



Predicting the future of marketing
Tracking marketing excellence
Improving the value of marketing

CMO Survey Report:

Highlights and Insights

Aug. 2014

CMOSurvey.org

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McKinsey & Company



About The CMO Survey



Mission

- To collect and disseminate 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.
- The survey is an objective source of information about marketing. It is a non-commercial operation dedicated to the field of marketing, not the sale of products and services.

Survey Operation

- Founded in August 2008, The CMO Survey is administered twice a year via an Internet survey. Many questions repeat to observe trends over time.
- The August 2014 survey was the twelfth administration of The CMO Survey.

Sponsoring Organizations

McKinsey & Company



Survey methodology



Survey Sample

- 4262 top U.S. marketers at Fortune 1000, Forbes Top 200, and top marketers who are AMA Members or Duke University Alumni and Friends
- 351 responded for a 8.3% response rate

Survey Administration

- Email contact with four follow-up reminders
- Survey in field from July 22- August 12, 2014
- 89% of respondents VP-level or above

Results Interpretation

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



Survey topics



Topic 1: Marketplace Dynamics.....	5-10
Topic 2: Firm Growth Strategies.....	11-14
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Topic 1:

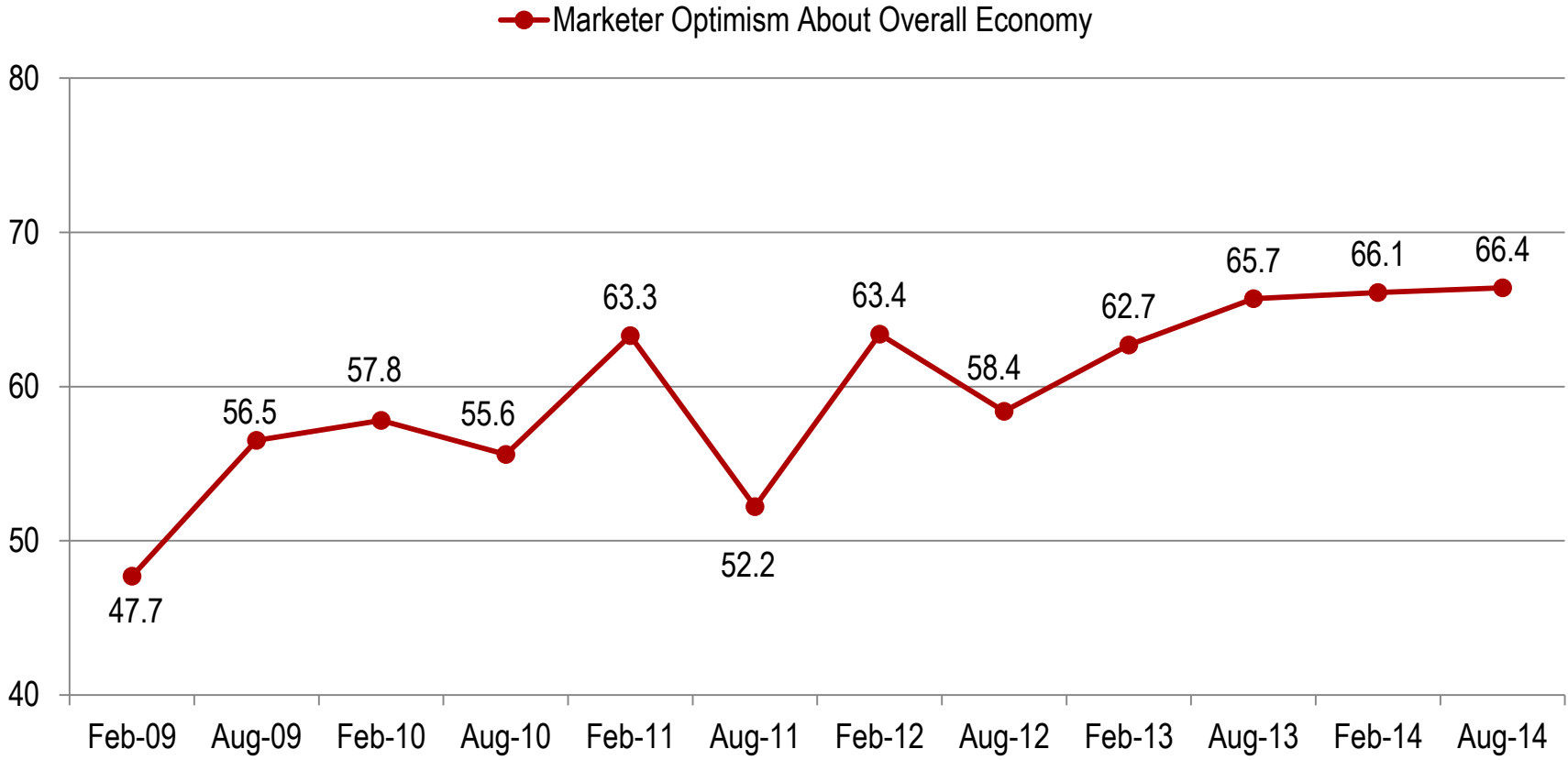
Marketplace Dynamics



Marketer optimism for U.S. economy reaches highest point in 5 years



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?

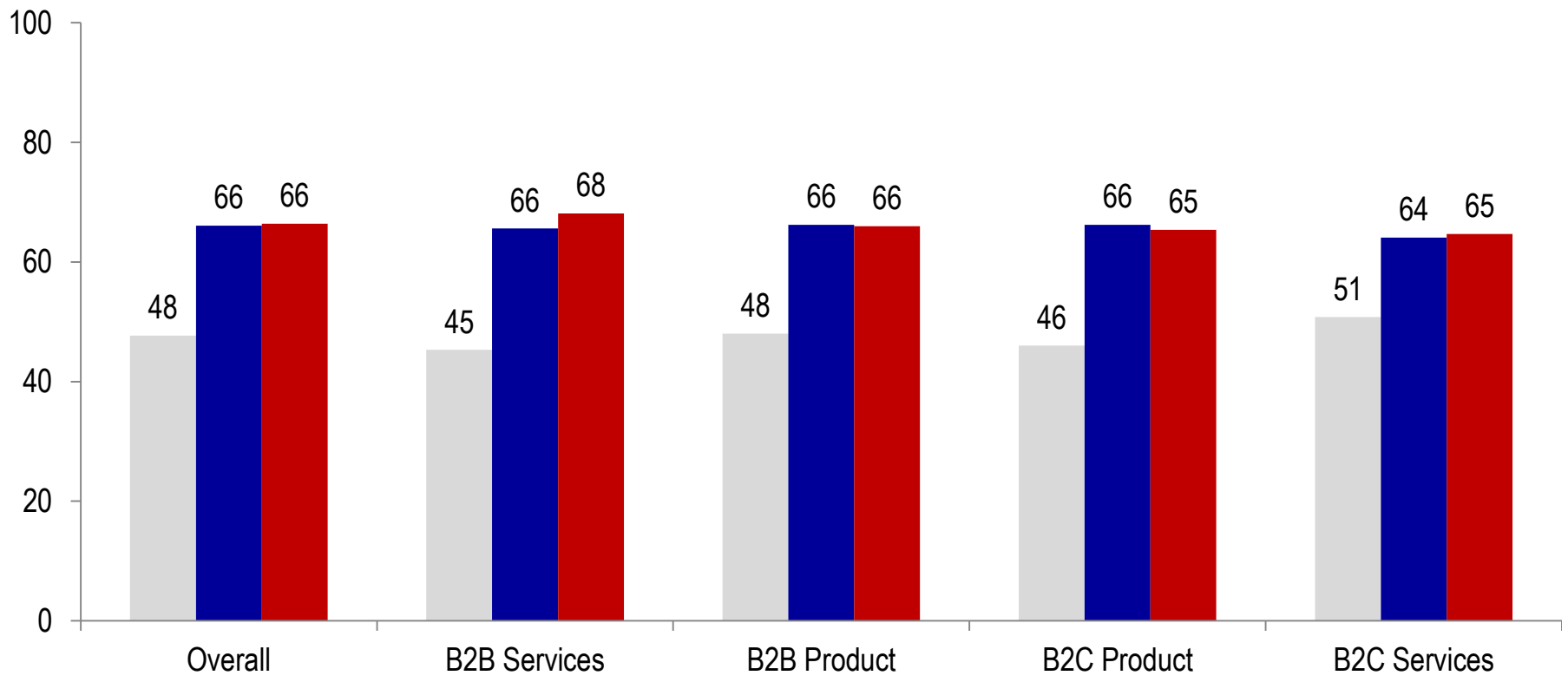


Optimism for US economy remains high across all sectors; B2B service leads



Figure 1.2. 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?

