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B2B Marketing

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B2B nation:

The B2B industry's contribution to the UK economy revealed

Sponsored by:

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Introduction

When you live and breathe B2B like we do, you won't need reminding how important the work you do is.

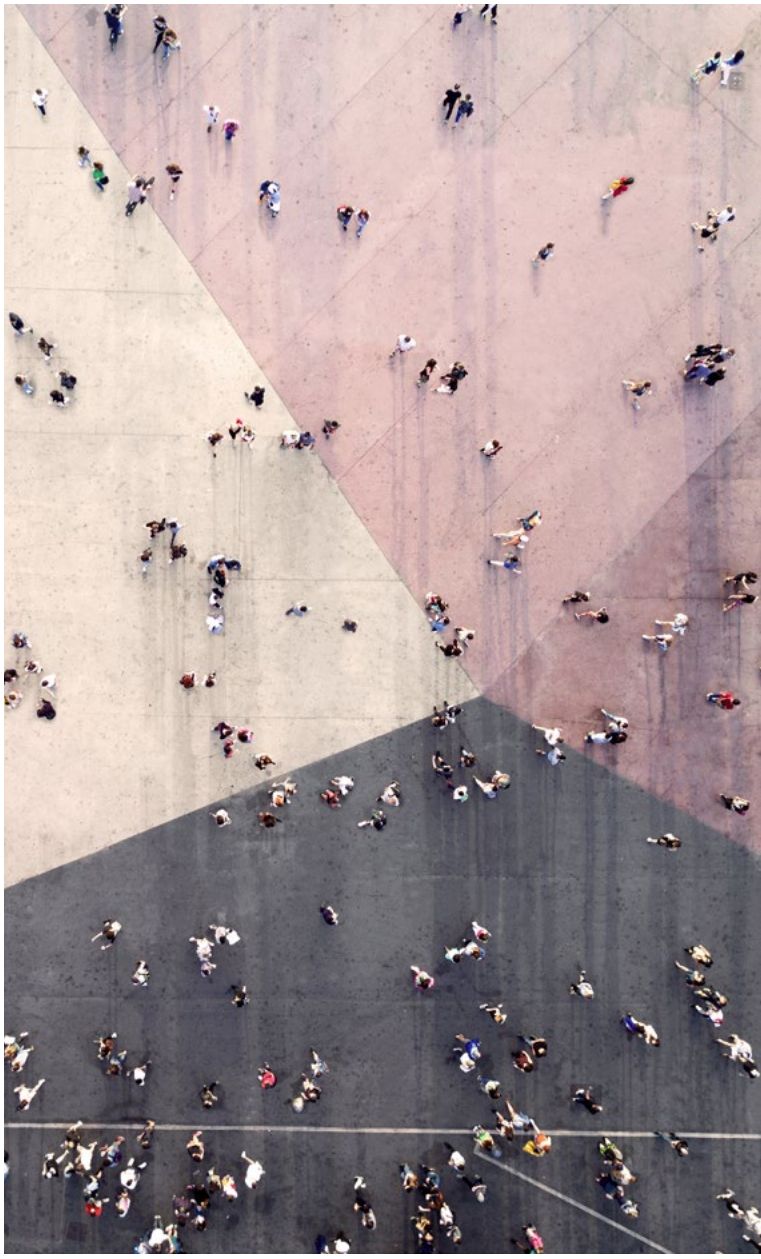
However, data on B2B's total contribution to the UK economy is hard to come by. Until now.

That's what we set out to answer in this pioneering study, conducted by our partner Savanta and in association with Gravity Global.

The research, which surveyed 809 senior managers in UK businesses, shows that while B2C brands steal the headlines, it's B2B brands that bring home the UK's bacon.

This report will explain:

- B2B's total contribution to the UK economy, including employment and tax contribution.
- Which part of the UK is a hotbed of B2B.
- How B2B businesses form the backbone of the country's listed firms.



