



*Predicting the Future of Markets
Tracking Marketing Excellence
Improving the Value of Marketing*

Highlights and Insights

August 2010



About The CMO Survey



Mission

- The CMO Survey collects and disseminates the opinions of top marketers in order to predict the future of markets, track marketing excellence, and improve the value of marketing in firms and society.

Survey Operation

- Founded in August 2008, The CMO Survey is administered twice a year via an Internet survey. Questions repeat over time so trends can be discerned. Special topics are introduced for each survey
- This is the 5th administration.

Sponsoring Organizations



Founder and Lead Researcher

- Professor Christine Moorman,
T. Austin Finch, Sr. Professor of Business Administration



- **Survey Sample**

- 4141 Top Marketers at *Fortune* 1000, *Forbes* Top 200, CMO Club companies, and Top Marketers who are AMA Members or Duke University Alumni and Friends
- 574 responded for a 13.86% response rate
- 88% of respondents hold a rank of VP, CMO, or higher

- **Survey Administration**

- Email contact with three follow-up reminders
- Survey in field from July 27-August 18, 2010

- **Results Interpretation**

- M = sample mean; SD = sample standard deviation
- B2B = Business-to-Business firms; B2C = Business-to-Consumer firms

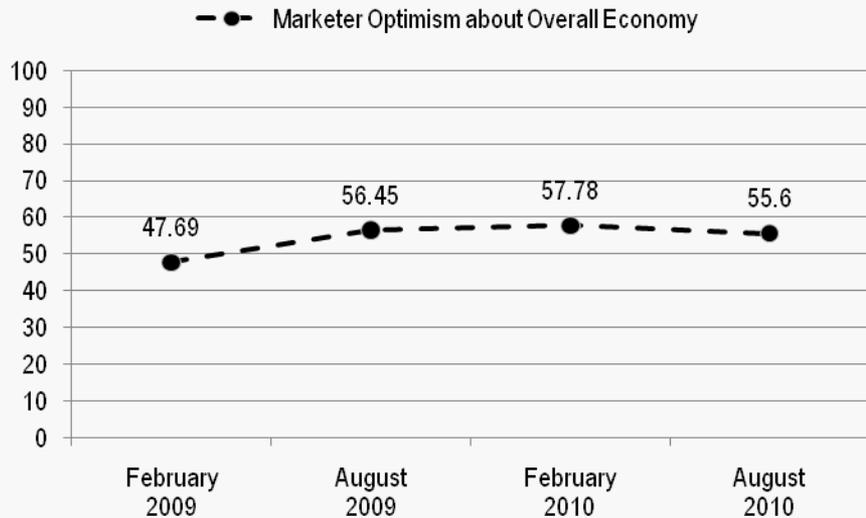
Overview of Results

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Topic 1: Marketplace Dynamics

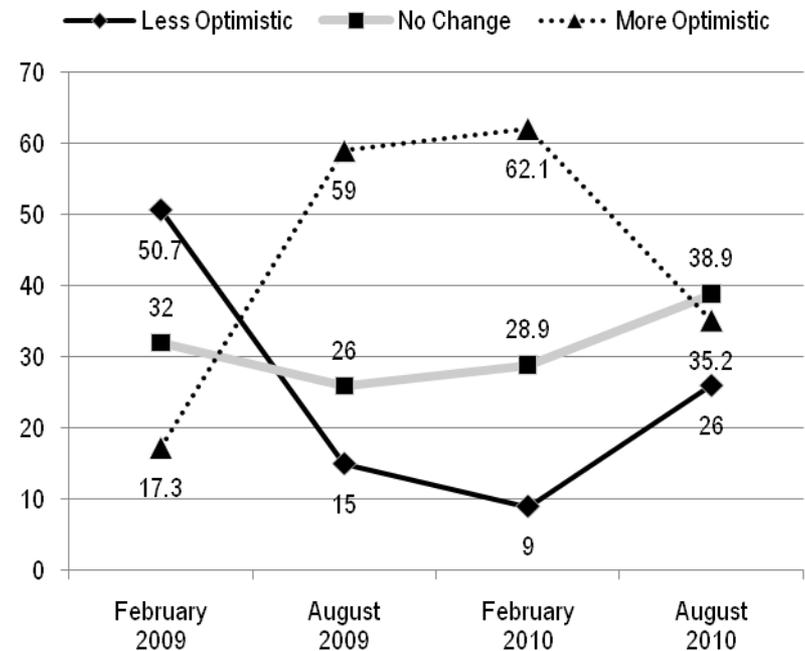
Marketers are less optimistic about the overall economy...

Figure 1.1. How optimistic are you about the overall U.S. economy on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



- Levels drop to lowest point in a year – from high of 57.7 (Feb-10) to 55.6 (Aug-10)

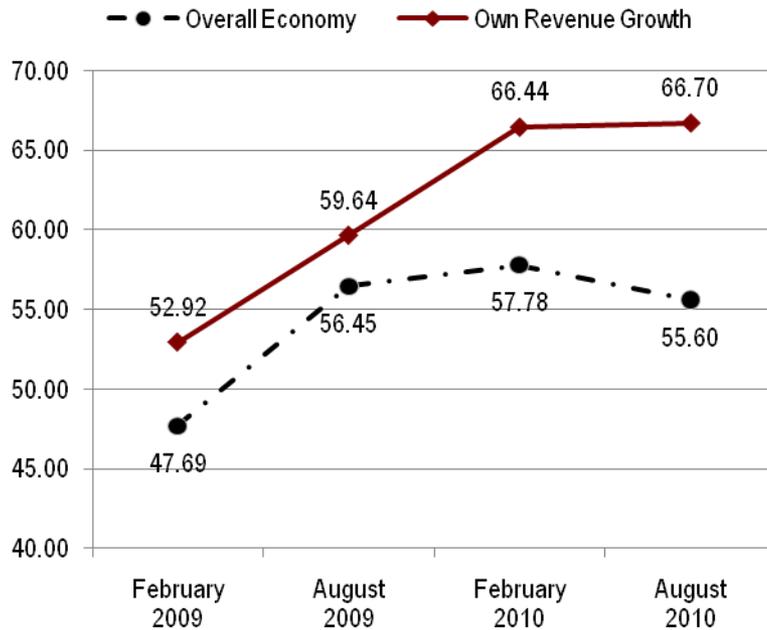
Figure 1.2. Are you more or less optimistic about the overall U.S. economy compared to last quarter?



- From 62.1% more optimistic (Feb-10) to 35.2% (Aug-10)
- From 9% less optimistic (Feb-10) to 26% (Aug-10)

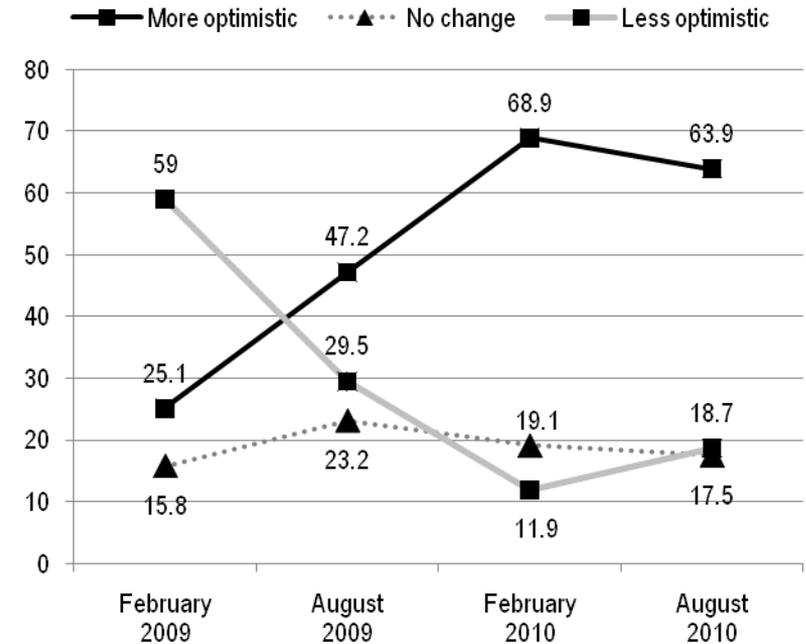
Marketers remain optimistic about their own firms

Figure 1.3. How optimistic are you on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



- Own company optimism levels persist – from high of 66.44 (Feb-10) to 66.70% (Aug-10)

Figure 1.4. Are you more or less optimistic about your own company's revenue prospects compared to last quarter?



