CAPTURING THE OFFLINE IMPACT OF ONLINE MARKETING IN B2B

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Every B2B marketing plan aims to deliver the right content to the right person at the right time. Defining "right," however, has become more complicated—and more vital—as the typical B2B customer's buying journey to a transaction evolves from the predominantly offline linear route.

Nowadays, B2B customers' journeys weave through online and offline channels and last, in many cases, weeks or months. Their journeys may also be characterized by buying teams—including, for example, business owners and decision makers, analysts and researchers, procurement professionals, and finance executives—working together to plan, research, and make purchases. This complexity makes digital marketing effectiveness hard to measure and understand, particularly for offline sales. To what extent do online-marketing initiatives influence customer behavior and contribute to the ultimate sale? The answer to this question is the new holy grail of B2B marketing.

Most B2B marketers are struggling to measure the impact of online activity on offline sales. But some have learned ways to map the intricacies of this new customer journey and crack the code for measurement and optimization. Not only do these marketers recognize that digital engagement channels—such as search, display, video, social media, email, and websites—are critical to ensuring a positive buying experience from the top to the bottom of the sales funnel, they also appreciate that the standard term "funnel" no longer represents a complete description of today's B2B purchase journey of customers who carve their own back-and-forth paths across channels. (See "How Digital Leaders Are Transforming B2B Marketing," BCG article, April 2017.) As a result, B2B marketers must optimize their mix of personalized content, experiences, and incentives to lead customers to their brands, close deals, and increase their chances of retaining those customers and expanding the relationship.

By focusing their investments in digital tools, data capture, measurement approaches, and analytics and supporting a “common currency” approach to measurement across the organization, these companies can maximize their overall return on marketing investment (ROMI). In the course of our consulting engagements, we have found that when leaders apply best practices, they can increase the marketing contribution to their sales by 3% to 8%.

There is no single magic method, though, that cracks the code for the offline impact of online marketing. The current best practice calls for using a combination of measurement tools and approaches to recalibrate marketing initiatives systematically and “triangulating” to determine the optimal level and allocation of marketing and advertising spending. This process starts with a deep understanding of how significantly and rapidly the behavior of B2B customers is changing as they embark on more digitally driven journeys.

Mapping the New B2B Customer Journey

Research sponsored by Boston Consulting Group and Google confirms the increasingly multichannel digital nature of today’s B2B customer journeys. (See the sidebar “About Our Research.”)

Today, most B2B buyers start the decision-making process online. They remain online through much of their journey, comparing prices and product performance, matching product specifications to their needs, evaluating options, and, in many cases, choosing an offline store location or connecting with a sales representative to make a purchase. On average, two-thirds of B2B buyers of industrial machinery, industrial supplies, and packing and shipping products and services indicated in our survey that their purchase decisions had been significantly influenced by digital. (See Exhibit 1.)

ABOUT OUR RESEARCH

To achieve a better understanding of the impact of online marketing on offline sales in B2B markets, Google commissioned Boston Consulting Group to research and analyze the opinions and behaviors of B2B buyers and the current strategies and activities of B2B marketers.

The research covered the following industries:

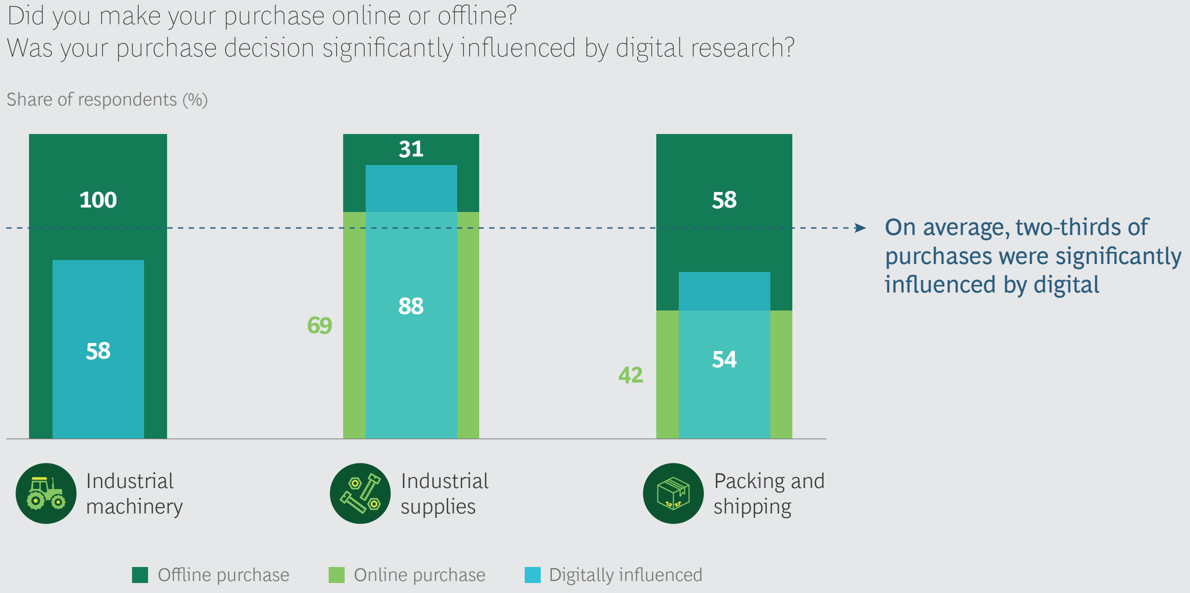
- **Industrial machinery:** agricultural tractors, dump trucks, compact track loaders, excavators, scraper systems
- **Industrial supplies:** metal-working and joining products, heating and air-conditioning systems, mounting hardware, janitorial and facility maintenance products, lighting and electric products, plumbing and pump equipment, material-handling and storage equipment, power and hand tools, warehouse supplies and equipment
- **Packing and shipping:** shipment and packaging services, shipping supplies, mailbox services, copy and printing services

BCG’s research approach included the following:

- A broad-based survey of 1,200 B2B buyers across the three industries
- Interviews with 30 leading marketers, as well as in-depth assessments and discussions of marketing performance with a number of marketers who were willing to share data and participate at a deeper level
- Benchmarking of leading B2C companies in the automotive and retail industries to understand the implications for B2B

Although we have discussed the results of our work with Google executives, BCG is responsible for the analysis and conclusions.

EXHIBIT 1 | Digital Matters—Even for Offline Purchases



Source: BCG research.

Nonetheless, most B2B buying journeys still end the traditional way: in a store or involving direct interaction with a sales team. Our survey revealed that some 58% of industrial-machinery purchases were significantly influenced by online activity, even though 100% of the purchases were made offline. For industrial supplies, 88% of buyers performed some form of online research prior to purchase, while 31% of their purchases took place offline.

Seen in isolation, this data tends to underestimate the influence that digital marketing has on customer engagement and buying decisions. The purchasing behavior of B2B buyers who do online research is distinctly different from that of buyers who do their research exclusively offline. These differences open up growth opportunities for companies that can capitalize on them with the right mix of digital marketing spending and tools. (See Exhibit 2.)

Online researchers consider a larger number of brands. Industrial-machinery buyers who inform themselves online tend to consider a larger number of brands than those who don't conduct online research. Some 75% of online researchers said that they consider two or more brands at the start of their buying journey, compared with 55% of those who engage in offline research only. At the same time, 58% of industrial-machinery buyers said that they begin their online search with a product—rather than a brand—in mind. For these researchers, the manufacturers' websites become primary points of influence.

These findings indicate a clear opportunity for manufacturers to use digital marketing to drive brand awareness and consideration early in the customer's buying journey. Manufacturers need to draw potential customers to their websites and other digital channels where they can learn about the company and its products as they progress along the purchasing process. Given that online researchers are more likely to consider several brands, it is critical that marketers ensure that their online-advertising and site experience differentiate their brand from those of competitors. The key is to provide buyers an easy and highly personalized experience that aids their research and connects them to the right sales channel.