B2B Marketing

The UK is a B2B nation



£1,700,000,000,000

Turnover in the UK derived from B2B

10,150,000 million

Staff employed in UK B2B businesses

£21,780,000,000

Corporation tax paid by B2B businesses

80% of UK companies

Derive some of their income from B2B activity

38%

Derive all, or the majority, of their income from B2B activity

Section 2

Our nation drives the success of companies around the world



James Farmer,
co-founder,
B2B Marketing

On the launch of B2B Marketing, 15 years ago, the concept of B2B wasn't mainstream – so much so that even my friends, who were B2B marketers, thought I was setting up a magazine about B&Bs.

Things have changed significantly. We started with an audience of 4,000 magazine subscribers, this has now grown to a community of more than a million people worldwide. B2B has gone from being a niche topic, within a small agency sector, to the mainstream, where its importance is now recognised by governments.

With the publication of the B2B nation report we can finally put a number on the contribution it makes to the UK economy – accounting for £1.7 trillion of the UK's business turnover, and employing more than 10 million people across the country. It contributes half of GDP. There's nothing niche about that!

Despite this progress, there are still some misconceptions (especially in marketing circles) about the relevance of the category at all! There are folks out there who talk about 'human-to-human' [H2H], rejecting the concept of B2B or B2C marketing. They've completely missed the point. We are all human, but B2B businesses act very differently to one another, compared to a business interacting with a consumer. The legal profession provides a good analogy. All lawyers use the same foundation of precedents and statutes, go to court and deal with clients, but the skill set of a family lawyer will be very different to that of a corporate lawyer. They understand the tools, but the delivery is completely differently. In marketing we all use similar channels, but in B2B we're marketing high-ticket, specialist products, with complicated buying units; that can't be sold on the back of sex, glamour or popularity. Instead we work in a multi-touch world with long sales cycles.

B2B is now driven much more by data, technology and integration across the full customer journey. This cannot rely on above-the-line advertising alone. What's more important in B2B, is not that marketers are creative, but that they are creative thinkers – with the ability to manipulate data, understand the brand position and proposition, and to tie everything (internal and external) together to accelerate sales.

Marketing is a profession, not a vocation. It can't just be learned on the job or delivered organically, because the market is moving quicker than most corporates. Businesses that put the customer at the centre, with an invested marketing team as the ringmaster, are the successful ones.

The UK is a B2B nation. Talk to the man on the street and they'll tell you Britain doesn't do anything anymore. But they're not exposed to the huge influence this country has in the global B2B market. Our government has missed an opportunity to create sense of purpose and pride for this country. The UK punches well above its weight.

We need to protect and grow those companies as assets. The country has a trade deficit because we import far more consumer goods than we export, but we have a trade surplus on our B2B activity. We should take more pride in the fact that through trade, we have a genuine global dominance and influence like never before. We're no longer a nation of shopkeepers, we are a nation driving the success of other corporations around the world.

Section 3

Great Britain: The B2B nation

The research has confirmed it – the UK is a B2B nation.

The majority (80%) of UK firms derive some of their income from B2B activity.

- Of this figure, **15%** are pure B2B businesses, generating all their income from business-to-business activity.
- A further **23%** make the majority of their income in the B2B sector.
- The remaining **42%** are what you'd call blended businesses, with some of their income from B2B.

Having broken down and analysed the income of UK businesses, we found that **44%** of UK turnover (sales made by UK businesses) comes from B2B activity. That's a whopping £1.7 trillion.

Some **26.7 million** people are employed in the UK's private sector. Working on the basis that B2B organisations are as likely to employ people as their B2C counterparts, we can extrapolate that the B2B sector employs **10.15 million** people in the UK.

And B2B businesses are paying their share back to the nation's well-being. They contributed **£21.78 billion** in corporation tax in 2016-17, according to figures from HMRC.