- Although “more optimistic” drops from 68.9% to 63.9%, it is nearly double the overall economy level (35.2%, see Figure 1.2)

Customer retention up; all other revenue metrics expected to dip

Marketplace

Growth

Spending

Performance

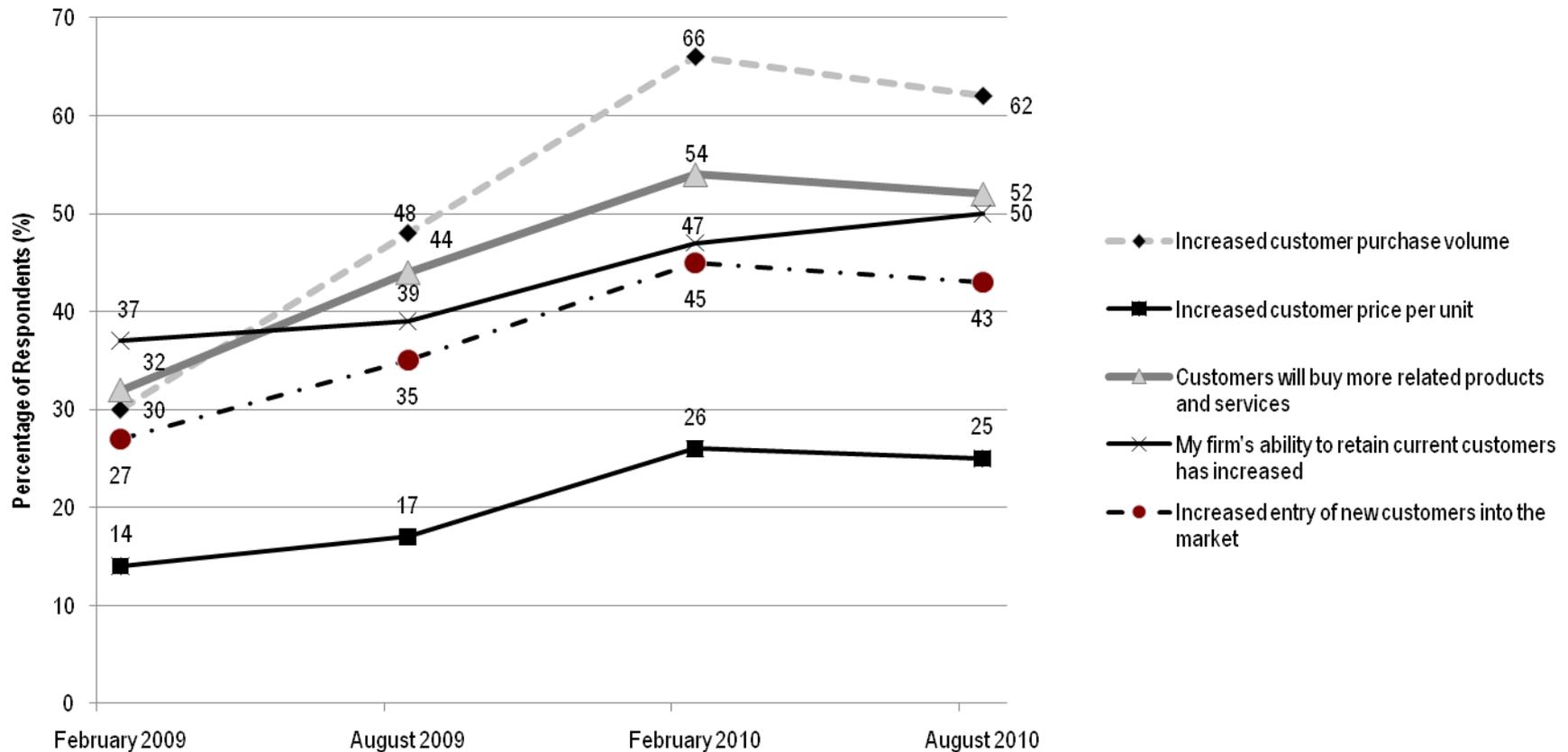
Social Media

Jobs

Organization

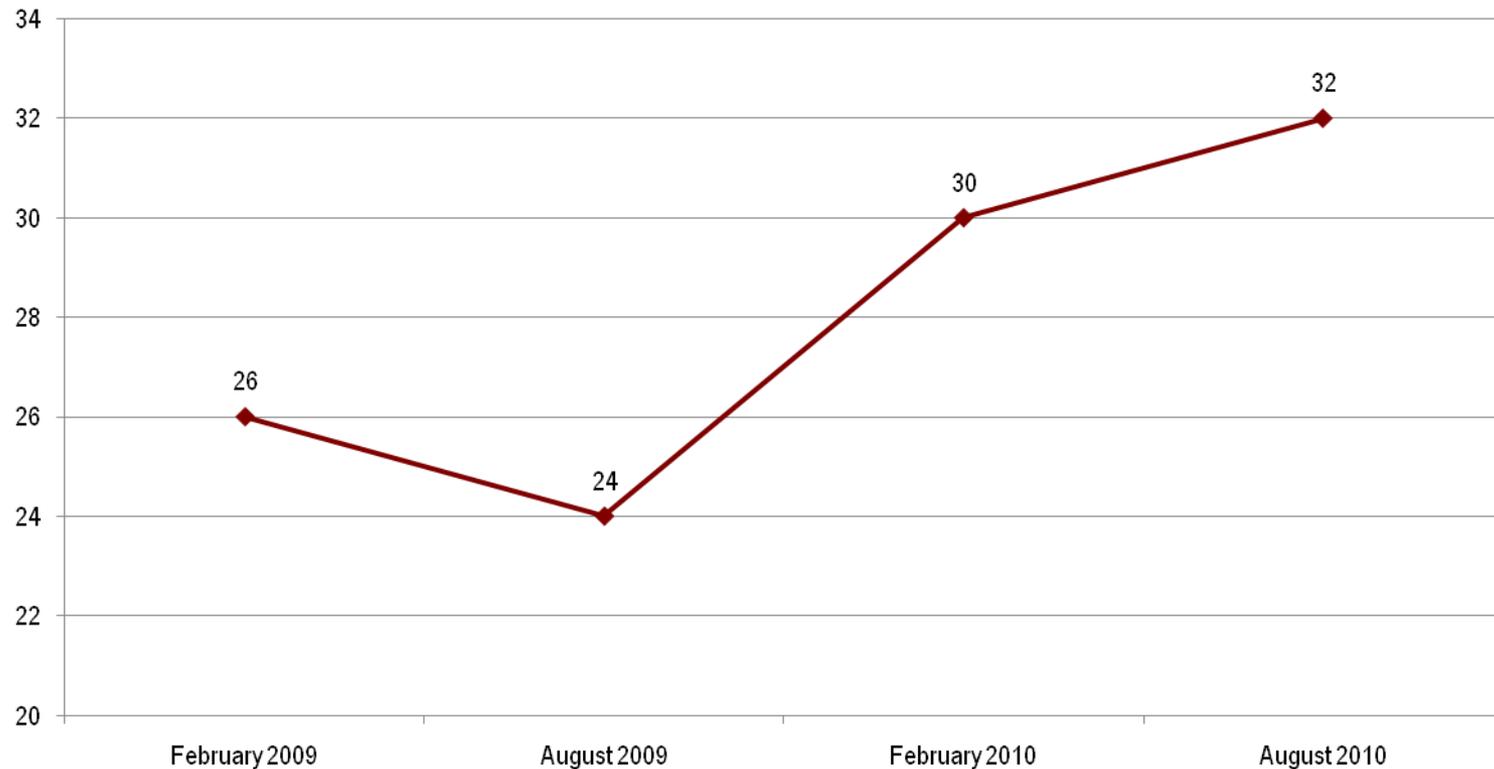
Metrics

Figure 1.5. Customer Revenue Metrics



More companies to bypass channel and go direct to customer (up 33% in year)

