PROPOLIS
COMMUNITY INDEX
FROM B2B MARKETING

Community Index Analysis Report:

The current state of professional services



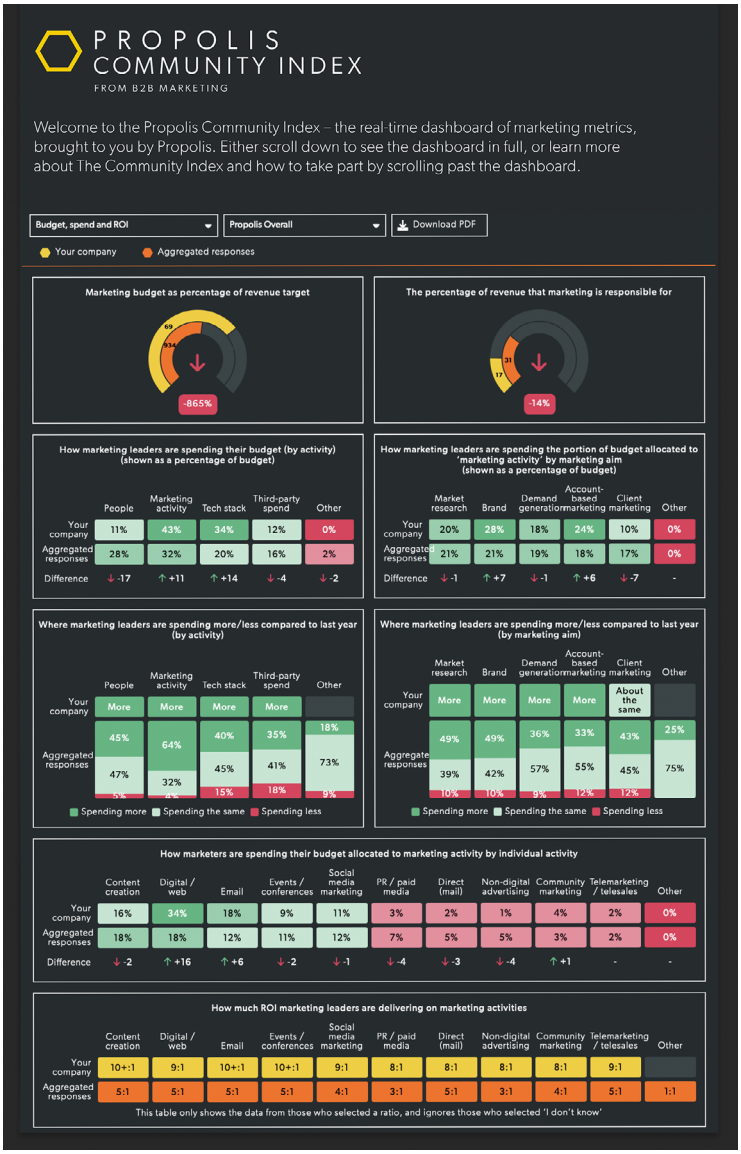
JANUARY
2024

Community Index Analysis Report:
The current state of professional services

Introduction

In August 2023, we launched The Propolis Community Index – the real-time dashboard of B2B marketing metrics, brought to you by Propolis. This dashboard was built to provide B2B marketers with reliable, up-to-date information about how marketers are spending their money, and how they're performing. Using the dashboard, our Propolis members can make recommendations to the board, assess their team's performance, and make any necessary adjustments.

Crucially, the data that is inputted into the index is provided exclusively from senior B2B marketing leaders (marketing directors, CMOs, etc) who manage a budget. All businesses that provide data for the index must generate at least £20 million in revenue each year, ensuring that only established, legitimate businesses are feeding into the overall dataset (no one-man-bands allowed!). The dashboard itself can then be filtered by UK or US responses, and by the following sectors, ensuring that members can access the data relevant to them:



- Technology and software
- Financial services
- Professional services
- Manufacturing, construction and industrial
- Healthcare

In this report, we'll be providing a breakdown of the data that we've seen since our first launch, and what this means for your marketing team. In order to make this report as helpful as possible, we've looked at the data from professional services specifically, ensuring that you're only seeing the data that's relevant to you. By looking at data from your sector, we can see where the opportunities lay, and what this means for you.

This report is based on data pulled from December 2023, and it's important to note that this data is constantly evolving as we collect more and more data. So, while this provides a helpful picture for marketers now, we expect to see changes in the months and years to come. Of course, if you'd like access to the live, evolving dashboard that is The Propolis Community Index, you can learn more about joining Propolis here.

