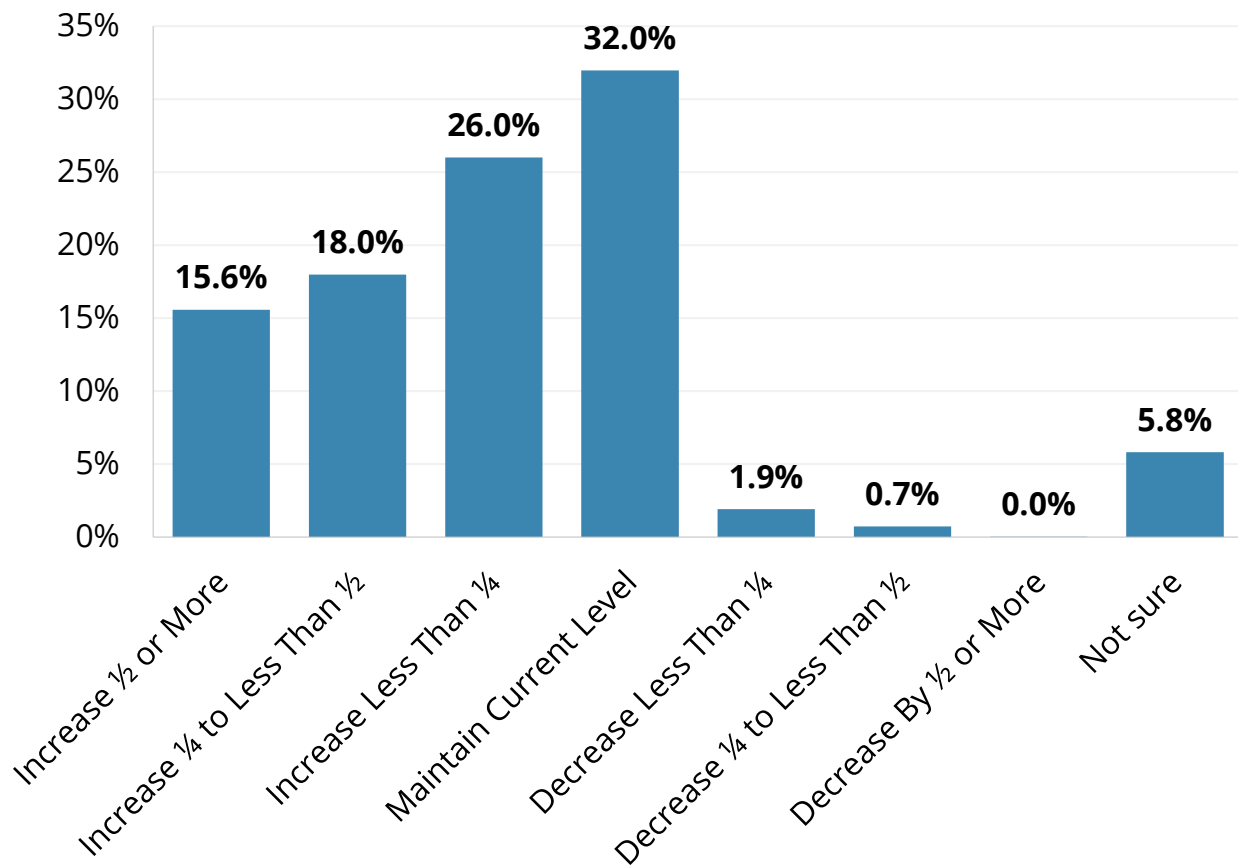
Figure 3 highlights that collectively 60 percent of SMBs expect to increase revenue by half as much or more (15.6 percent), between a quarter and half as much (18.0 percent), and increase but less than a quarter as much (26.0 percent).

About a third (32.0 percent) expect to maintain the same level of revenue in the coming year. Less than 10 percent expect to face revenue decline or just aren't sure what's ahead.

SMB Marketer Implication

Practically speaking, company with increase cash flows may look to reinvest capital into their businesses. Marketers can capitalize on this market segment rather than targeting businesses that do not have capital to put toward innovative products and services.