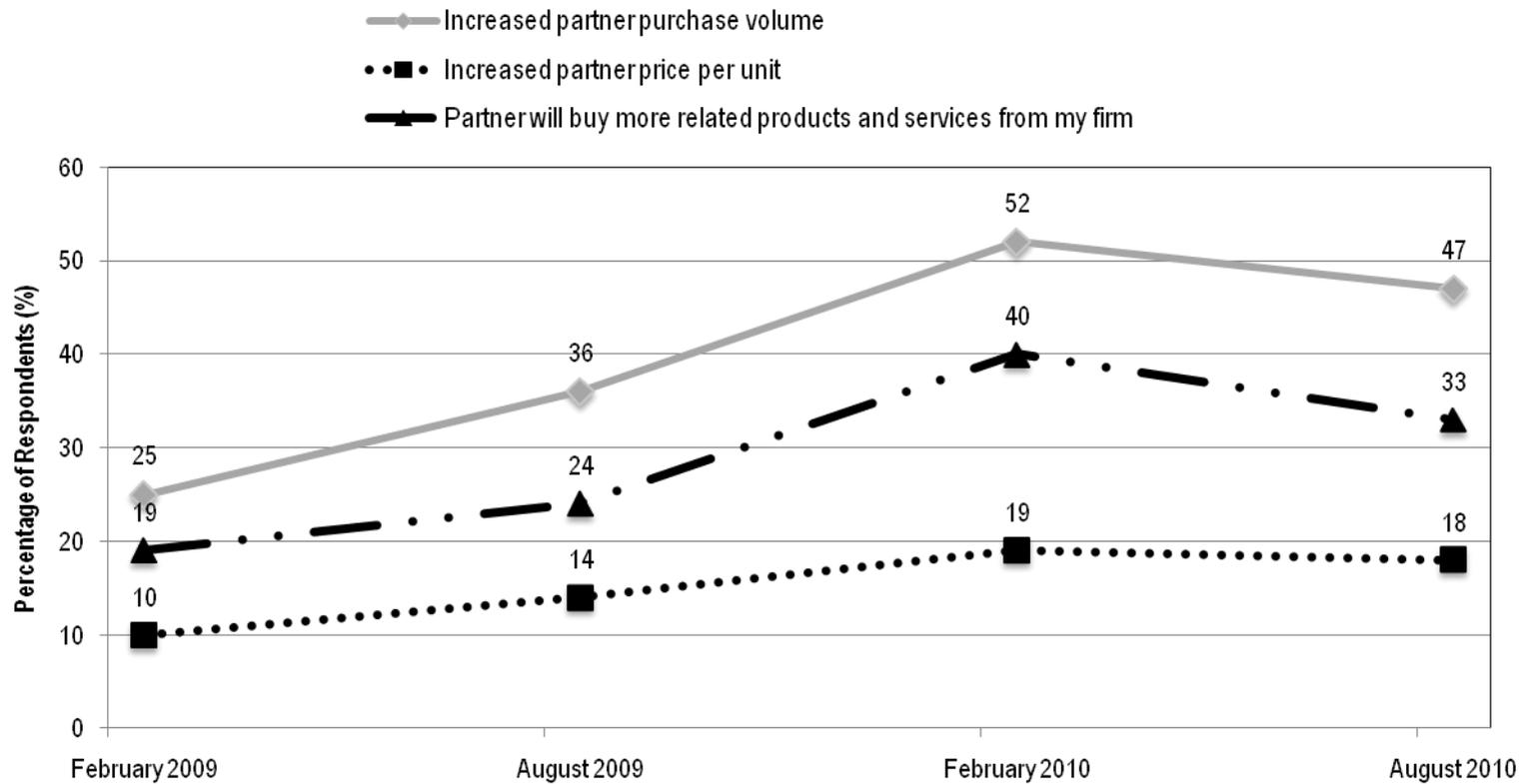
Figure 1.6. Percentage of Firms Bypassing Channel



Other channel indicators flat or dropping

Marketplace Growth Spending Performance Social Media Jobs Organization Metrics

Figure 1.7. Channel Revenue Metrics



Topic 2: Firm Growth Strategies

Companies to grow by emphasizing existing products and existing markets



Types of Growth Strategies

	Existing Products/ Services	New Products/ Services
Existing Markets	Market Penetration Strategy	Product/Service Development Strategy
New Markets	Market Development Strategy	Diversification Strategy

Table 2.1. Growth Spending in Next 12 Months*

Strategy	Feb-09	Aug-09	Feb-10	Aug-10
Market Penetration Strategy	48%	46%	44%	46%
Market Development Strategy	18%	18%	18%	19%
Product/Service Development Strategy	24%	26%	26%	23%
Diversification Strategy	10%	10%	13%	12%

* % of spending across growth strategies

- Sector differences: B2C-Service companies expected to emphasize market penetration the most (52%) while sacrificing product/service development (17%) and diversification (9%). B2B-Product companies to emphasize market penetration the least (43.5%) while emphasizing product/service development (25%) and diversification (13%).

Organic growth remains dominant growth strategy; sectors vary

Table 2.2. How Firms Will Grow in the Next 12 Months*

Strategy	Feb-09	Aug-09	Feb-10	Aug-10
Growth from firm internally (organic growth)	70.9%	70.3%	69.5%	69.5%
Growth from acquisitions	8.8%	9.7%	10.4%	10.8%
Growth from partnerships	13.3%	13.4%	14.7%	13.9%
Growth from licensing	7.0%	6.6%	5.4%	5.8%

* Percentage of spending across growth strategies

Table 2.3. Sector Use of Organic Growth and Partnerships - August, 2010*

	Organic Growth	Growth via Partnerships
B2C Product	70.9%	12.1%
B2C-Service	67.4%	15.9%
B2B-Product	68.7%	13.6%
B2B-Service	70.6%	14.1%

Topic 3: Marketing Spending

Growth in marketing budgets expected to double over next year; B2B spending up more

Figure 3.1. % Change in Marketing Budgets in Next 12 Months

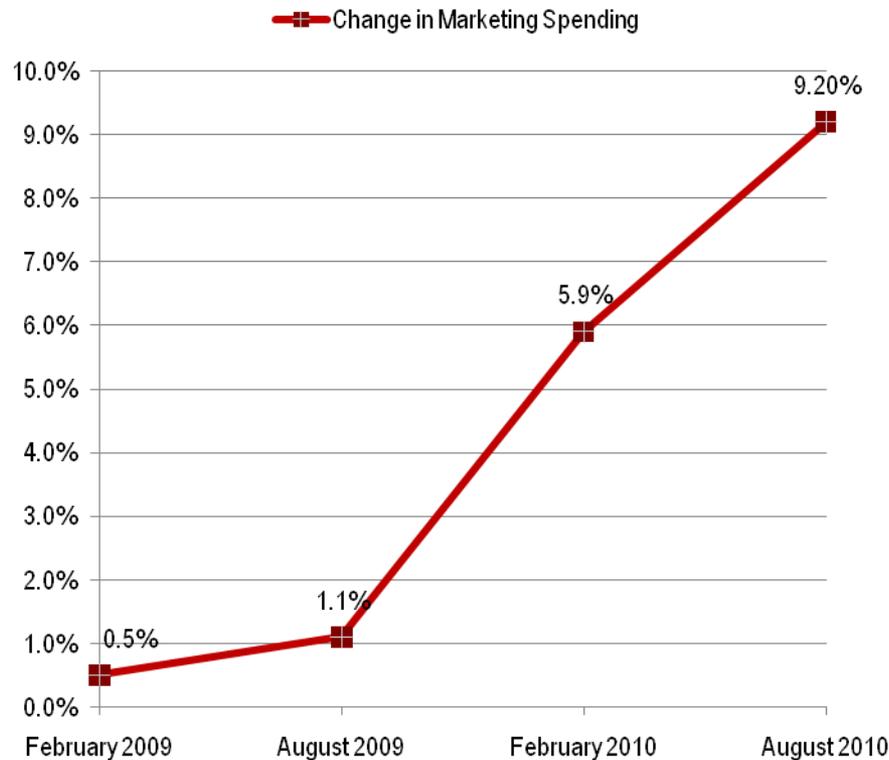


Table 3.1. % Change by Sector

	Feb-09	Aug-09	Feb-10	Aug-10
B2B - Product	0.7%	-0.7%	8.0%	11.3%
B2B - Services	3.0%	3.7%	7.0%	14.1%
B2C - Product	-6.6%	4.5%	2.1%	3.6%
B2C - Services	0.7%	-3.4%	1.6%	1.3%

Spending lifts for new services and brand; traditional ad spending flattens

Table 3.2. % Change in Marketing Spending in Next 12 Months

	Traditional advertising spending	Internet marketing spending	New product Introductions	New service introductions	Customer relationship management	Brand building
Feb-10	-2.5%	12.2%	9.1%	3.9%	9.9%	6.9%
Aug-10	-0.60%	13.60%	9.10%	7.20%	8.30%	8.30%