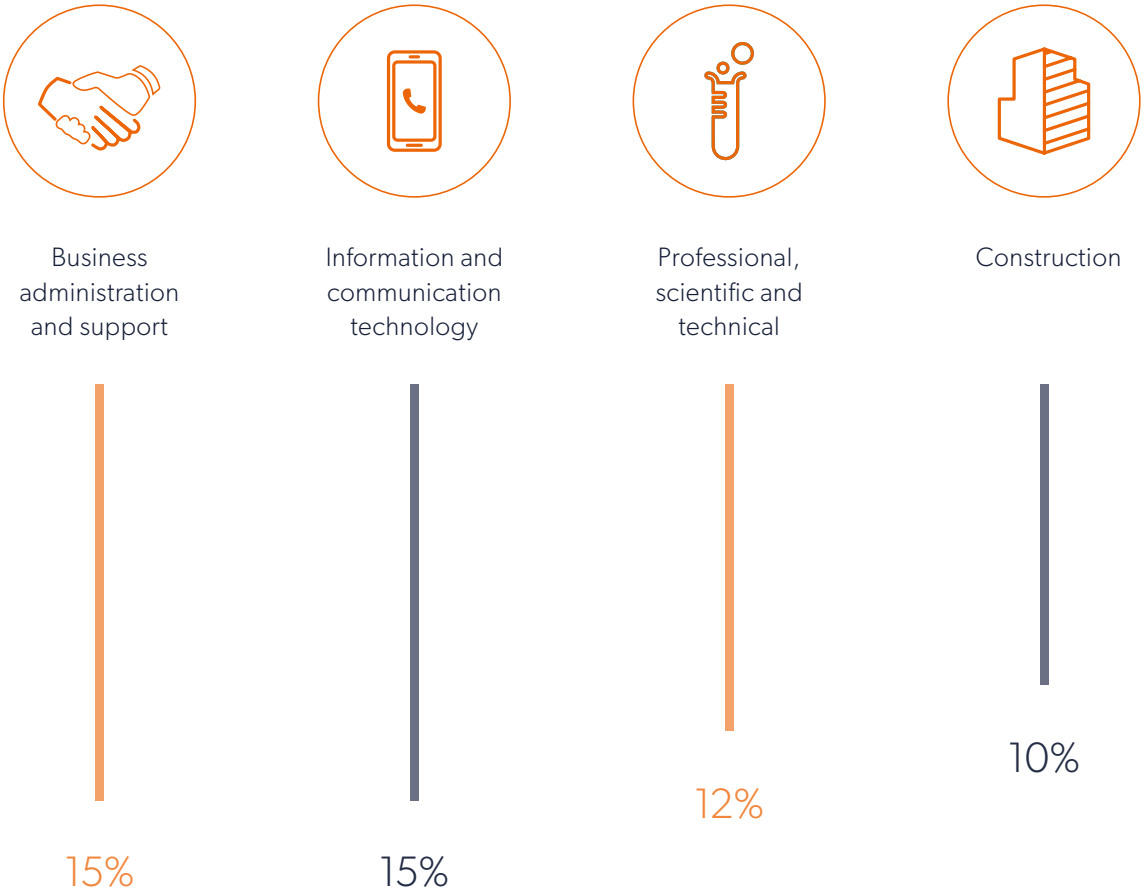


From many sectors, across the nation

More than half of UK B2B businesses operate within four key verticals. It's not a surprise to see that many B2B firms are driven to help other companies run more efficiently. The explosion in technology development is also helping with this, which is why there's such a large market for B2B firms selling these products and services.

The production sector, which includes manufacturing, accounts for a relatively small proportion of the total number of B2B businesses, just 4%. However, the impact of these firms is large. The UK aerospace industry, which is predominantly B2B (providing components and parts for a global industry), has a turnover in excess of £31 billion and employs more than 95,000 people.