A list of the data points we've been collecting to date

So far, we have been collecting data on the following areas:

- Budget, spend and ROI.
- Customer growth and attrition.
- Resourcing and organization structure.

Under each of these areas, we have collected a total of 81 separate data points. So, what stands professional services marketing apart from the rest?

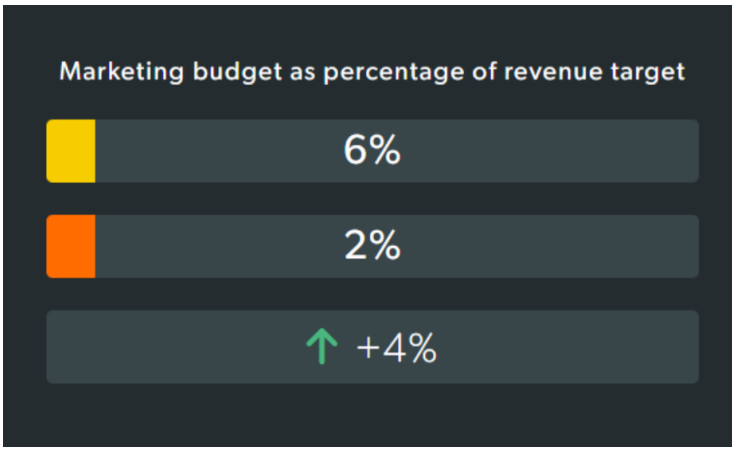
Professional services have more budget to work with

For whatever reason, professional services marketing doesn't always get the credit it deserves. However, in recent years, we've seen an influx of incredible marketing campaigns, with Addleshaw Goddard even winning the Gold awards for 'Best use of creative' and 'Best demand or lead generation campaign' at the 2023 B2B Marketing Awards. Clearly, professional services marketing has an abundance of talent.

Well, according to The Propolis Community Index, professional services marketers also have an abundance of budget, reporting three times the budget of their peers. To clarify, in our survey, we asked marketers about their organization's revenue target, the percentage of revenue they are responsible for, and the budget they have to work with.

By asking these questions, we can see that professional services marketers have, on average, a budget that makes up 6% of their revenue target. This is compared to just 2% across the board. So why is this?

Caroline Villecroze, CMO, Leyton said: "So I'm not that surprised because I think professional services' general value of offering is high…and also most of the time with professional services, you create a relationship after several years and then you can sell additional services. And so I think the general lifetime value of the clients is higher. I think that explains why marketing teams have more money to invest because at the end, the return on investment is going to be higher."



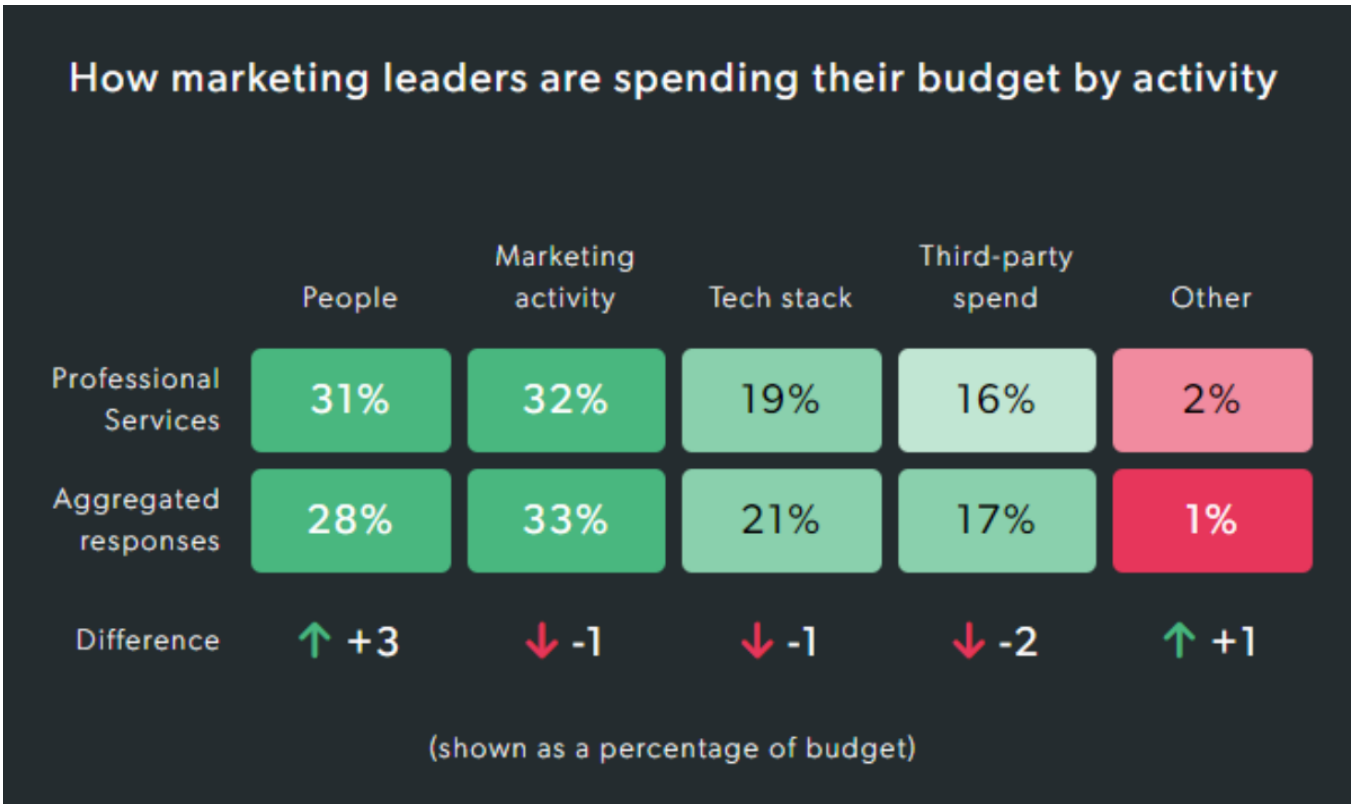
Note: Our definition of marketing budget includes: all marketing activity spend; all marketing third-party spend (agency/ consultancy/vendors); all marketing technology spend; marketing staff spend (salary, NI, bonus, pension). It also excludes apportioned or charged back overheads.