Consulting services pick up steam; sector differences significant

Marketplace

Growth

Spending

Performance

Social Media

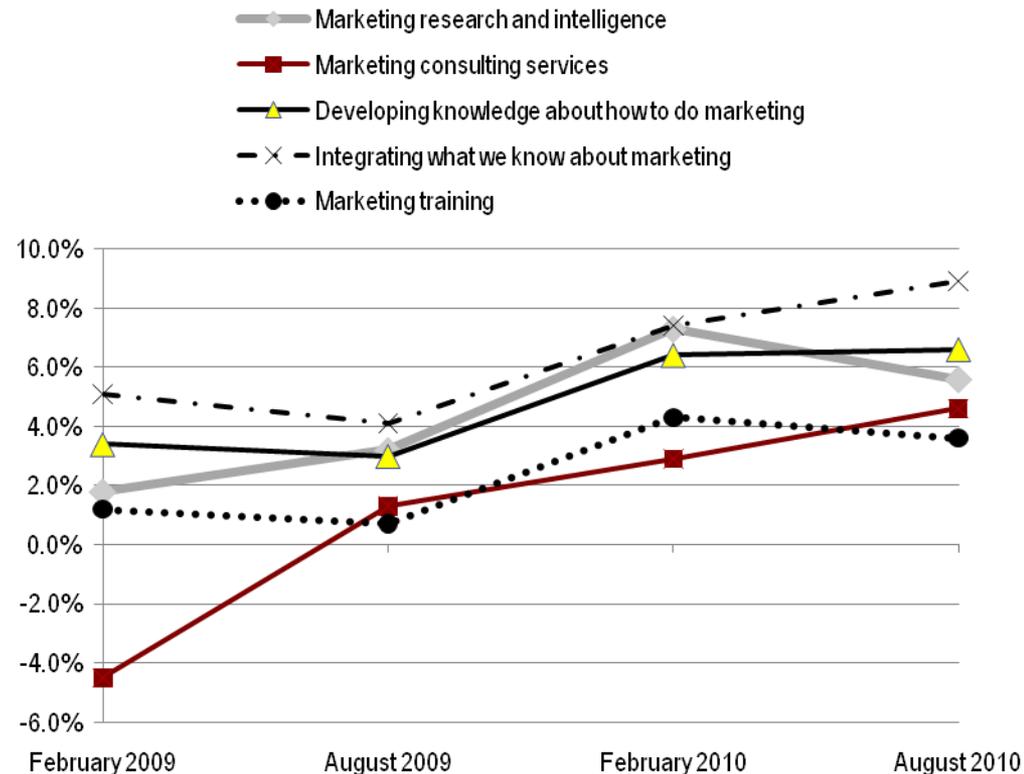
Jobs

Organization

Metrics

- Marketing consulting services had seen negative growth (Feb-09) or very small (Aug-09). A 2.9% increase in Feb-10 is followed by a 4.9% increase in Aug-10.
 - B2B-Services (+10.8%)
 - B2B-Product (+4.5%)
 - B2C-Services (-1.6%)
 - B2C-Product (-1.0%)
- Emphasis remains on developing knowledge about how to do marketing (+6.6%) and integrating what we know about marketing (+8.9%)
 - Emphasis on integrating marketing knowledge likely due to proliferating communication and purchase channels

Figure 3.2. Firm Spending on Marketing Knowledge in Next Year



Topic 4: Financial and Marketing Performance

Company sales and profits rebound; goals show increasing optimism

These results are evidence that marketer optimism about their own companies is well-founded (see Figures 1.3 and 1.4).

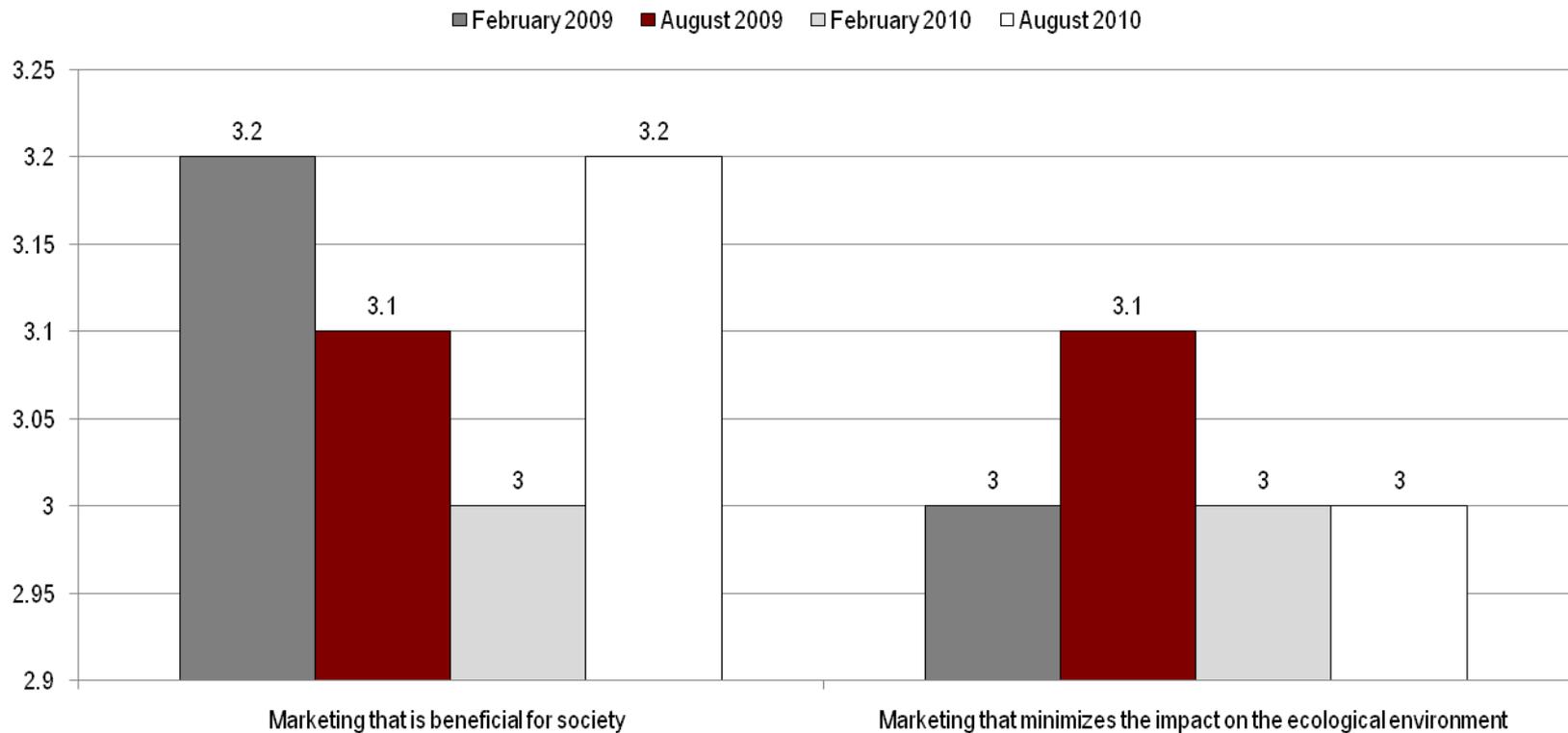
Table 4.1. Firm Performance on Metrics for Prior 12 months

	Actual firm performance Feb-2009	Actual firm performance Aug-2009	Actual firm performance Feb-2010	Actual firm performance Aug-2010	Goal in the next 12 months
Firm sales*		-0.6%	-0.1%	2.2%	5.0%
Market share	3.0%	2.2%	1.6%	2.0%	6.4%
Marketing return on investment	2.6%	1.9%	1.9%	2.2%	5.1%
Firm profits	1.6%	0.5%	0.6%	1.8%	5.5%
Customer acquisition	3.3%	2.6%	2.1%	2.6%	5.4%
Customer retention	2.3%	1.4%	1.7%	1.6%	4.2%
Brand value	3.7%	3.2%	2.6%	2.9%	5.1%