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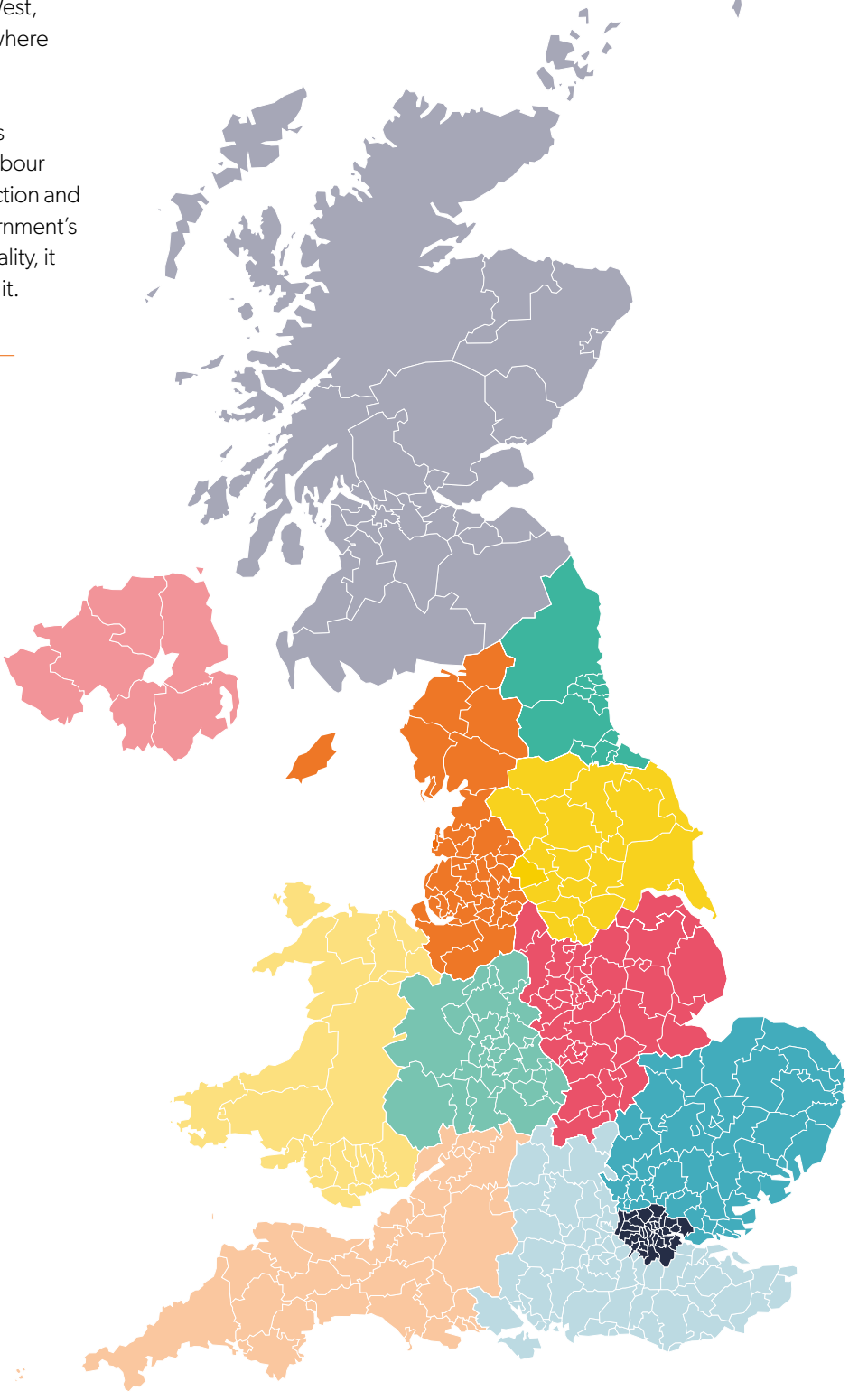


A third of all B2B businesses are based in London and the South East. But this is a smaller proportion than the UK average. It is across the North West, North East and Yorkshire and Humberside where B2B outstrips the UK business population.

Such geographic clustering not only provides benefits in terms of access to talent and the labour market, but also social capital from the interaction and competition between players. If the UK government's Northern Powerhouse is ever to become a reality, it will be B2B businesses that are at the heart of it.

The UK's B2B hotspots

- 20% South East
- 13% London
- 10% West Midlands
- 10% Yorkshire and Humberside
- 10% North West
- 9% South West
- 7% East Midlands
- 7% East
- 6% Scotland
- 4% North East
- 3% Wales
- 1% Northern Ireland



Over 50% of all FTSE companies are pure B2B businesses

Powering the London Stock Exchange

The research also found B2B activity supports the majority of businesses listed on the London stock market. Across both the FTSE 350 and the AIM 100 (the market for smaller and expanding companies) – half of companies focus primarily on B2B. A further 22% derive some of their income from B2B.