Figure 3 - Company Revenue Changes (Next 12 Months)



Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016

SMB Advertising Insights

As we might expect from SMBs seeing themselves in their growth stage and with relatively optimistic expectations for revenue growth, they are interested in making marketing investments. For firms providing marketing, advertising, sales, CRM, and other business service solutions to SMBs, this implies a healthy market overall.

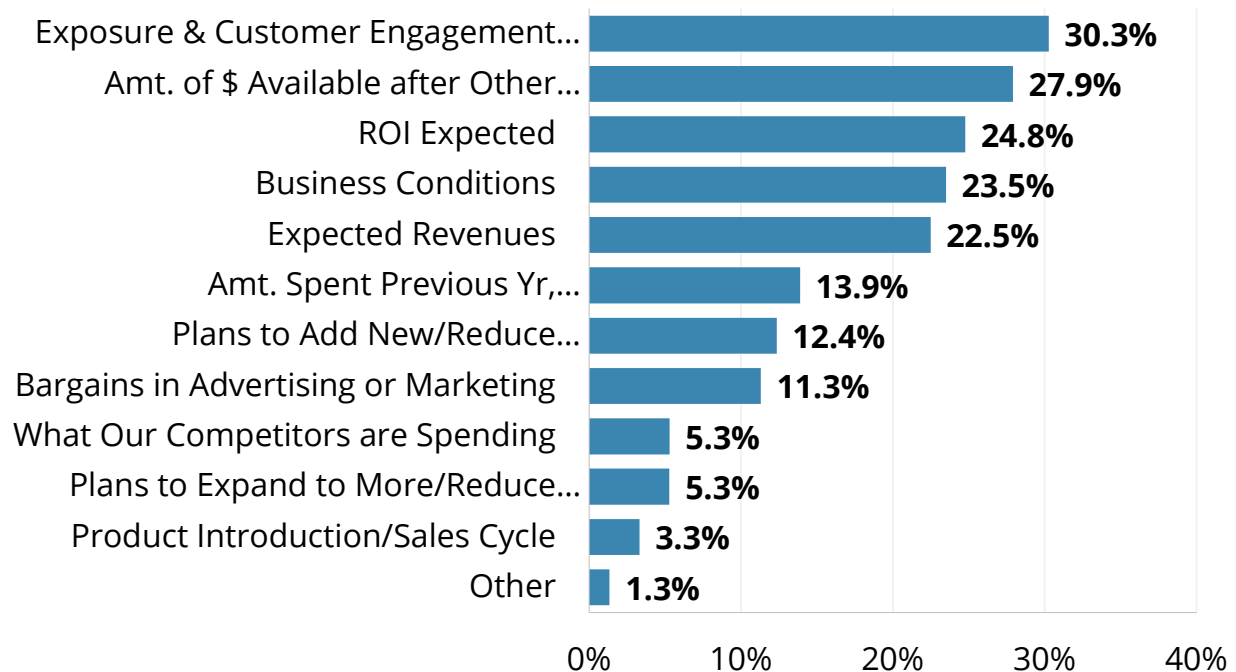
Figure 4 highlights the major factors SMB consider when making their decisions about advertising spending. Three of the top five factors deal directly with money including cash on hand (27.9 percent), expected ROI (24.8 percent), and expected revenues (22.5 percent).

The most cited factor (30.3 percent) is the marketing goal of building exposure and customer engagement with their businesses. Relatively few SMBs had advertising goals related to adding or changing locations (5.3 percent), adding or reducing products (12.4 percent).

SMB Marketer Implication

Align media, advertising, and software messaging to the goals of the SMB audience.