* Question not asked in February 2009

Marketers' focus on "going green" remains moderate and unchanged

Figure 4.1. Firm Performance on Social Metrics



* 5-point scale where 1 is poor and 5 is excellent

Topic 5: Marketing and Social Media

Google groups

LinkedIn

YouTube



twitter

facebook

amazon.com



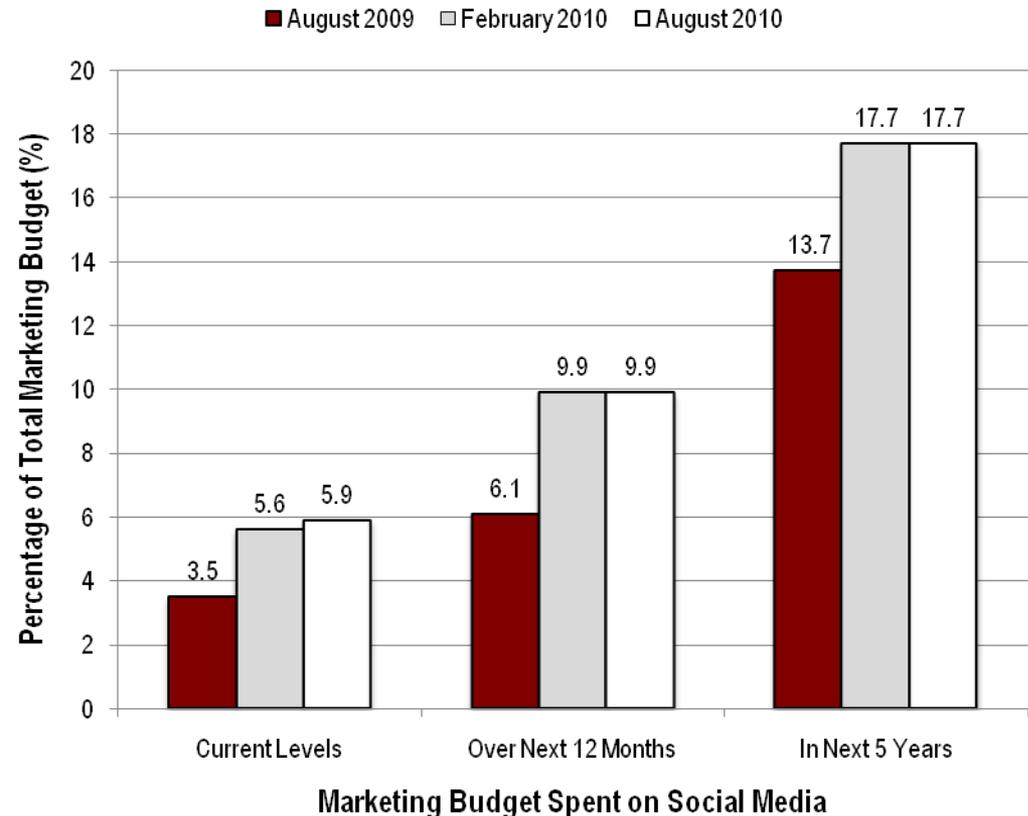
flickr

digg

Social media spending remains high

- Fast-growing spending exceeds August 2009 levels.
- Within 1 year, social media is expected to be ~10% of all marketing budgets and ~18% in 5 years.

Figure 5.1. Social Media Spending Over Time



B2C-product companies outspend other sectors on social media; service companies post decreases in social media spend

- High spending by B2C-product companies expected over 1-year and 5-year horizons
- August 2010 showed drops in service companies' social media spend. Decreases in social media spending for both B2B-service and B2C-service companies this year, over 1 year, and across 5 years

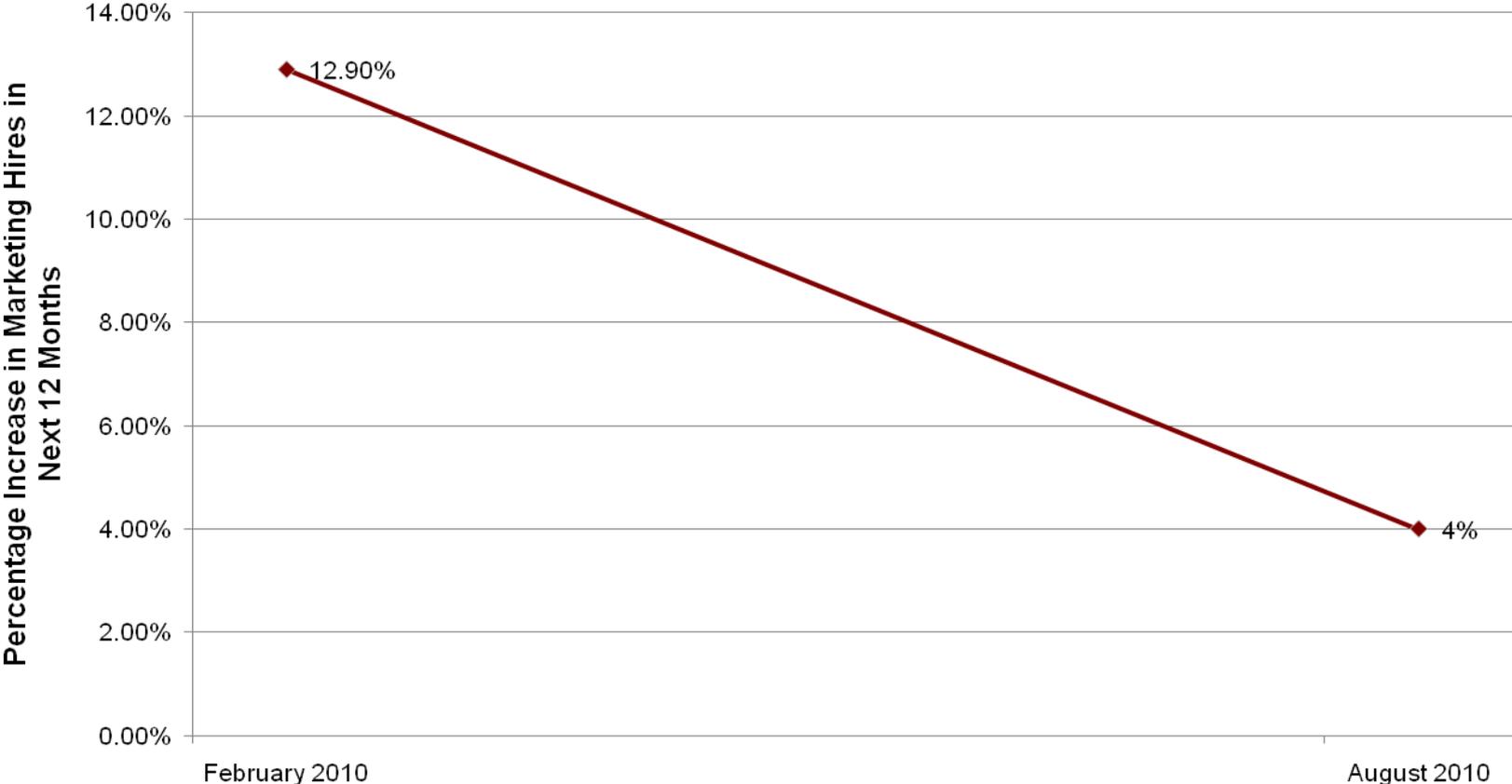
Table 5.1. Sector Differences in % Change in Social Media Spending

		Aug-2009	Feb-2010	Aug-2010
Current Social Media Spending	B2B - Product	2.5%	3.4%	5.4%
	B2B - Services	3.9%	6.5%	5.8%
	B2C - Product	5.3%	6.7%	7.4%
	B2C - Services	2.9%	6.9%	5.7%
	Overall	3.5%	5.6%	5.9%
Social Media Spending in the next 12 months	B2B - Product	4.5%	7.4%	8.9%
	B2B - Services	6.5%	11.0%	10.1%
	B2C - Product	7.5%	11.6%	12.4%
	B2C - Services	8.8%	10.7%	9.8%
	Overall	6.1%	9.9%	9.9%
Social Media Spending in the next 5 years	B2B - Product	12.6%	15.3%	15.4%
	B2B - Services	13.5%	18.9%	17.9%
	B2C - Product	15.0%	18.9%	22.6%
	B2C - Services	15.4%	18.5%	18%
	Overall	13.7%	17.7%	17.7%

Topic 6: Marketing Jobs

Marketing employment prospects drop

Figure 6.1. Percentage Change in Marketing Hires Planned Over Next 12 months



Opportunity for marketing jobs varies by industry

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Metrics

Table 6.1. Percentage Increase in Marketing Hires by Industry

	February 2010	August 2010
Consumer Packaged Goods	4%	3.4%
Communications/Media	19.1%	7.8%
Mining/Construction	6.7%	0%
Transportation	10%	1.3%
Energy	1.6%	1.8%
Manufacturing	12%	3.8%
Retail/Wholesale	14.5%	1.0%
Tech/Software/Biotech	24.9%	3.4%
Banking/Finance/Insurance	9.4%	0.7%
Consumer Services	17.5%	-0.1%
Service Consulting	14.8%	3.8%
Healthcare Pharmaceutical	5.1%	7.5%

Opportunity for marketing jobs varies by company sector, sales, and internet sales