Looking in detail at companies that launched an initial public offering (IPO) in 2018 (striping out the equity and non-equity investment instruments), 10 of the 17 companies that came to the FTSE main market were B2B firms – with a combined starting market capitalisation of £8.4 billion. The proportion is even greater on the AIM listings, where 31 of the 37 non-equity related IPOs were for B2B businesses, totalling £2.8 billion in opening value.

And it's not just in London, where B2B companies lead the way. In the US, three of the largest recent IPOs are by the file hosting provider Dropbox, valued at $7.5 billion; the electronic signature firm, Docusign, at $4.4 billion and Eventbrite, the online ticketing and event planning platform, which rose 60% on its first day of trading to $2.8 billion.

Potential B2B candidates for a 2019 listing include the data analysis tech business Palantir, the cloud computing business Rackspace, collaboration software Slack, and web performance and security business Cloudflare.

According to the most recent EY IPO Eye report, the expectation is that the UK market for IPOs will be subdued until there is greater certainty over the outcome of Brexit, with greater activity expected in the second half of the year.

A quick look at some of the recently listed companies on AIM show the diversity of the B2B firms fueling the UK's economic success.

- **RenalytixAI:** Develops AI-enabled clinical diagnostic solutions for kidney disease.
- **Immotion Group:** Sells virtual technology and experiences to cinemas and tourist attractions.
- **Tekmar Group:** Manufactures subsea cables and pipes used in the offshore wind, oil and gas industries.

3 largest FTSE B2B IPOs in 2018

Quilter
Financial adviser
£2.8 billion

Vivo Energy
Shell-branded fuels and lubricants distributor in Africa
£2.3 billion

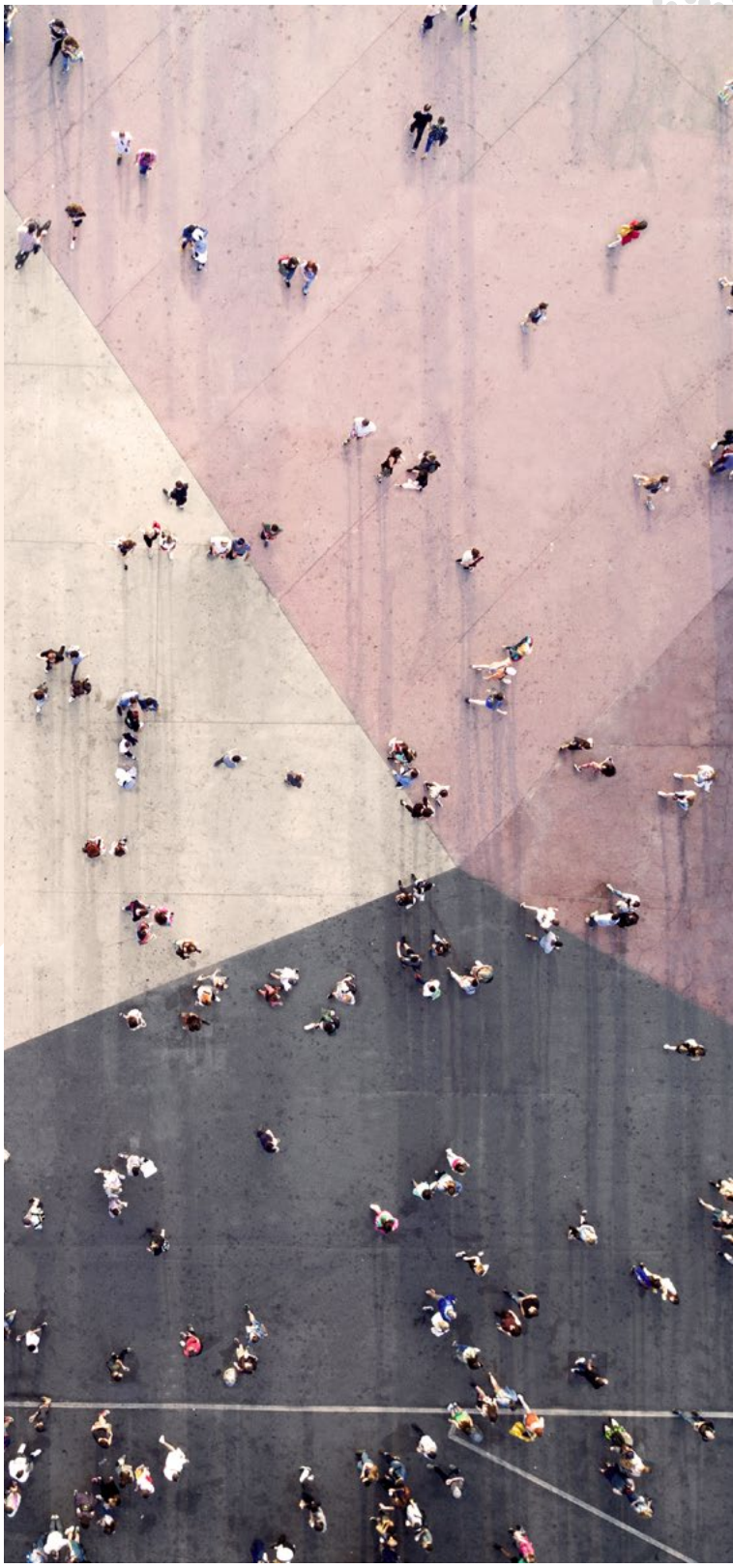
Funding Circle
Business loan provider
£1.2 billion