Figure 4 - Most Important Factors in Determining Ad Spend

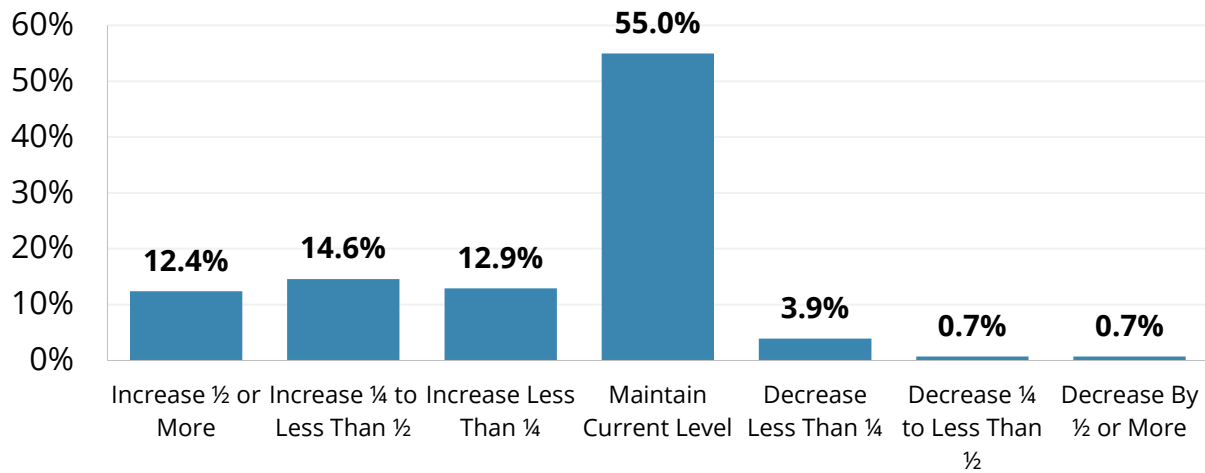


Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016

Advertising Spending Intentions

Looking ahead to the next year, about 40 percent of SMBs planned to increase their ad spend by half or more (12.4 percent), between a quarter and half as much more (14.6 percent) or up to a quarter more (12.9 percent). Over half (55.0 percent) planned to maintain the same level of ad spending. Only about 1 in 20 SMBs planned to decrease their level of ad spending.