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Metrics

Table 6.2. Percentage Increase in Marketing Hires by Economic Sector

	B2B Product	B2B Services	B2C Product	B2C Services
August, 2010	4.8%	3.8%	4.2%	1.5%
February, 2010	12.5%	14.2%	8.2%	16%

Table 6.3. Percentage Increase in Marketing Hires by Company Sales Revenue

	<\$25 Million	\$26-99 Million	\$100-499 Million	\$500-999 Million	\$1-9.9 Billion	>\$10 Billion
August, 2010	5.4%	2.4%	2.2%	0.8%	2.9%	4.3%
February, 2010	26.2%	6.9%	5.0%	2.7%	8.5%	2.0%

Table 6.4. Percentage Increase in Marketing Hires by Company Internet Sales

	0% Internet Sales	1-10% Internet Sales	>10% Internet Sales
August, 2010	3.0%	2.9%	8.2%
February, 2010	11.4%	13.1%	19.6%

Topic 7: Marketing Organization and Leadership

Marketing and sales share customers in most companies

Marketplace

Growth

Spending

Performance

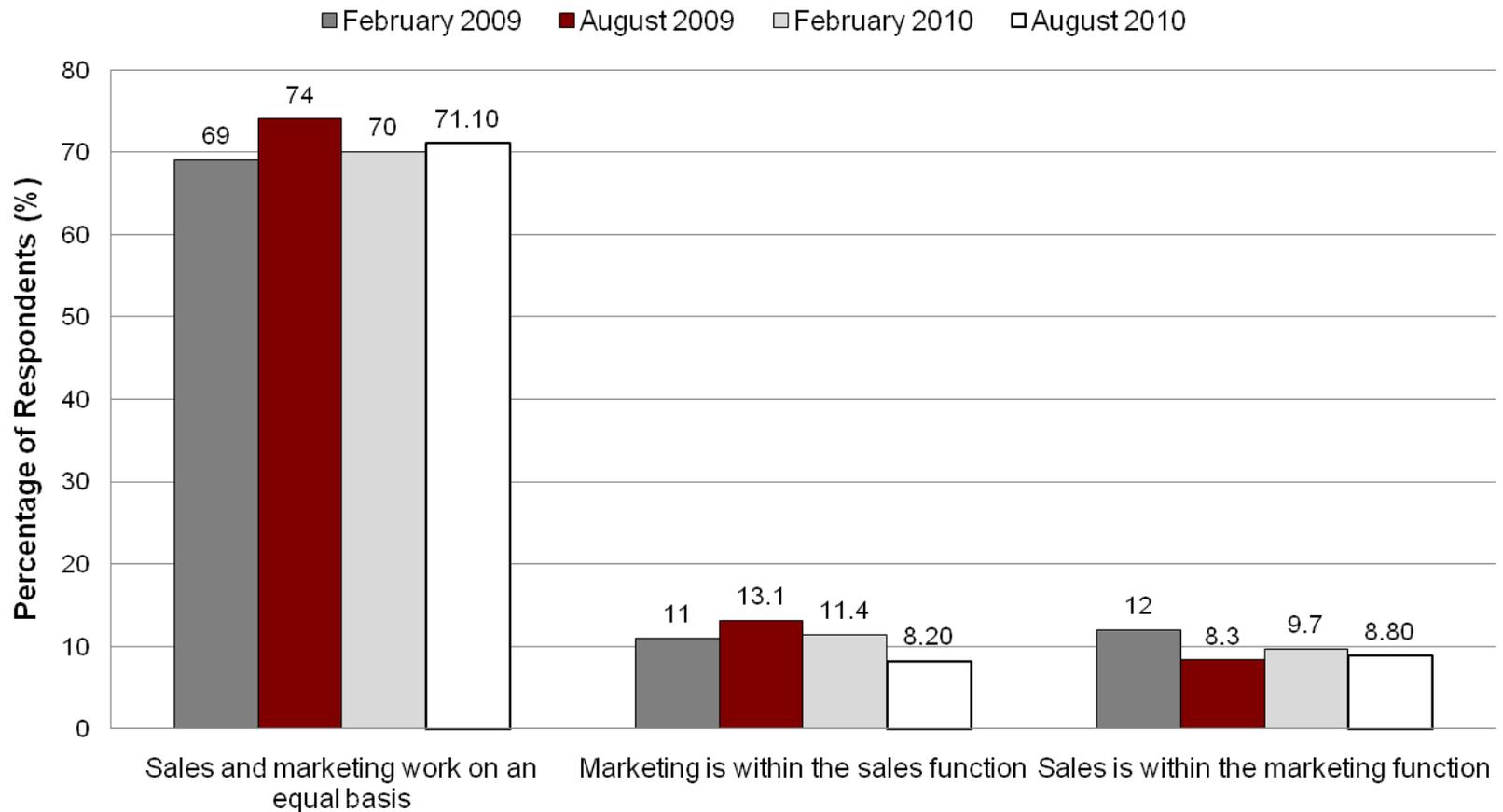
Social Media

Jobs

Organization

Metrics

Figure 7.1 The Marketing-Sales Relationship



Marketing leaders retained through economic crisis

Marketplace

Growth

Spending

Performance

Social Media

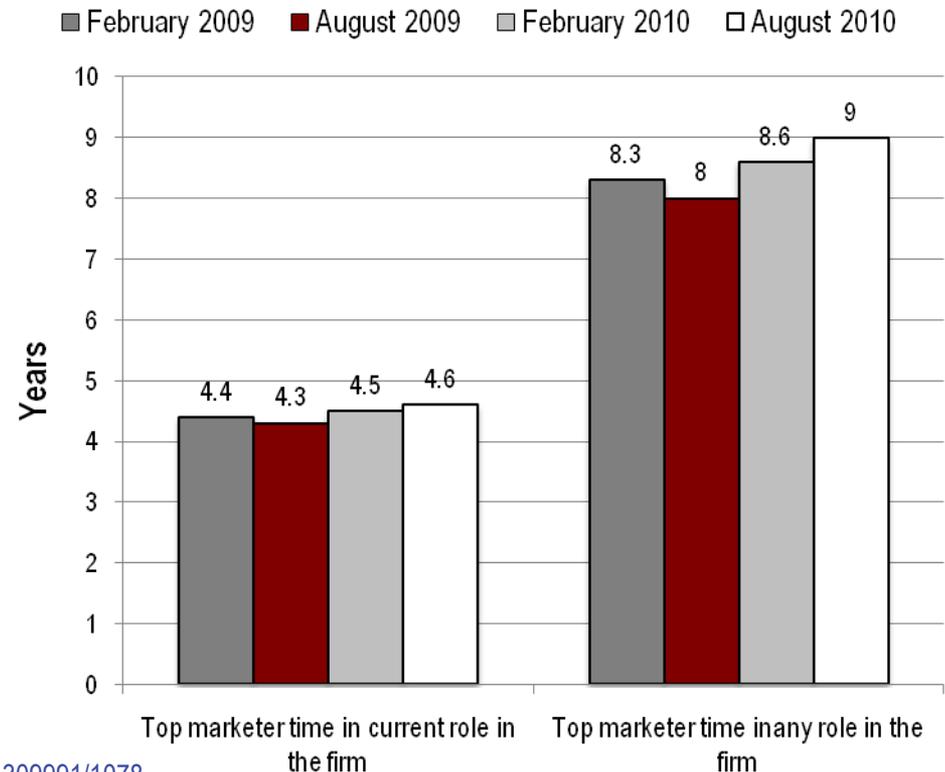
Jobs

Organization

Metrics

- Top marketers continue to beat off-cited 23¹ and 28¹ month survival averages.
- Given length of time in firms (~9 years), marketing leaders appear to be appointed from within.