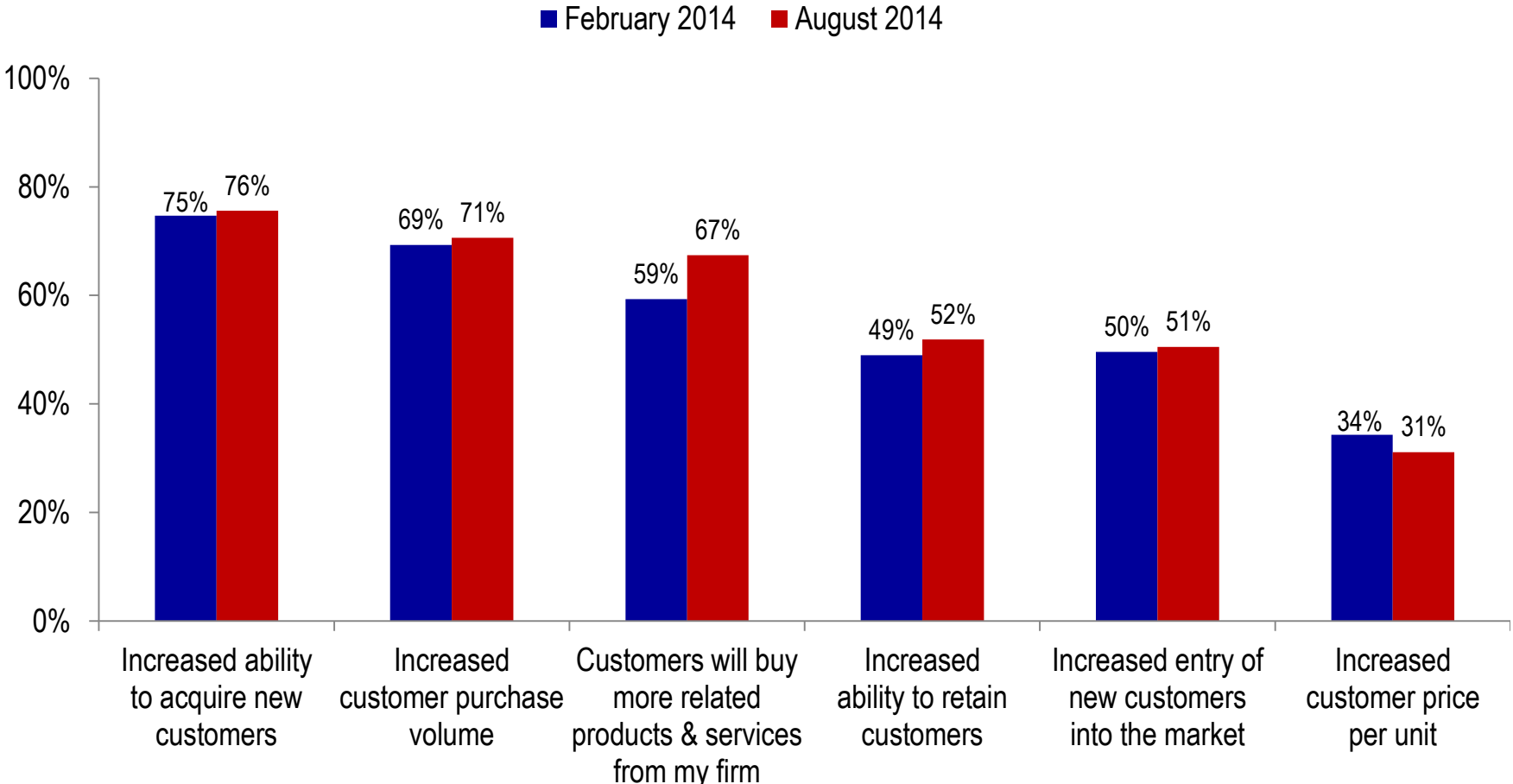
February 2009 February 2014 August 2014



Positive customer acquisition, retention, and growth metrics forecasted; price lags