Figure 5 - Intended Advertising Spending for Next 12 Months

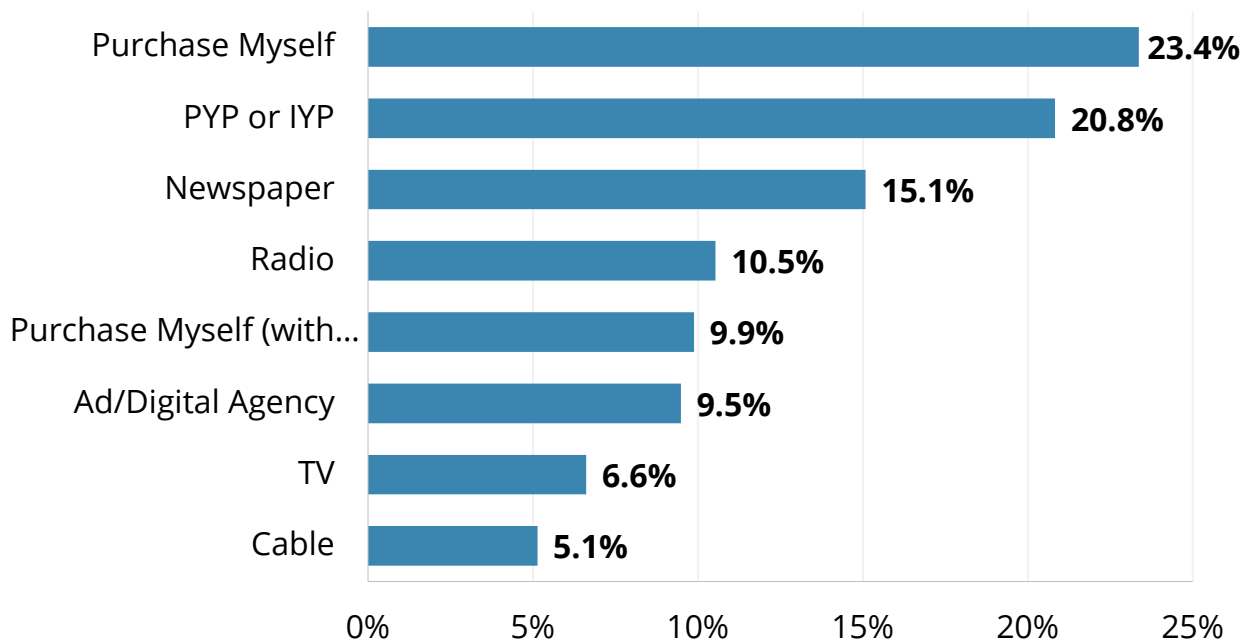


Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016

How SMBs Buy Advertising and Marketing Services

SMBs use a variety of sources for purchasing advertising and marketing services. In Figure 6, about a third of SMBs reveal they either purchase online ads by themselves (23.4 percent) or with some assistance (9.9 percent). SMBs also rely on media sellers and agencies, particularly Print YP and Interactive YP sellers (20.8 percent) for buying online ads.

Figure 6 - Channels Used by SMBs to Purchase Online Ads



Source: BIA/Kelsey, Local Commerce Monitor™, Wave 20, 2016



Part 2: Channels, Intelligence, Data for Selling into the SMB Market

John Hurley, Senior Director, Product Marketing, Radius

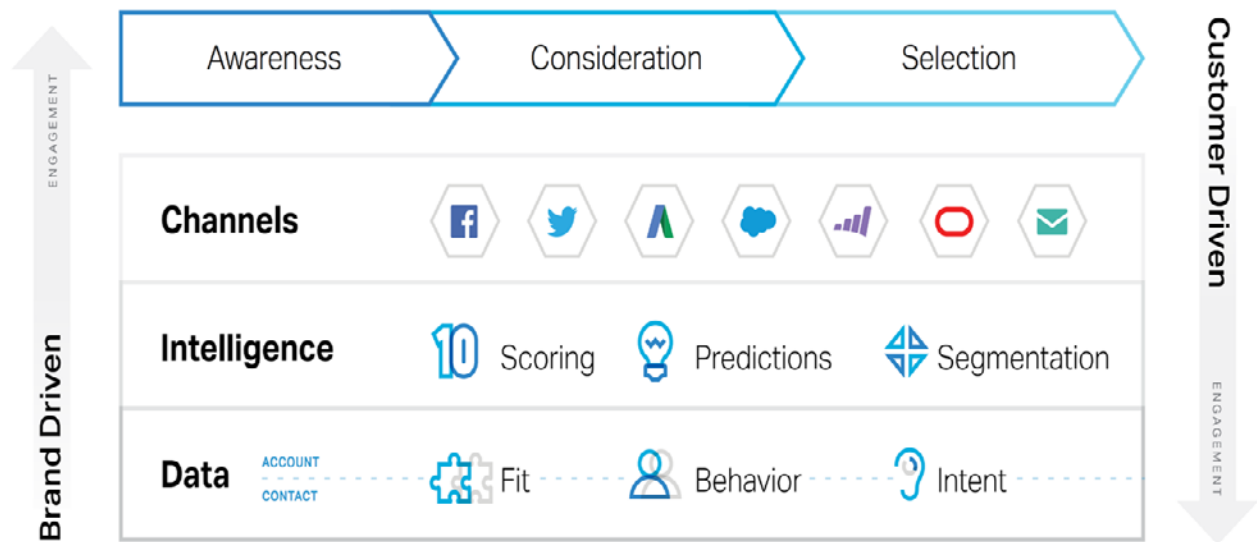
Intelligence-Driven Revenue Growth

In the classical path-to-purchase model, SMBs will travel along the "Awareness," "Consideration" and "Selection" phases of making a purchase (Figure 7). A distinction can be made about the marketing **Channels** used for managing conversations with SMBs in each marketing phase and how **Intelligence** and **Data** can be utilized to segment, score, and prioritize prospects by predicting purchase intents and behaviors. In Part 1, we looked at BIA/Kelsey's SMB survey results to get an overview of SMB attitudes and self-reported behaviors. With deep data and segmentation analytics, and use of artificial intelligence for modeling, much better fits between intents and behaviors can be established in the SMB market to connect with SMBs with relevant and timely messaging to increase conversions and help drive revenue growth.