Online researchers are more deliberate. Buyers of industrial machinery who inform themselves online are less likely to make a

EXHIBIT 2 | B2B Buyer Journeys Vary by Industry

	#1: Brand awareness	#2: Presale research	#3: Store visit	#4: Post-engagement
INDUSTRIAL MACHINERY	75% of online researchers considered two or more brands	58% start with product—not brand—research	40% don't purchase on the first visit	Three times as likely to make additional purchases when they are engaged digitally
INDUSTRIAL SUPPLIES	50% start with a brand in mind; 72% have purchased the product before	50% experience the last point of influence online; 76% search for locations for an offline purchase	20% don't purchase on the first visit	Eight times as likely to make additional purchases when they are engaged digitally
PACKING AND SHIPPING	Twice as likely to consider two or more brands when searching online	60% start with product—not brand—research	70% buy on the day they make a purchase decision	65% track packages online

Source: BCG research.

purchase on their first store visit or sales engagement than those who inform themselves offline (40%, compared with 30%). Some 20% of industrial-supply buyers remain undecided after visiting a store. It is, therefore, critically important that marketers learn from offline contact and shopping behavior and continue to target and engage buyers across channels to close the deal online or offline.

Online researchers make more follow-up purchases. What happens after the sale provides, perhaps, the most startling data on the impact of online marketing. When manufacturers of industrial machinery engage their customers digitally after an initial sale, those customers are three times as likely to research supplementary products, twice as likely to purchase them, and three times as likely to repurchase the product.

Buyers of industrial supplies are eight times as likely to purchase a supplementary product of the same brand and twice as likely to repurchase the same product. Effective after-sales digital marketing activities include promoting online account sign-ups, encouraging app downloads, maintaining regular contact through email or "nurture" communications, and ensuring a positive overall customer experience with the product or service. These digital marketing initiatives shift the emphasis from making the sale to building the relationship and ensuring customer success.

These insights underscore how different, and potentially more lucrative, the digitally driven customer journey can be from the traditional linear offline journey—if the customer is engaged effectively. Across industries, we have observed that buyers have made digital a critical component of their buying journey. A study conducted by the Corporate Executive Board and Google found that the average B2B buyer progresses about 60% through the buying process before engaging the company's sales rep or store directly. As buying behavior continues to shift toward digital, companies that do not invest in the ability to engage customers online in a highly personalized and seamless way risk losing sales opportunities.

The key to seizing these opportunities lies in determining which investments in digital marketing tools, data, and measurement will yield the greatest return, no matter whether the buyer completes the sale online or offline. How much do the various online-marketing activities contribute to sales? Answering this question is possible only when a company creates a seamless customer experience (online and offline) and measures marketing performance along the entire customer journey. Cracking this measurement and optimization code can be a methodological and an organizational challenge.

B2B Needs a Comprehensive Measurement Approach

Emerging from a world so long defined by predominantly offline customer journeys, most B2B marketers now face the challenges of capturing and integrating the exploding volume of digital data generated by online engagement. It should thus come as no surprise that most B2B marketers have only rudimentary measurement capabilities for digital marketing activities and struggle to capture and apply data effectively to make well-informed marketing decisions. This is especially true for companies whose sales are mostly offline, extend across a decentralized sales network, and include sales representatives, dealers, partners, and stores.

Enabling effective performance measurement and optimizing spending on digital marketing start by overcoming a flawed assumption that is based on the old linear thinking. If companies use online sales as the exclusive basis for measuring ROMI when significant sales occur offline, the digital ROMI will be artificially low because it does not account for the offline impact of digital marketing. This can trigger corrective measures that end up reinforcing the bias. Such corrective measures, which include reducing overall digital spending and shifting to approaches that show higher online returns, jeopardize offline sales and lead to suboptimal overall returns on digital marketing spending.