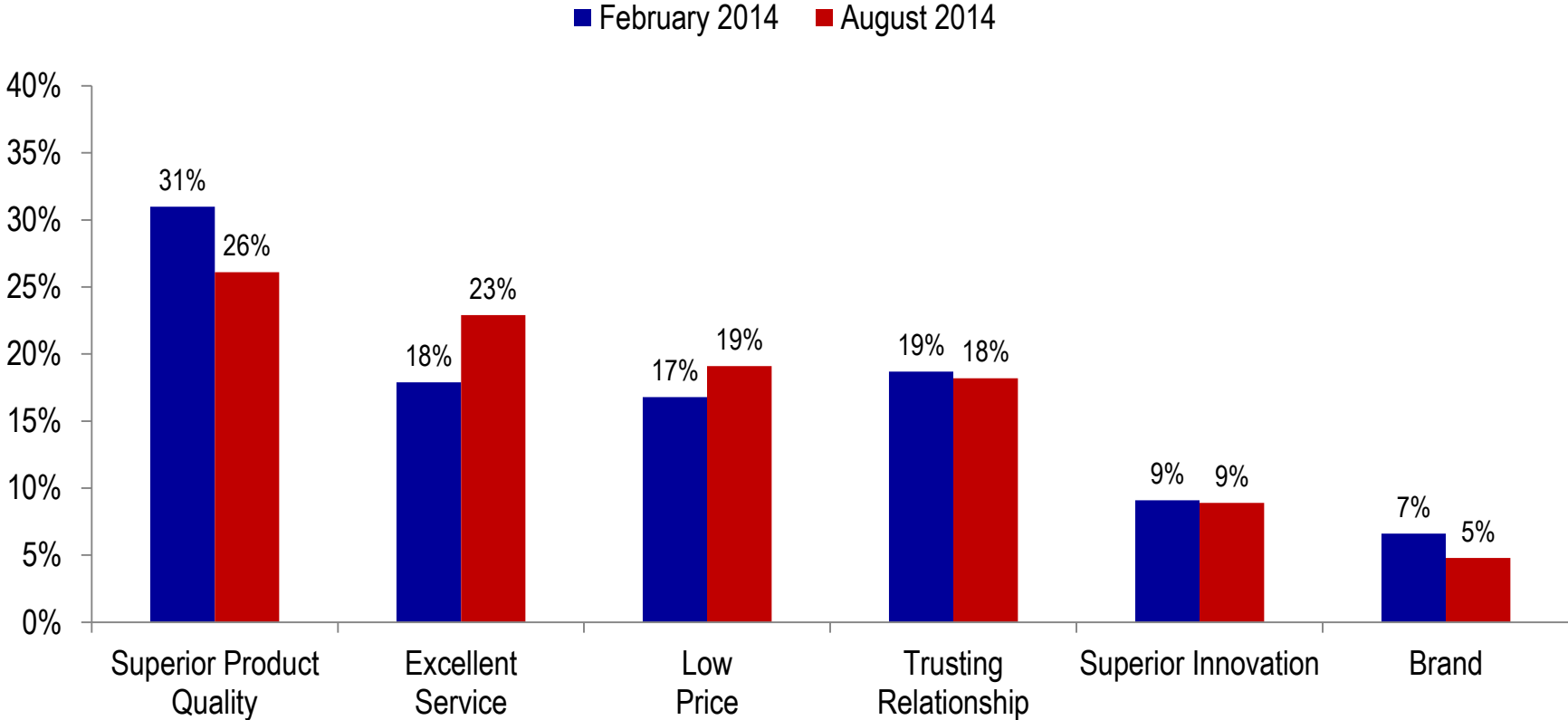
Figure 1.3. Forecasted customer outcomes in next 12 months (% of respondents)