3 largest AIM B2B IPOs

Sensyne Health
Clinical AI technology
£232 million

TruFin
SME fintech provider, with brands including Oxygen Finance
£193 million

Jadestone Energy
Upstream oil and gas production in Asia-Pacific
£187 million



A note on the methodology behind the survey

As GDP is commonly calculated by adding together spend from different parts of the economy – businesses, consumers and government – along with net exports, business income was felt to be a more effective illustration of B2B's economic impact as it is solely based upon income.

Section 4

Modern B2B brands need to think macro



Mark Lethbridge,
CEO,
Gravity Global

Mark Lethbridge has worked in B2B for more than 30 years and runs the multinational, multi-award winning marketing agency Gravity Global. We asked him the changes he's seen in the sector during his career – and what the future holds.

Do you think the importance of B2B to the UK economy is under-appreciated?

Mark: I think there is a perception, which is a bit of a legacy, that B2B companies are not that smart at marketing and lag behind B2C companies. I don't see that with the B2B companies we work for. Sage for example – a world leader in business management software – have super-smart marketing talent in their business. They're measuring the entire marketing activity end-to-end. They're as smart, if not smarter, than any consumer business, and the understanding they have around their customers' needs and how they're going to serve them in the future is world class.

How has the profile of B2B changed during your three decades in the industry?

We're not in this industrial manufacturing mindset any more. The thing B2B companies have been wrestling with is how we transform our business from the industrialisation of products and services, to greater mass customisation. We all want our needs served in a more personalised way, whether it's B2B or B2C. That's the biggest transformation I've seen.

How can those working in B2B, and the organisations they work for, push the B2B agenda forward?

Putting hard data and facts around it in an easily accessible way is the best way we can serve the B2B industry. Google some hard data on what B2B delivers, not only to the UK economy but to the world – it's quite hard to find.

It's an education. At government level they certainly understand the importance of B2B, but it's no good generalising. You need to evidence what you're doing with hard facts and data. I'm keen to support this initiative.

How does the perception of B2B differ around the world when compared with the UK?

B2B is an important contributor to the world economy no matter where you go, but the sophistication of B2B in certain markets has some way to go to build modern practices. It does depend on the region, how mature their economy is and so many variable factors. That's why this idea that one-size-fits-all just doesn't play out; it's about individual situations and how you can adapt to the market environment.

It's the role of marketing consultancies such as ours to help counsel our clients on how they can become world class. We're working with behavioural scientists to understand these macro trends at a global level. There's a massive transformation going on before our eyes in people's values and how they behave. We're identifying what those behaviours are and helping our clients reposition their brands and lean into these so their companies can be successful in the global economy.