Propolis members can see how other sectors and regions fare against the masses.

Professional services marketers' spending habits match the norm

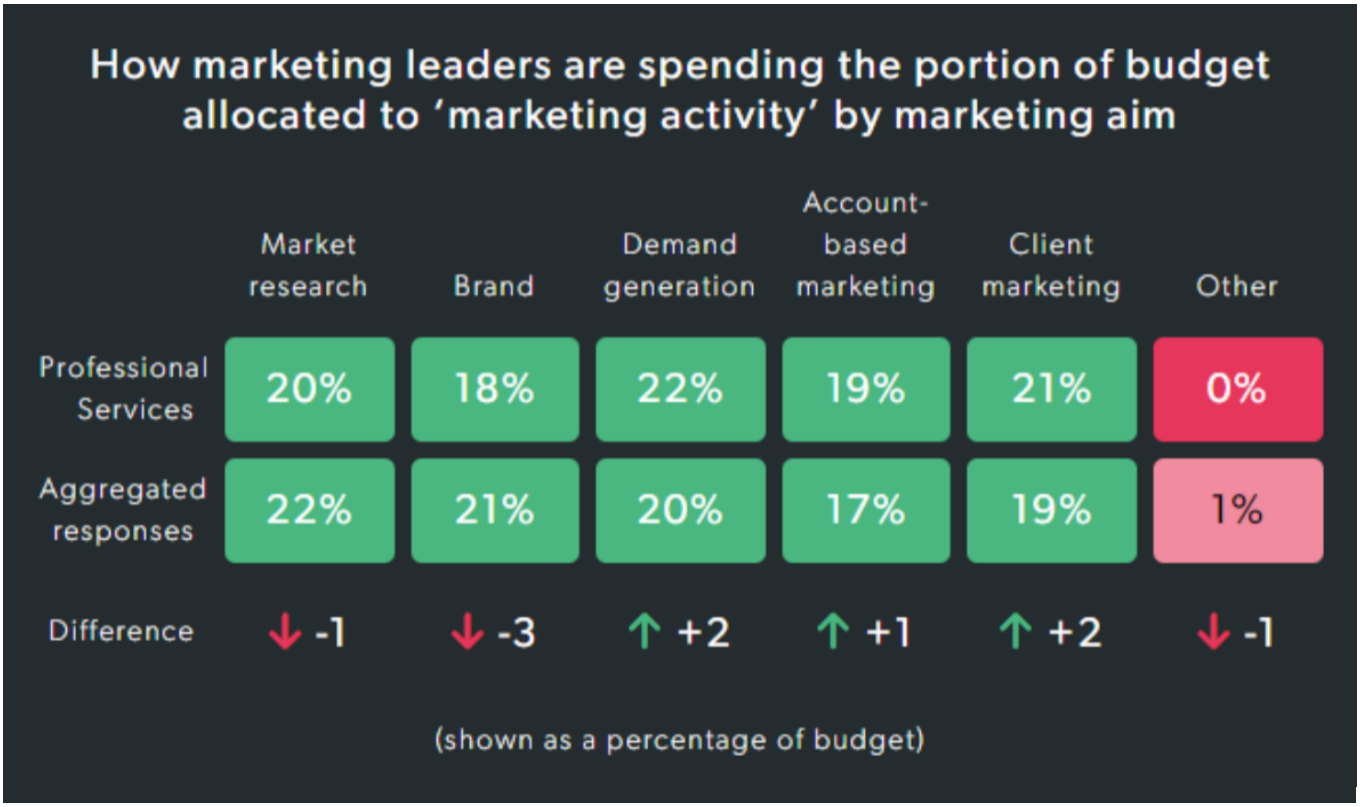
In The Propolis Community Index, members can see a full breakdown of where marketing leaders are spending their budget by activity.