SMB Data Quality is Holding Companies Back

The triad of Data, Intelligence, Channels for marketing to SMBs is inexorably linked to data quality. AI applied to poor data results in poor execution and results. Based on one study of the data from CRM and marketing automation platforms connect to Radius, "75 percent of CRM/MAT data is inaccurate." Customer Relationship Management (CRM) and Marketing Automation Tools (MAT) suffer from duplicate, incomplete, inaccurate, and outdated data. Any marketing initiatives based on data with these inadequacies will necessarily have limited impact.

Figure 7 - Path to Purchase Model: Channels, Intelligence, Data



Source: Radius, October 2017

The B2B Data Solution Evolution

If we compare (Figure 8) Traditional and Next-Generation data solutions, we can see how data accuracy can rise upwards toward 95% by adopting some structural, workflow and platform innovations. Ultimately, by moving data solutions to a more modern approach, powerful use cases for segmentation and predictive analytics are enabled and tie directly to revenue growth opportunities.

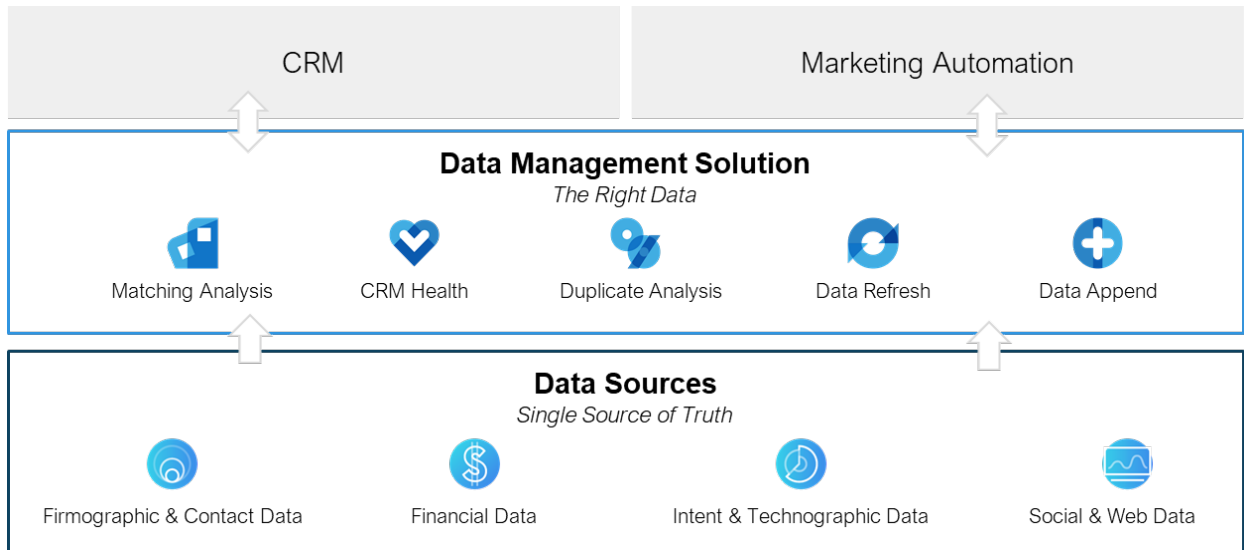
Figure 8 - Traditional versus Next-Generation Data Solutions