Figure 7.2. Marketing Leader Retention



1. http://content.spencerstuart.com/sswebsite/pdf/lib/CMO_brochureU1.pdf

2. <http://www.btonline.com/apps/pbcs.dll/article?AID=/20090130/FREE/901309991/1078>

Marketer influence in firms expands during recovery

Marketplace

Growth

Spending

Performance

Social Media

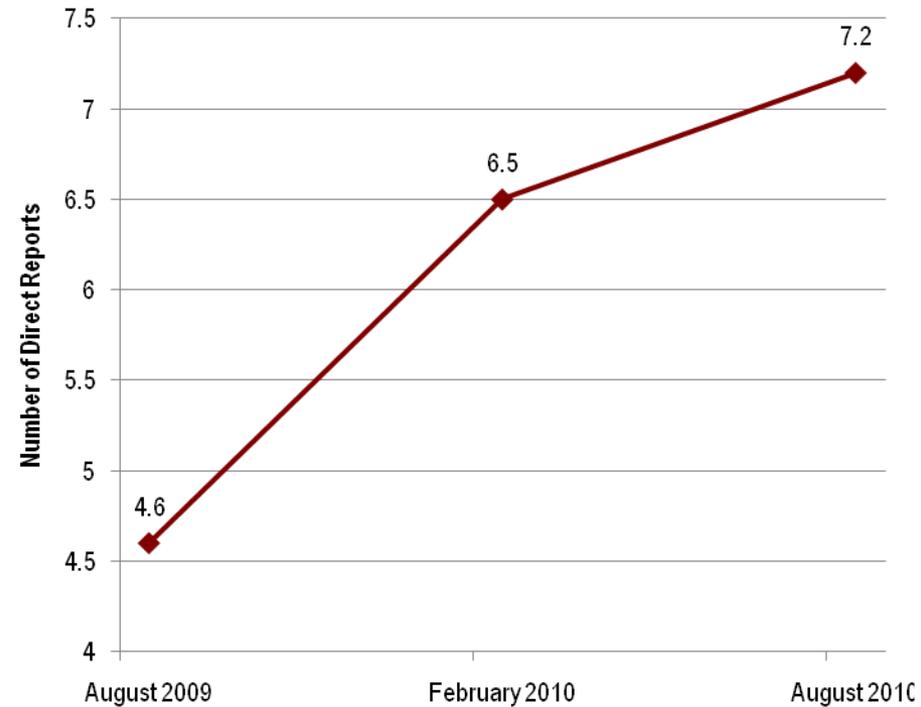
Jobs

Organization

Metrics

- Number of direct reports has steadily increased over the year

Figure 7.3. Number of Direct Reports to Top Marketer

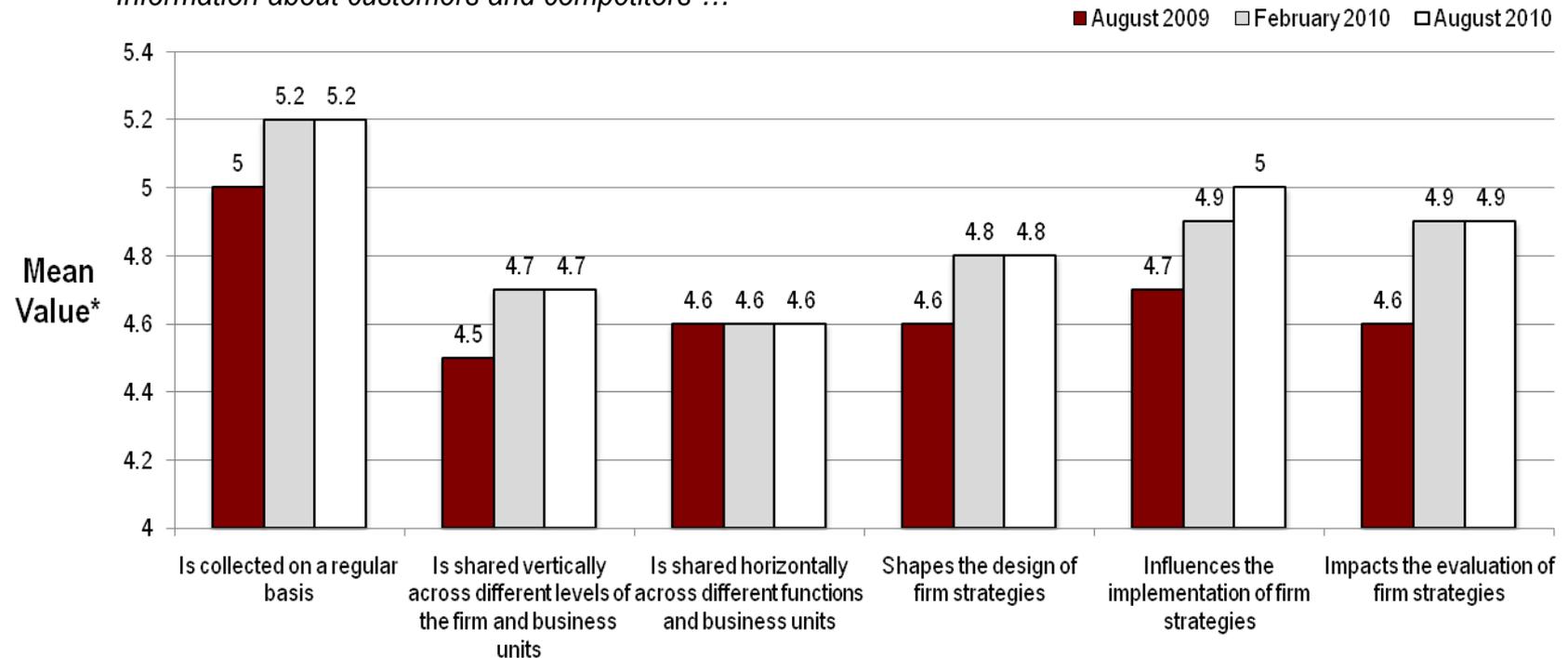


Investments in building strategy from the outside in retained through downturn

- Firms invest more in learning about markets and use this information to drive strategy

Figure 7.4. Firm Outside-In Learning Investments:

*Information about customers and competitors ... **



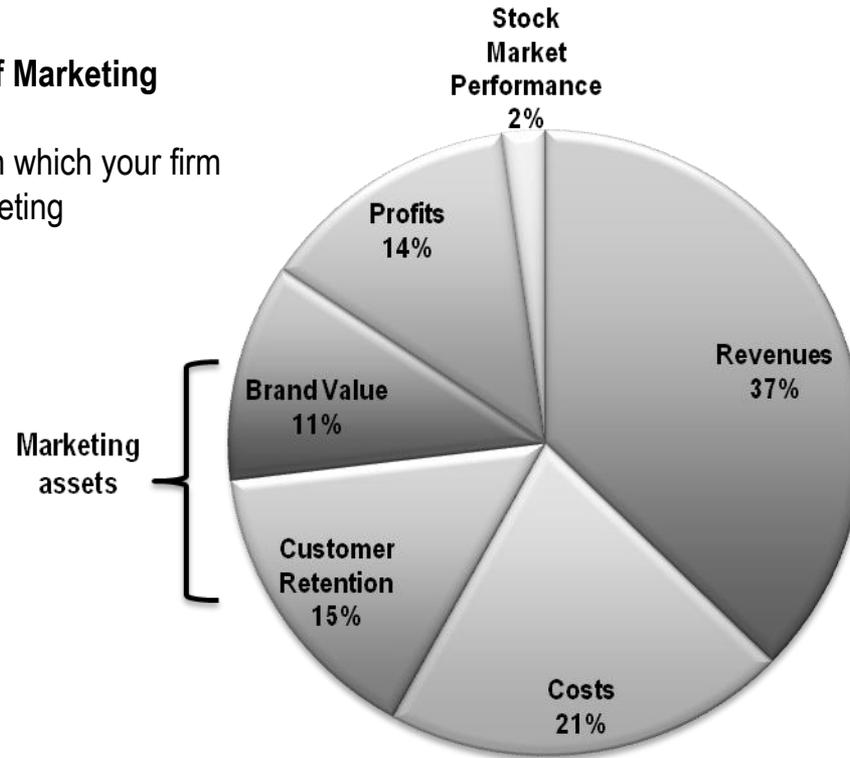
*7-point scale where 1 is not at all and 7 is very frequently

Topic 8: Marketing Metrics

Use of revenue metrics dominates; weak use of profits, marketing assets, and stock market metrics

Figure 8.1. How Firms Evaluate the Impact of Marketing

Distribute 100 points to reflect the frequency with which your firm uses these metrics to assess the impact of marketing



Companies juggle channels; revenue and cost information not captured well

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Metrics

Company Use of Communication and Purchase Channels

- Companies use an average of 6.3 (SD = 4.3) communications channels to reach customers
- Companies use an average of 3.2 (SD = 6.1) purchase channels to interact with customers
- These numbers are highest for B2C-Service companies which report 7.4 communications channels and 4.6 purchase channels

Company Measurement of Cost and Revenue Information Across Channels

When asked to rate how well their companies capture cost and revenue information across these channels on a 7-point scale where 1 is “not at all” and 7 is “very well,” managers reported average levels:

- Cost Information: Mean = 3.6 (SD = 1.8)
- Revenue Information: Mean = 4.4 (SD = 1.8)