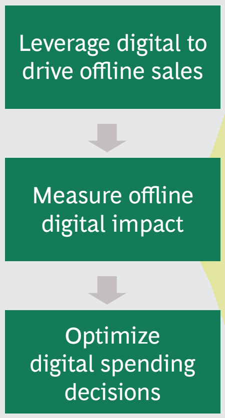
Finally, companies also tend to give too much weight to activity at the bottom, or late stages, of the sales funnel and ignore the importance and value of upper-funnel, or early-stage, activity in generating interest and attracting the customer. This common problem for those using a last-touch attribution approach means that they tend to overinvest in lower-funnel activities—such as search or direct sales engagement at the expense of brand advertising, including mobile and online video—that are generally employed for early-stage awareness and consideration. Over time, this bias will promote suboptimal returns. To improve digital ROMI, companies must figure out how to value and weight brand advertising over demand generation and sales engagement in their marketing mix.

Using the right information to correct these biases and make the right spending allocations for marketing is difficult but not impossible. As we have said above, many B2B marketers struggle to measure impacts and influence across the entire buying journey and thus to connect digital marketing expenditures and tactics to offline sales.

Part of the challenge is organizational. Responsibilities and internal incentives can skew behaviors if sales, products, and marketing channels are treated as distinct units rather than as integral parts of a single overarching marketing and sales strategy. Individual channel silos, angling to get credit for sales, may resist integration and attempts to support cross-channel attribution. A company that is insufficiently integrated across organizational units cannot provide a seamless customer experience, nor can it measure performance effectively across the entire buying experience.

Measurement innovators use a variety of techniques—such as customer research, marketing-mix modeling, multitouch attribution modeling, matched-market testing, and direct match-back approaches—to help them understand and optimize ROMI. None of these approaches individually yields the definitive answer. The art and science of marketing measurement lies in integrating the results and insights from

Exhibit 3 | A Holistic Approach to Impact Measurement



	Core questions	Approach
Customer research	What are the key customer touch points that drive sales? Are we achieving our customer engagement goals?	• Customer surveys, interviews, and focus groups to assess brand awareness, consideration, campaign effectiveness, and ad recall
Marketing-mix modeling	How much should we spend on media across channels?	• Correlation-based approach to identify marketing, commercial, and exogenous factors • Separation of base volume from short-term sales lift that are results of marketing
Multitouch attribution	What credit should be assigned for sales across touch points?	• Modeling approach that attributes sales to marketing campaigns, channels, and tactics • Moving to more sophisticated statistical and AI-based methodologies
Matched-market testing	Does a particular advertising tactic or experience change "cause" a sales increase?	• Marketing testing using control groups to isolate true causality • Testing done systematically over time and adjusted on the basis of results of prior tests • Used to fine-tune results from other approaches
Direct match-back approaches	Did a customer who made a purchase see a particular ad or campaign or visit the website recently?	• Direct tie-back of sales transactions to marketing activities and advertising using an individual-identifier approach • Management of low match-back rates can present challenges

Source: BCG research.

different approaches into a holistic view of the marketing and sales activities that influence customers most along their journey. (See Exhibit 3.) We elaborate on some of these approaches in the next section as we show how B2C companies with structural similarities to B2B industries—such as car makers and home improvement retail chains—have changed their marketing approaches by taking a more systematic and effective approach to measuring the offline impact of online marketing.

What B2C Success Can Teach B2B Marketers About Digital

A leading automotive company recognized the changes in customers' buying behavior and the inefficiencies it created. As customers migrated to online research and visited fewer dealers, the company found that its corporate advertising and website were playing more important roles in providing customers with product information and helping them find dealers. When customer data is decentralized and franchised dealers compete against one another on digital, companies cannot easily connect offline sales with online activity and optimize marketing spending throughout the system. To address this, the company formed a new direct-marketing group that uses digital marketing to connect buyers and owners with the company and its dealers. This approach yielded data the company used to optimize its omnichannel marketing campaigns.

This company relies heavily on two techniques. The first, multitouch attribution (MTA), is a modeling approach that attributes sales to marketing activities that contributed most directly to revenues. The more sophisticated MTA approaches use predictive models and artificial intelligence to derive robust, statistics-driven attribution weights. The group claims that it uses AI "to analyze millions of consumer interactions and design advanced advertising campaigns that leverage programmatic media buying and attribution reporting."