	Traditional	Next-Generation
Aggregation & Validation Method	Manual, crowdsourced, partnered	Network-Driven
Accuracy	~80% Accuracy Rates	~95% Accuracy Rates
Freshness	Monthly or Annual	Continuous aggregation; Weekly Updates
Comprehensiveness	(Requires Multiple Sources) Firmographics; Niche Datasets; Contact Providers	Single Source
Delivery Model	Static Lists/CSV; No CRM/MAT Integration; API	On-demand; Native Tech Stack Integrations
Cost	CPL; List Costs	Unlimited w/ Platform Purchase
Use Cases	Source net-new accounts & contacts; (Project-Based) Data Reports, Append, Refresh, Dedupe	Segmentation & predictive analytics; Source net-new (auto-deduped) accounts & contacts; (Real-time) Data Health Diagnostics, Append, Refresh, Dedupe

Source: Radius, October 2017

To build the Next-Generation data solution, the tech stack should include the three essential elements of Data, AI-Driven Intelligence and Omnichannel reach for targeting prospects and buyers in the Total Addressable Market (TAM). The tech stack (Figure 9) needs to tie together CRM and Marketing Automation platforms with underlying disparate data sources into data management and validation services. This then becomes a next-generation data solution.

Figure 9 - The Data Tech Stack



Source: Radius, October 2017

This approach to data is high impact and high value. In the Zenefits case study highlighted below, cleaner data was attributed by CMO Viviana Fargo to growing conversions by 500 percent.

CASE STUDY: Zenefits Grows Conversions by 500% with Cleaner Data

"We continuously address the gaps and inaccuracies in our data. Our sales and marketing teams are confident they're working with the most accurate data to drive revenue."

Total Addressable Market and Finding Ideal Customer Profiles

For companies prospecting in their Total Addressable Market (TAM), a common marketing technique is to analyze attributes of current customers and using data analytics select a set of core attributes to define these high value customers. With appropriate data and solutions platforms, this set of customer attributes can be applied to data characterizing the TAM by comparing your customer attributes to "look alike" ideal customer profile segments determined to exist in the broader market.

Let's see how next-generation data solutions can inform such a look-alike marketing initiative. Based on data analytics of customer marketing and sales programs in the Restaurant and Mechanic business categories we might find the results show in Figure 10.

The 8 percent upsell rate for SMB 1 and SMB 2 seem like good segments to model and use to reach out to business with similar attributes (i.e., Location, Employees, Revenue) to grow the business. SMB 3 has only a 4 percent upsell rate and seems less interesting for a look-alike marketing campaign when prioritizing resources against expected ROI.

Figure 10 - Applying Look-Alike Segmentation to TAM

	SMB 1	SMB 2	SMB 3
Industry:	Restaurant	Restaurant	Mechanic
Location:	San Francisco, CA	San Francisco, CA	San Francisco, CA
Employees:	50-100	50-100	50-100
Revenue:	\$5M to \$10M	\$5M to \$10M	\$5M to \$10M
Upsell Success Rate	8%	8%	4%

Source: Radius, October 2017

But if use our next-generation data solution and build-out the look-alike SMB segments a bit more, we come to an entirely different conclusion. In Figure 11, these extended attributes (whether the SMBs advertise online, have a Facebook page, use SEO, time in business, and a Radius "biz rating") shows a new picture. SMB 1 shows an upsell success rate of 22 percent when using these additional targeting attributes or a +2.7x lift. And the TAM looks to be 1,750 such SMBs in the market. This SMB gets an "A" score for prioritizing sales and marketing efforts.

On the other hand, SMB 2 which looked about the same as SMB 1 should be lowered in priority. This business doesn't advertise online, have a Facebook page, doesn't use SEO tool and, has been in business for up to 10 years. There are 730 such SMBs matching the look-alike profile in the market but have only a 0.6x lift.

Finally, SMB 3 at first looked less interesting with only a 4 percent upsell rate. But by applying these additional criteria we can define segments that get an "A" score and deliver a 17 percent upsell success rate for a 1.8x lift.

