

## In a nutshell: Can B2B firms benefit from competitors' advertising?

Scientific articles contain valuable management implications but are usually not very easy to digest. We summarize the core results so that you can use the latest research findings for your company.

### Original

Advertising, which has traditionally played an ancillary role in B2B firms' marketing efforts, gains momentum, with firms' spending levels steadily increasing and recent research showing positive effects on firms' sales revenues.

However, the sales effect generated through a firm's B2B advertising is likely to critically depend on competitors' advertising investments. While B2C research suggests that competitive advertising reduces the effectiveness of own advertising, this study applies the dynamic NEST (nested business environment) framework to propose the opposite effect, considering the emerging nature of advertising in business markets and the impact of competitor advertising in establishing this form of communication. This opposite, synergistic effect means that advertising competition increases, instead of decreases, the effectiveness of own advertising in B2B contexts.

Using a large panel dataset of 2'723 B2B firms, this study finds evidence for the synergistic effect and also shows that it reduces the sales effect of sales force spending, i.e. an established communication form in business markets. However, the results also show that the effect's presence or absence critically depends on the business context. [...]

[In fact, the] results also demonstrate important boundary conditions. Specifically, for complex goods (versus non-complex goods), we find that increased competitive advertising activity neither benefits nor hurts a firm's advertising effectiveness and sales force effectiveness, in line with the conceptual consideration that customers' higher buy-task involvement, and hence information requirements, can reduce the chances of advertising to establish itself as a communication form in these industry contexts. [...]

This research provides important insights for researchers and managers concerning competitive advertising effects in different B2B contexts.

### Key statements

Advertising is on the rise in the business-to-business (B2B) sector. More and more companies are investing in this communication tool to appeal to future customers and encourage them to make purchases. The rules for B2B are not the same as those that apply for the business-to-consumer (B2C) sector, however. In the B2C sector, for example, it is assumed that a company's advertising activities become less effective the more its competitors spend on advertising.

In this study, the authors examine whether this assumption also holds true in the B2B sector. To this end, they draw on data from 2'723 B2B companies based in the US.

They conclude that, unlike in the B2C sector, advertising by B2B companies becomes more effective when competitors spend more on advertising. The authors explain this result by pointing to the less widespread use of advertising in the B2B sector. Any additional advertising - be it the company's own or that generated by competitors - increases the visibility and acceptance of this form of market communication among customers, and thus has a positive impact on sales.

You should consider the following points to make advertising effective:

- **Set the right priorities:** The increased use of advertising can reduce the revenue contribution of other communication channels. Traditional marketing activities (e.g. cold-calling) will generate less revenue in comparison. Also keep this aspect in mind when planning your budget.
- **Advertise digitally:** Digital advertising is particularly efficient. Even companies with a smaller budget can advertise using pay-per-click ads, for example. Digital advertising also makes it possible to measure your success directly.
- **It all depends on the product:** The suitability of advertising also depends on the complexity of the product. It is difficult to communicate complex issues to customers clearly in the form of advertising. In such situations, place greater emphasis on personal sales and the provision of detailed content, and use advertising only as a supporting element.

Source:

Guenther, P. & Guenther, M. (2022). Can B2B firms benefit from competitors' advertising? A dynamic business environment perspective on an emerging communication form. *Industrial Marketing Management*, 102, 252-265.

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### **Contact**

Would you like to learn more? Do not hesitate to contact Anna Lindenau in case any questions remain unresolved.

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