Social media metrics used by firms; revenue and profit metrics lag

Table 8.1. Social Media Metrics Used By Firms Overall and By Sector

Social Media Metric	Percentage of Firms Using Metric	B2B – Product Firms	B2B – Service Firms	B2C – Product Firms	B2C – Service Firms
Hits/visits/page views	47.60%	63.40%	58.30%	76.20%	55.10%
Repeat visits	34.70%	43.80%	42.40%	61.90%	40.60%
Conversion rates (from visitor to purchase)	25.40%	30.70%	33.80%	39.70%	30.40%
Number of followers or friends	24.00%	20.90%	27.20%	50.80%	46.40%
Sales levels	17.90%	25.50%	19.90%	30.20%	18.80%
Revenue per customer	17.20%	21.60%	21.20%	34.90%	14.50%
Buzz indicators (web mentions)	15.70%	16.30%	17.20%	25.40%	33.30%
Customer acquisition costs	11.80%	13.10%	14.60%	19.00%	18.80%
Profits per customer	9.40%	11.10%	11.30%	17.50%	13.00%
Online product/service ratings	8.20%	9.80%	7.30%	20.60%	11.60%
Customer retention costs	7.70%	10.50%	7.30%	11.10%	13.00%
Net promoter score	7.50%	11.10%	3.30%	17.50%	13.00%
Other text analysis ratings	6.60%	9.80%	6.60%	11.10%	8.70%
Abandoned shopping carts	3.80%	4.60%	2.60%	9.50%	5.80%

Market insight metrics underutilized in firms

Marketplace

Growth

Spending

Performance

Social Media

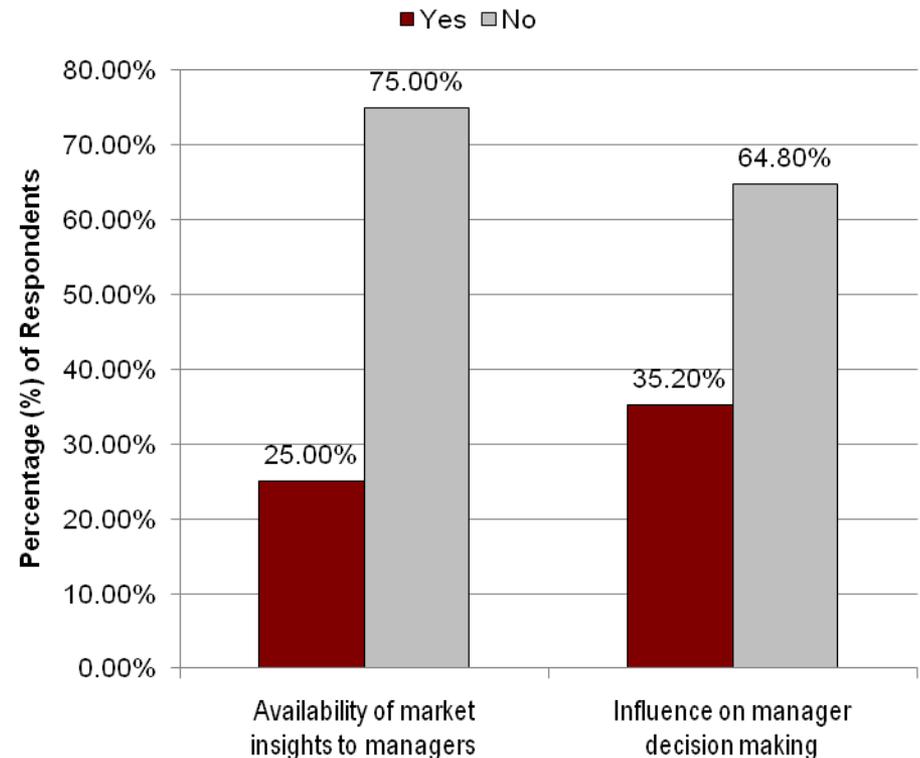
Jobs

Organization

Metrics

- Only 25% of firms evaluate the quality and quantity of market insights.
- Only 35% evaluate how market insights influence manager decision making.
- Given the role of market insights in driving growth and innovation, these numbers signal an opportunity to improve firm operations.

Figure 8.2. Use of Metrics to Evaluate Market Insights



How many marketing metrics are used by C-suite members to guide decision making?

Marketplace

Growth

Spending

Performance

Social Media

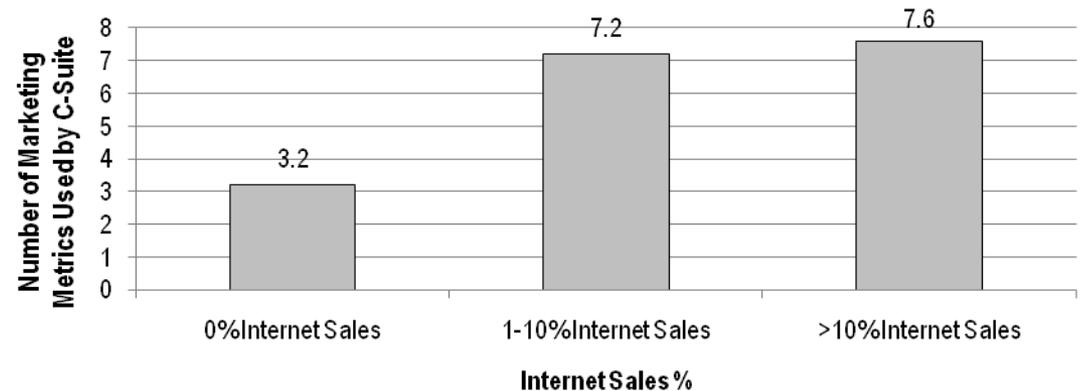
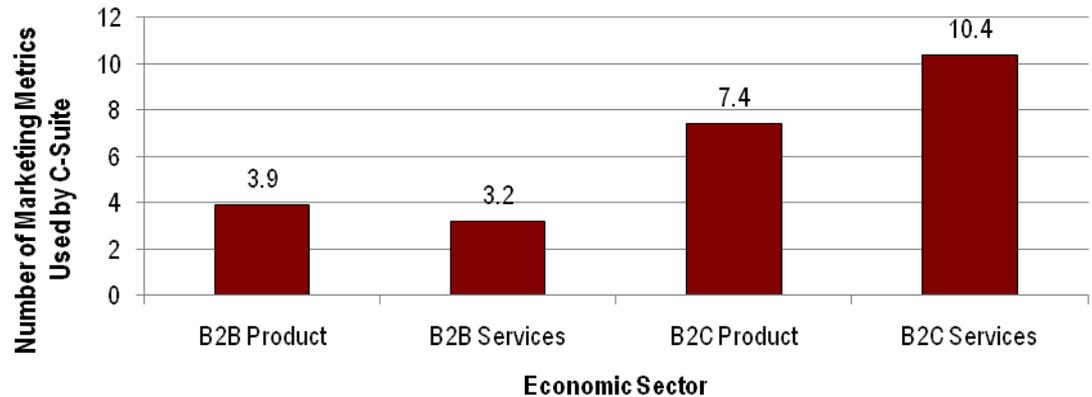
Jobs

Organization

Metrics

- Average 5.1 (SD = 13.1)
- Greater use by B2C firms and firms with more internet sales

Figures 8.3. Number of Marketing Metrics Used by C-Suite



What's on Marketers' Minds?

When asked what question they would like to ask other CMOs ...top marketers said:

How does marketing work with sales?

How do you align your customer efforts to improve effectiveness and efficiency?

How is marketing organized in your firm? Should it be a staff or line function?

How do you ensure that marketing has the appropriate level of influence on company strategy?

How do you evaluate the impact of social media?

How will customer purchase decisions be different in 5 years?

How is marketing going to be impacted by the need to be green?

Is your marketing organization's mission understood by the senior management team?

How are metrics leveraged to drive strategy in your firm?

How are you managing in this downturn?

What is the value proposition for social media in the B2B product arena?

On a scale from 1-10, how would your company's executive committee score the benefits of marketing to firm profits? Revenues?

What is the best way to become a CEO?

Future surveys will address these and other questions in depth

Preview and Review



Future surveys

- The CMO Survey will be administered again in February 2011

To get involved

- If you are not a current participant, sign up at <http://www.cmosurvey.org/participate/>

Media

- Media follow ups related to this data will be posted to <http://www.cmosurvey.org/media/>

Feedback

- Send your thoughts to me at moorman@duke.edu

Candid conversations with top marketing leaders about best practice and tools for success

CMO INSIGHTS



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