Figure 11 - Look Alike Segmentation with Extended Attributes

	SMB 1	SMB 2	SMB 3
Industry:	Restaurant	Restaurant	Mechanic
Location:	San Francisco, CA	San Francisco, CA	San Francisco, CA
Employees:	50-100	50-100	50-100
Revenue:	\$5M to \$10M	\$5M to \$10M	\$5M to \$10M
Advertising Online	Yes	No	Yes
Facebook Page	Yes	No	Yes
Searching "SEO Tools"	Yes	No	Yes
Time in Business	3-5 Years	6-10 Years	3-5 Years
Radius Biz Rating	A	C	A
Upsell Success Rate	22%	4%	17%
# of Businesses	1750	730	949

Inbound Lead Prioritization Campaign Audiences Spend Optimization	A	C	B
	2.7x Lift	0.6x Lift	1.8x Lift

Source: Radius, October 2017

By using the new data solution to apply relevant attributes to targeting criteria in developing look-alike marketing segments, sales and marketing resources can be much more effectively focused to drive revenue by connecting with the SMBs that matter most. And we certainly see this was the case with an AMEX campaign execution where customer response rates had a lift of 200 percent with this approach.

CASE STUDY: AMEX Lifts Customer Response Rates by 200% with Precision Targeting

"We've seen tremendous lift in conversion and reduction in marketing costs with the Radius platform."



Key Take-Aways: Transform Data into Revenue Growth

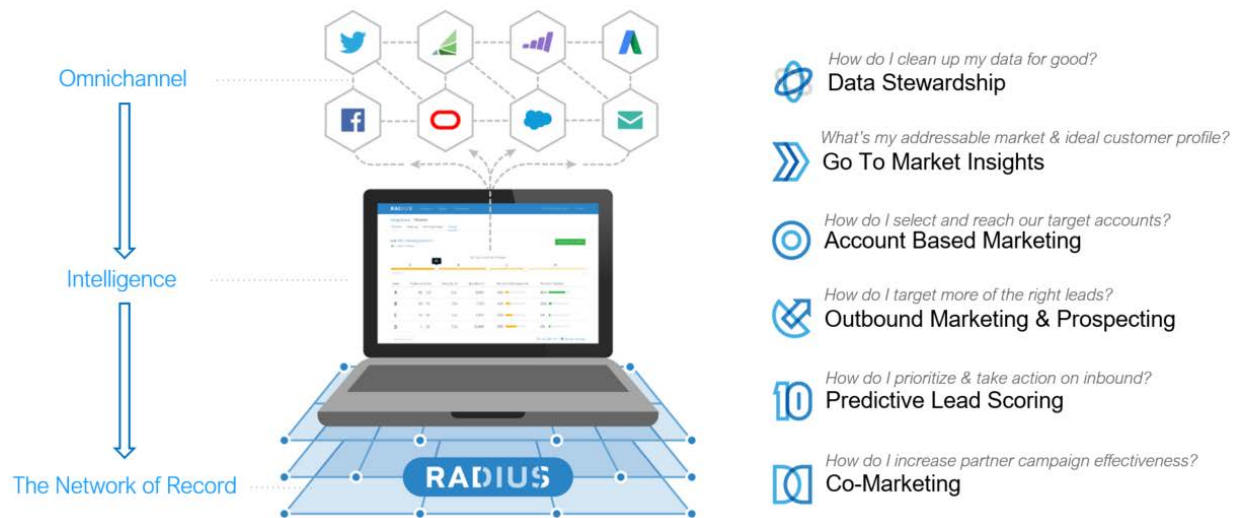
As BIA/Kelsey's Local Commerce Monitor survey of SMBs shows, this is a diverse market. The SMB Total Addressable Market for a variety of services is large but different segments of SMBs within the overall market can be intelligently targeted and prioritized for much more efficient and effective sales and marketing initiatives. Having accurate data managed in a next-generation data solution that allows companies selling to SMBs to identify and target them across their journey to purchase is an effective way to connect with these businesses to grow revenue.

Key questions to address include:

- *How do I clean up my data for good?*
- *What's my addressable market and the ideal customer profile?*
- *How do I select and reach our target accounts?*
- *How do I target more of the right leads?*
- *How do I prioritize and take action on inbound leads?*
- *How do I increase partner campaign effectiveness?*

In Figure 12, we highlight the recommended initiatives and activities to address these questions.