How does the UK B2B market compare globally?

There's a natural reason why brands are coming to us, because many of the global business conversations are in English. The language of business happens to be our own mother tongue. That's a gift. It's also why people look to the UK, especially our marketing, and hold us as the benchmark on a global scale.

What impact will Brexit have on the B2B sector?

This is the million-dollar question, and I can't tell you what the impact will be. It will potentially send a massive economic tsunami around the globe but no-one really knows what the outcome of that will be. Leaving the European Union without some form of agreement will cause uncertainty and a lack of confidence. With it comes a lack of investment and a downturn in the global economy.

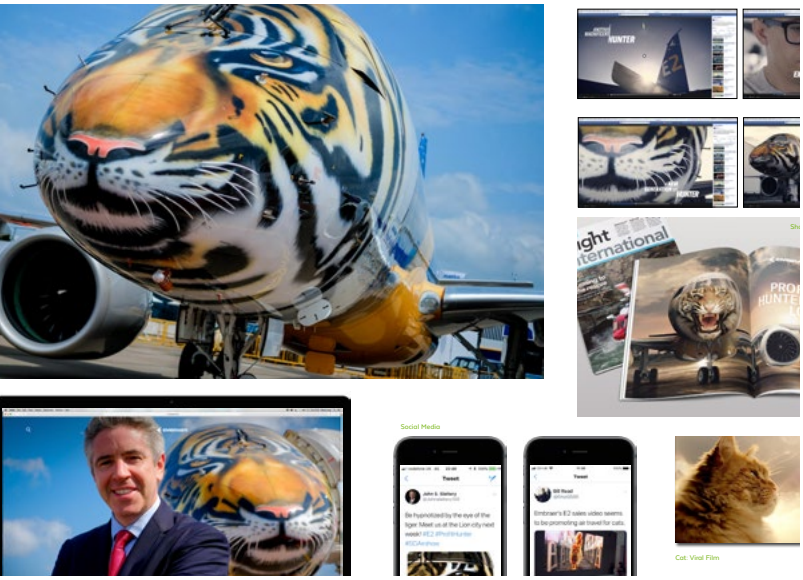
We're dealing with uncertainty, but that is the world on which markets are built. It's nothing new. An uncertain world teaches you that your business always needs to be agile and respond to market conditions. Products and services that are able to react with such agility will be successful in the future

As marketers we have an opportunity, rather than a challenge. We can enable companies to carry on being successful in an uncertain economic climate, and we should embrace that.

Are you optimistic about the prospects for B2B?

We are currently embarking on a multi-million pound global roll-up out of the UK. If I weren't optimistic I wouldn't be doing that. If you align your proposition to the key macro trends people are gravitating towards, you're going to see huge success regardless of the market volatility you see around you. New brands that are leaning in are accelerating their value, despite the economic turmoil.

Modern B2B brands need to understand these macro trends, but regardless of the economic scenario we're faced with – Brexit or otherwise – you can trade through it and be successful.





Gravity's campaign for aviation business Embraer was victorious at the B2B Marketing Awards 2018.

About

B2B Marketing

Established in 2004, we are the number one go-to resource for B2B marketers across the globe.

Through our content hub and professional development services – including events, training and networking – B2B Marketing users are empowered with the tools, insight and inspiration they need.

Our promise to you

Things change fast in B2B. Just staying on top of the changes can be a full-time job. So, we do that job for you.

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About

Gravity Global

Firstly, we're down to earth. Secondly, we're an award-winning dedicated global B2B agency network. We serve clients around the world that face challenging business issues and operate in similarly challenging environments. The results our clients achieve are testament to our marketing models, processes and industry-leading creativity. If it looks like a tough brief, we're the guys.

The world is a difficult place for brands. It's more connected, more involved, more immediate and more competitive. Our research shows many CEOs have lost faith in the marketing function of their organisations. We're here to restore that faith through strong returns on investment for marketing spend.

Gravity is integrated and full service across all channels from strategic consultation to implementation.

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