Service trumps product as customer's top priority; price inches up



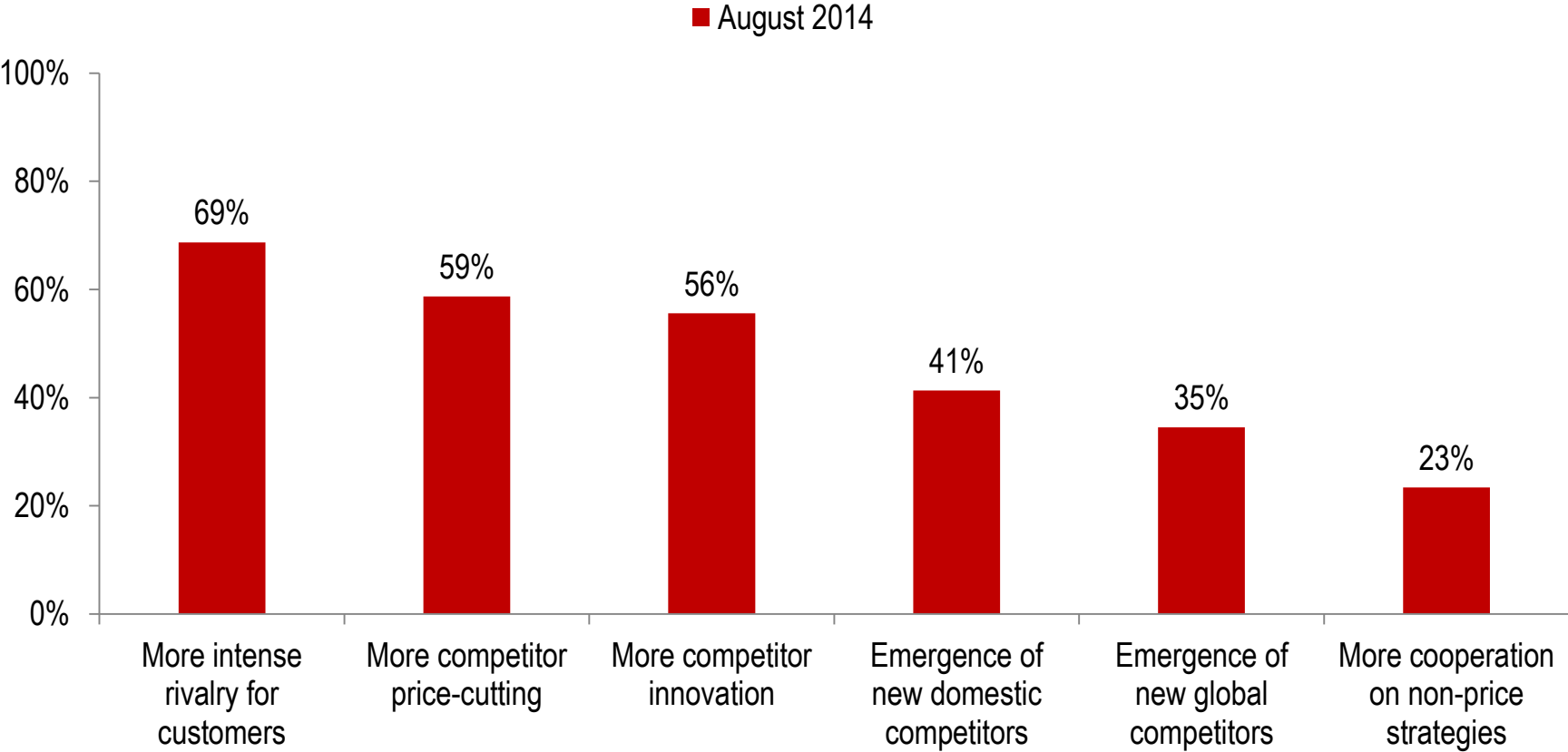
Figure 1.4. Customers' top priority in next 12 months (% of respondents)



Increased competition is expected – rivalry, price-cutting, and innovation



Figure 1.5. Increased competitor interactions in next 12 months (% of respondents)



*Question format used for the first time August-2014.