Figure 12 - Transforming Data into Revenue Growth



Source: Radius, October 2017

About the Authors

Rick Ducey

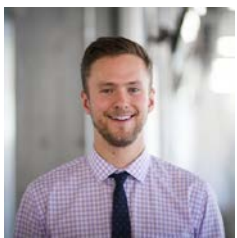
Managing Director, BIA/Kelsey



Rick Ducey is managing director, leading BIA/Kelsey's strategy consulting practice. He assists clients with their business planning and revenue models, strategic research, market assessment, and designing and implementing strategies for leveraging video media assets and inventory in local markets. Ducey is a sought-out expert for his coverage and analysis of how disruptive technologies, emerging competition, shifting consumer demographics and media usage trends drive changes in the media ecosystem. Prior to joining BIA/Kelsey in 2000, Ducey was senior vice president of NAB's Research and Information Group. Ducey was recognized in academia as the 2011 Shapiro Fellow at George Washington University, where he teaches entrepreneurship in new media. He has also taught on the faculties of Michigan State University, George Mason University and the University of Maryland. Ducey received his B.A. from the University of Massachusetts at Amherst, M.S. from Syracuse University and Ph.D. from Michigan State University.

John Hurley

Senior Director, Demand Generation & Content Marketing, Radius



With 10+ years of experience in building startups, John is a modern marketing leader defining a new category of enterprise technology. As a startup mentor, former founder, and life-long marketer, John specializes in empowering growth at technology companies by coupling superior marketing intuition with a data-driven customer understanding. Since joining the founding team more than 5 ago, John applies his marketing experience to determine what to build, who to build for, what to price it, and how to sell it. Prior to Radius, he spent three years running my own marketing company before joining the founders of Kembrel, where he led all marketing efforts while playing an integral role in shaping the on-and-offline retail business model. John graduated from the University of Pennsylvania where he was an active member in the Wharton Venture Initiation Program, the Wharton Entrepreneurial Program, and varsity football team.

Specialties: Account-based marketing, Analyst Relations, Product Positioning, Go-To-Market Strategy, Demand Generation, Online Marketing, Website Strategy & Design, Content Marketing & Sales Enablement, Customer Success, Team Training, PR & Events, Strategic Partnerships, Marketing/Sales Ops, B2B Marketing Technology, E-Commerce, Big Data, Retail, Fashion.

More Local Advertising Research

This report and much more of BIA's local advertising research and analysis available in:



[*Realize local advertising revenue with BIA ADVantage*](#)

BIA ADVantage is an online dashboard that provides extensive, quality data along with expert analysis to reveal the advertising trends and opportunities in local markets and nationwide.

Learn more at <https://dashboard.biakelsey.com>.
Interested in a demo? Email advantage@biakelsey.com.

About BIA/Kelsey



BIA/Kelsey is at the forefront of local media analysis, creating and delivering unique data to examine traditional and digital advertising, advertiser trends and activities, local market profiles and station ownership/operational details.

We offer comprehensive local and nationwide advertising research, competitive intelligence services and strategic and valuation consulting. New for 2017 is our advertising dashboard - [BIA ADVantage](#) - that provides direct access to our comprehensive industry intelligence and quarterly briefings.

For clients, our promise is to combine quality data with high-powered analytics to help them capitalize on new sources of revenue and make smart, better decisions.
broadcast.biakelsey.com. Additional information is available at:



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About Radius

RADIUS

Companies harness the Radius Revenue Platform to be first in every opportunity they can win, across every channel. Powered by the Network of Record™, the single source of truth for B2B data, Radius combines AI and always-on data to enable sales and marketing to drive consistent alignment and results. Radius provides companies with continuously sharper intelligence that expands visibility into new and existing markets, informs decisions for campaign planning, and more accurately predicts and drives pipeline growth. With tight integrations across sales and marketing platforms as well as digital and social channels companies can reach prospects anywhere they are.

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