The second technique—direct match-back—uses unique identifiers to tie a sale directly to the marketing activities that generated it at the level of an individual or a transaction. These unique identifiers may be based on credit card information, mobile tracking, in-store beacons, cookies, email addresses, or phone numbers.

The automotive company reports that its third-party supplier can match more than 65% of shoppers with interactions on its website and digital advertisements. The insights from these initiatives provided the company with the justification to quintuple digital marketing's share of its total marketing expenditure.

A leading omnichannel retailer also relies on direct match-back, but supplements it with matched-market testing, which aims to isolate true causality by comparing test samples with control samples. Furthermore, it uses this systematic, controlled market-testing approach to inform its MTA modeling. The retailer applies the information to its marketing-mix modeling, which—relying on historical correlations augmented with the MTA findings to estimate impact—provides a more holistic view of marketing activities.

These two examples underscore the point that no single approach provides the entire picture of how digital marketing activities drive offline sales. A combination of approaches is what enables marketing teams to better understand marketing performance and triangulate answers to how much they should spend and how they should allocate their spending across marketing vehicles. These two points also help marketing innovators overcome organizational challenges.

As part of their change management initiatives, companies need to stress that cracking the measurement and attribution code is an evolutionary process. Because there is no silver bullet, companies should focus on what can be measured now, expand that measurement set over time, and ensure the right investments in technology, processes, and other resources as they work toward more systematic holistic measurement along the entire customer journey.

Making the Transition to an Optimal B2B Marketing Mix

Digital is now a critical part of the B2B customer journey—even for offline sales. Companies should keep these imperatives in mind as they explore ways to map their customers' new purchasing journeys and learn how to understand the links between online activities and offline sales:

- **Take an omnichannel perspective.** The organizations that have begun to optimize performance measurement and marketing expenditure across customers' new buying journeys view digital marketing through an omnichannel lens. It is difficult, if not impossible, to define a seamless customer experience when online and offline channels are treated separately. In turn, a company cannot develop a strategy for measuring the offline impact of online activities unless it knows how those activities connect to and enable the buying journey across the online-to-offline divide.

- **Start with the basic building blocks.** Companies that have made progress toward mapping customers' new journeys and cracking the measurement and optimization code began by focusing on metrics, data, technology, and processes. They worked with what they already had, identified gaps, and broke down silos in order to aggregate available data. Then they built measurement and decision-making capabilities over time.

- **Understand correlation, then supplement with tests to gain insights on causation.** In a perfect world, the techniques we have described would offer immediate and unequivocal insights into direct causation. The obvious reality is, however, that there are no short cuts. To ensure the integrity of results and to build buy-in internally, successful companies start with basic correlation modeling. In parallel, they invest in systematic programs of matched-market testing to get direct perspectives on causation. Over time, innovators also build capabilities in multitouch attribution and direct match-back approaches. In many cases, these require significant technology investments, tool implementation and process enhancements, and more sophisticated data integration.

At the brand level, it is more complicated to tie spending directly to sales. Most companies understand the long-term importance of brand advertising and the role of digital in driving awareness and consideration to enable sales. They therefore invest in some form of customer research, such as brand-tracking surveys, to ensure that their advertising is achieving specific brand goals.

- **Invest in change management.** Uniting centralized online-marketing activities with a decentralized sales or store network and then optimizing marketing spending across the whole system is a complex organizational challenge. To make the new processes sustainable and take full advantage of best practices, companies need to invest in change management efforts to obtain buy-in and alignment and drive execution.

- **Revisit decisions regularly.** Once the new processes are in place, the evolution and the pace of insights can accelerate. It is important to establish a regular cadence with key stakeholders across groups to synthesize information from various measurement approaches and to adjust spending and allocation decisions as new insights become available.

When B2B customers have immediate access to information online and use that information to guide their buying decisions, the meaning of "the right content to the right person at the right time" fundamentally changes. Growing numbers of companies have succeeded in redefining right by overcoming the inherent methodological and organizational challenges. The potential offline and online sales growth from the optimal use of online-marketing spending is a powerful incentive for B2B companies to understand their customers' buying journeys better and crack the new measurement and optimization code.

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