

# Advertising effectiveness and the 95-5 rule: most B2B buyers are not in the market right now



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## Summary

It might surprise you to learn that up to 95% of business clients are not in the market for many goods and services at any one time. This is a deceptively simple fact, but it has a profound implication for advertising. It means that advertising mostly hits B2B buyers who aren't going to buy anytime soon. And in turn, that tells us about how advertising works: it *mainly* works by building and refreshing *memory* links to the brand. These memory links activate when buyers *do* come into the market. So, if your advertising is better at building brand-relevant memories, your brand becomes more competitive. The question to ask is - does our advertising do that?

## Introduction

Has your business recently made a significant purchase, like a new phone system, engaged with a new payroll software vendor, signed a contract with a salesforce IT support company - or perhaps even bought new carpet for the office? If you have, then you'll know that you're not in the market for those items now, nor will you be for quite a while. The time between purchases for many goods and services is quite long. Corporations change service providers such as their principal bank or law firm around once every five years on average. That means only 20% of business buyers are 'in the market' over the course of an entire year; something like 5% in a quarter - or put another way, 95% aren't in the market.

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## What does this mean for advertising?

The 95% figure is not meant to be a precise rule. We're using it as a heuristic to get the idea across that the vast majority of businesses, for a large proportion of products, are not in the market in particular time periods. And that fact is profound for advertising. It means that the way advertising 'works' isn't by stimulating us to buy. How can it, if most people who see an ad aren't going to buy the product for perhaps a year or more. Therefore, the way it works must principally be by building a memory link for the brand in buyers' minds. And this memory link will be activated when the buyer does come into the market. Advertising impressions, accumulated over time, affect our memories. So, your advertising has to be designed to create distinct impressions about your brand in people's minds - to be activated later.

Ah, you might say - these days we can target people or organisations that are ready to buy. The trouble with this tactic is that people largely use their memories when buying, rather than searching. And when they do search they strongly prefer brands they're familiar with.

Familiarity is built over time, with consistent messaging. If you focus on hitting people with, say, digital ads only when they're searching the category, your brand is an unknown to them. And we know that lesser-known brands have lower rates of consideration (Rowe, Whittaker, & Agop, 2018; Terui, Ban, & Allenby, 2011). Indeed, clickthrough rates for unfamiliar brands are quite a lot lower than for familiar brands (e.g. Dahlen, 2001).

So, sure - do some targeting for people who are ready to buy, but if that's all you do, you will never build the widespread mental availability needed to become (or remain!) a big brand. To grow a brand, you need to **advertise to people who aren't in the market now**, so that when they *do* enter the market your brand is one they are familiar with. And, that they mentally associate your brand with the need or buying situation that brought them into the market. That way, you increase buyers' purchase propensity. And if you can do that across enough buyers, your market share will grow.

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## That sounds great, but I have some questions about deploying this idea.

### How can I calculate how many buyers are in *my* market at one time?

If you know the average interpurchase time for your category you can readily calculate the proportion of potential buyers who are in-market. Suppose a category has an average interpurchase time of two years. That means 50% are in the market over the course of a (whole) year, or around 13% in any quarter. If that sort of information is not at your fingertips, a straightforward survey can yield the information. All you need to ask is along the lines of, 'How frequently do you purchase X' with simple response categories calibrated to your market (e.g. once in five years or less often... annually... each quarter...).

### Does this mean there is a *ceiling* on the number of category buyers we can realistically attract at a time?

Yes, in practical terms if only say, 10% of category buyers are in-market at a point in time, that means there is a ceiling on how many you can acquire in a period. And in turn, what that means is you need to have realistic expectations of what any single campaign can do. It can boost your share of the buyers who are in market at the time, but it can't bring buyers to you who simply aren't in the market. Furthermore, this means that if you spend all your budget in one quarter, you're off the air the rest of the year – and won't be reaching all the other buyers who are in the market then. So, spend with a view to the long-term.

### So, a big task for advertising is to build mental availability, but *how long does it take?*

It takes a long time. To appreciate the task, we need to have some understanding of how mental availability is measured. The progressive way to measure it is via the brand's links to 'category entry points' or CEPs – in other words, various situations in which the category could be bought or used (see Romaniuk & Sharp, 2016 Ch. 4). The more people who link your brand to one or more of these CEPs is obviously better. But getting to double-digit figures for mental availability is a multi-year task. Many well-established brands achieve no higher than 20-30% of respondents linking them to a CEP. Even market leaders often only get 50%.

This makes the task sound difficult, and it is. It takes time, patience, funds and importantly, skill in making good media investments. But those businesses who *can* build mental availability in the minds of their potential buyers enjoy an enduring advantage, because competitors will find it very difficult to catch up.

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## References

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