In this section, we can see that professional services marketing leaders are spending 31% on people, 32% on marketing activity, 19% on the tech stack, 16% on third-party spend, and 2% on 'other'.



This very closely matches the wider B2B marketing cohort, with just slightly more spent on people and marketing activity. The Propolis Community Index then provides a further breakdown of how that percentage allocated to the marketing activity is spent by marketing aim (market research, brand, demand generation, account-based marketing, client marketing, other).

It appears that, this year at least, professional services marketers are spending less on their brand work, and 2% more on demand generation and ABM. Perhaps this isn't surprising. After all, ABM has been growing in popularity for years, and is especially effective for large enterprise organizations targeting large enterprise accounts. In an industry such as professional services, where winning large accounts is the name of the game, it's unsurprising that around 19% of marketers' marketing activity budget is being spent on ABM. Taking this a step further, The Propolis Community Index also tells us that 52% of professional services marketers are spending more on ABM than they were the previous year.



So, why is this? Well according to Caroline, the organizations that are interested in professional services are quite big companies resulting in longer and more complex buying journeys with more than one stakeholder involved as well.

She said: "Most of the time, the buying journey is quite long. You need to be consistent between what marketing is providing in terms of content and in terms of campaigns and events compared to what sales are going to do to try to reach out to those clients. It's really to be consistent. So I think that's why professional services are probably more into ABM."

One professional services leader said: "While professional services people might not refer to it internally as ABM, a great many of us are acutely focused on supporting our partners, consultants or other fee earners to develop named client relationships. It can take years and years for a relationship to develop with a potential client to the point where they will switch firms and trust us to advise them on their projects. To cite one example of that, if you're a company facing a challenge, you're not going to appoint a law firm you've never heard of or don't trust fully to represent you in the High Courts. So client-focused communications and activities are paramount."

Given the continued rise of ABM, The Propolis Community Index will be launching an ABM dashboard in 2024, providing marketers from all sectors with information around how this budget is spent, where it's spent, and the results it's delivering. Members of Propolis – the global community for B2B marketers – can also book one-on-one consultancy time with our residence ABM Expert, Robert Norum.

Professional services marketers' targeted retention rates lower than average

In The Propolis Community Index, we ask B2B marketing leaders about the percentage of customers that they are looking to target in this financial year.

Our data indicates that professional services marketing leaders are targeting to retain 77% of their existing customers from the previous year.

This is 13% lower than the combined B2B marketing results. Of course, there's an argument to say that the nature of professional services means that a level of churn is to be expected. After all, if your consultancy work was successful, why would you need to be kept on for year after year? At the same time, it might be unsurprising that technology and telecoms is targeting a retention rate of 85% - an industry that relies much more heavily on SaaS business models.

One professional services leader said: "This really surprised me. It doesn't chime with my experience at all. Clients are hard won over a long period of time, and so I know that both retention and expanding relationships is central to most professional firms. I couldn't imagine for a moment that a firm wouldn't prioritise keeping the clients it has. Perhaps this data point is just a reflection that, in some professional services categories such as management consultancies advising on major strategic company overhauls, clients don't purchase in regular annual patterns – and instead only need help every few years. Or alternatively, perhaps it is just that marketing teams in some firms, rather than the firms themselves, are shifting focus a little bit more to trying to win new business. Again, I think retention is critical and a priority in many – if not most - professional services businesses."

However, we can also see that the average tenure of a professional services customer is eight years, compared to seven years from the B2B marketing average! So, just why are professional services marketers targeting a lower retention rate than their B2B peers?

Caroline said: "I think professional services try to build relationships over the long term with clients. If I take a software company for example, when meeting clients, you'll probably meet with just one person. Whereas before, once you signed the contract, you would probably meet with the technician or someone from the implementation of the software separately. And more and more now, we're seeing consulting firms who have already integrated that software instead."

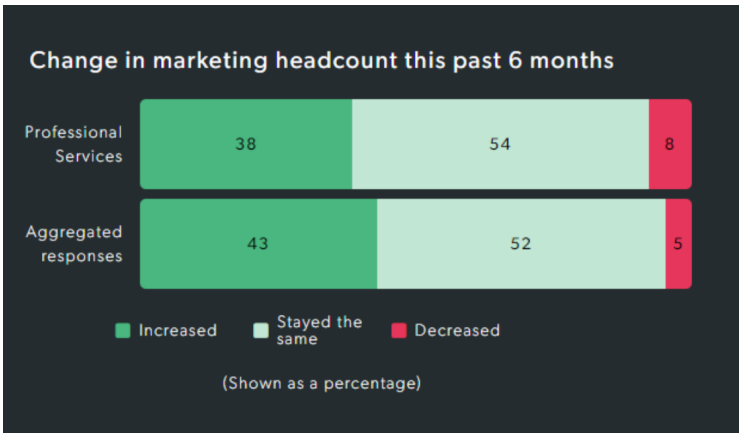
Professional services marketing teams growing and experiencing less churn

Over the past few years, marketing teams have seen a huge amount of churn. The reasons are well known, so we won't go over well-trodden ground here, but it's concerning to see that the average annual attrition rate in B2B marketing teams is reported as 20%. Hopefully, over the coming years, we'll start to see this stabilize and gradually decrease.

Fortunately for professional services marketers, their average annual attrition rate is just 5%! Clearly, professional services marketing leaders are doing something right to keep hold of their best people.

One professional services leader said: "Marketing has certainly become an increasing priority in many professional services businesses in the last five years. It certainly used to have a reputation as being a sleepier industry for marketing, relative to sectors such as tech. For example, when I first joined a law firm from a large, global B2B media company, I literally had dozens of other B2B marketing friends joke with me that professional services is where marketers go to fade away or pasture (I told them to go you-know-what!). But I think that misguided perspective has changed a little. I think professional services have been far more electric for marketing in recent years, and I think it's still only just warming up. There is all manner of high impact marketing activity going on. And so I think the category is more attractive for marketers than perhaps it used to be, which might be getting reflected in the Index."

And the story doesn't end there. Over the past six months, B2B marketing leaders have, on average, reported a 43% increase in their headcount. In professional services, however, we can see a reported increase of 38%! That's a 5% difference.



So, what's next?

Well, this report provides just a snapshot in time (specifically, from December 2023), and we're always receiving new data.

Of course, we don't expect the numbers to completely flip on their head overnight. That just wouldn't make any sense. However, we do expect to see them continue to evolve as we move into the new financial year.

Will professional services marketers spend even more on ABM next year? Well, if the trend continues from the year prior, yes. Will marketing teams continue to grow in size? Given the continuing dependence on marketers to generate revenue for business, we're willing to suggest that, yes, they are. Of course, this brings new challenges to overcome, but also new opportunities.

If you'd like to access the full, live Propolis Community Index, you can find out more by clicking here, and learning how you can get access to Propolis. While The Propolis Community Index acts as your reliable source of B2B marketing data, it's just one part of Propolis itself. Propolis members have access to a panel of marketing experts, who can help you through your biggest (or smallest) challenges. Our training courses and events also provide your team with the practical hands-on knowledge they need to meet these challenges and opportunities head on.
So, what are you waiting for? Learn more about Propolis today.

PROPOLIS

FROM B2B MARKETING

The Global Community for B2B Marketing Leaders

Intelligence

Unlock crucial marketing performance data with the Community Index

Access exclusive CMO and marketing leader insights and opinion

Assess your team's capabilities with the Marketing Maturity Diagnostic

Expertise

Access a team of Propolis marketing experts for 1:1 support

Ask the community a question and get ideas from your peers in an instant

Gain support on your marketing challenges with expert Power Hours

Professional development

Expand your knowledge with 100s of technical models and blogs

Develop your knowledge with multi-level B2B training courses

Build on team skill sets with actionable on-demand Best Practice Briefings



Learn how to join the community

b2bmarketing.net/propolis

www.linkedin.com/company/propolisb2bmarketing



B2B Marketing
Westgate House
9 Holborn
London
EC1N 2LL

info@b2bmarketing.net
b2bmarketing.net

B2B MARKETING