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Topic 2:

Firm Growth Strategies



Firms decrease market penetration and move toward riskier growth strategies in next year

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. How growth spending is expected to change*

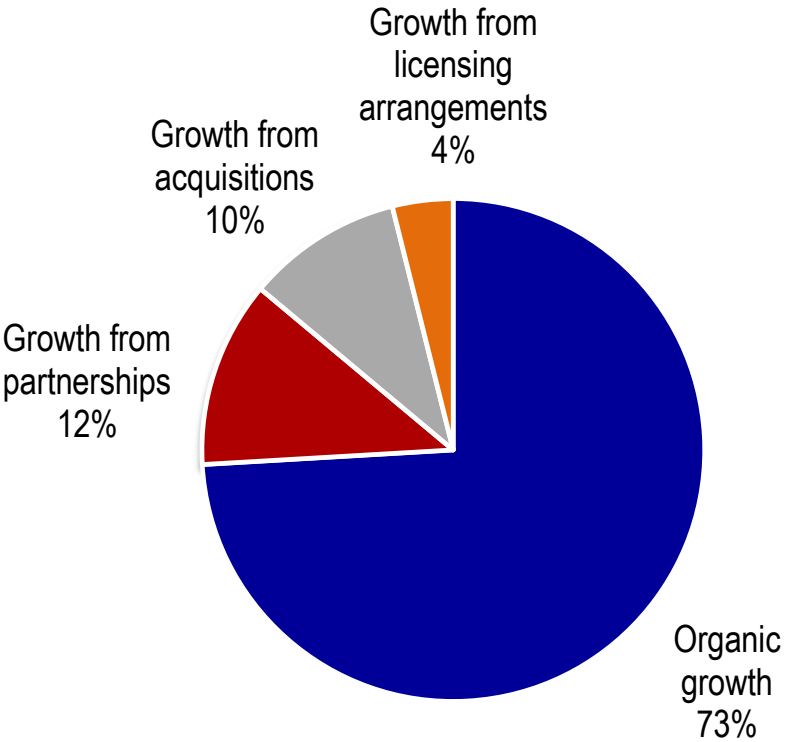
Growth Strategy	Actual Spending in Past 12 Months	Expected Spending in Next 12 Months	Percent Change Expected
Market Penetration Strategy	53%	46%	-13%
Market Development Strategy	15%	17%	+13%
Product/Service Development Strategy	22%	24%	+9%
Diversification Strategy	10%	13%	+30%

* % of spending across growth strategies

Organic growth investments 74% of growth budgets



Figure 2.2. How firms will grow in the next 12 months*

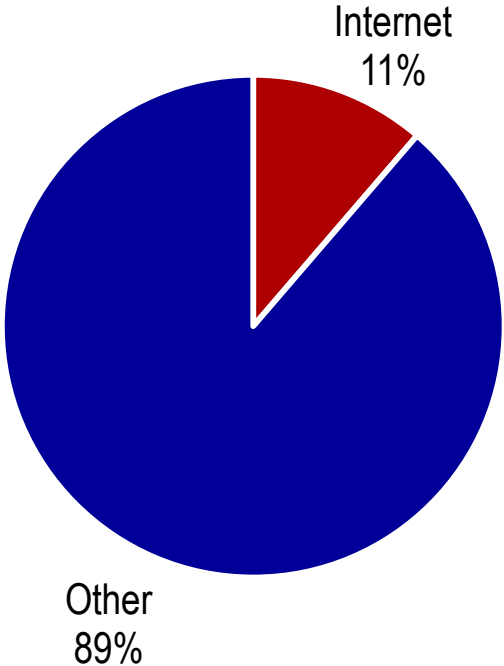


	B2B Product	B2B Services	B2C Product	B2C Services
Growth from within your firm (organic growth)	73%	75%	71%	77%
Growth from partnerships	12%	11%	12%	12%
Growth from acquisitions	10%	11%	11%	6%
Growth from licensing arrangements	4%	3%	6%	5%

* Percentage of spending across growth strategies

B2C companies are most likely to sell through the Internet

Figure 2.3. Percent of company sales expected to be through the internet in next 12 months



	B2B Product	B2B Services	B2C Product	B2C Services
Sales through Internet	10%	9%	15%	14%
Sales through other channels	90%	91%	85%	86%



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Topic 3:

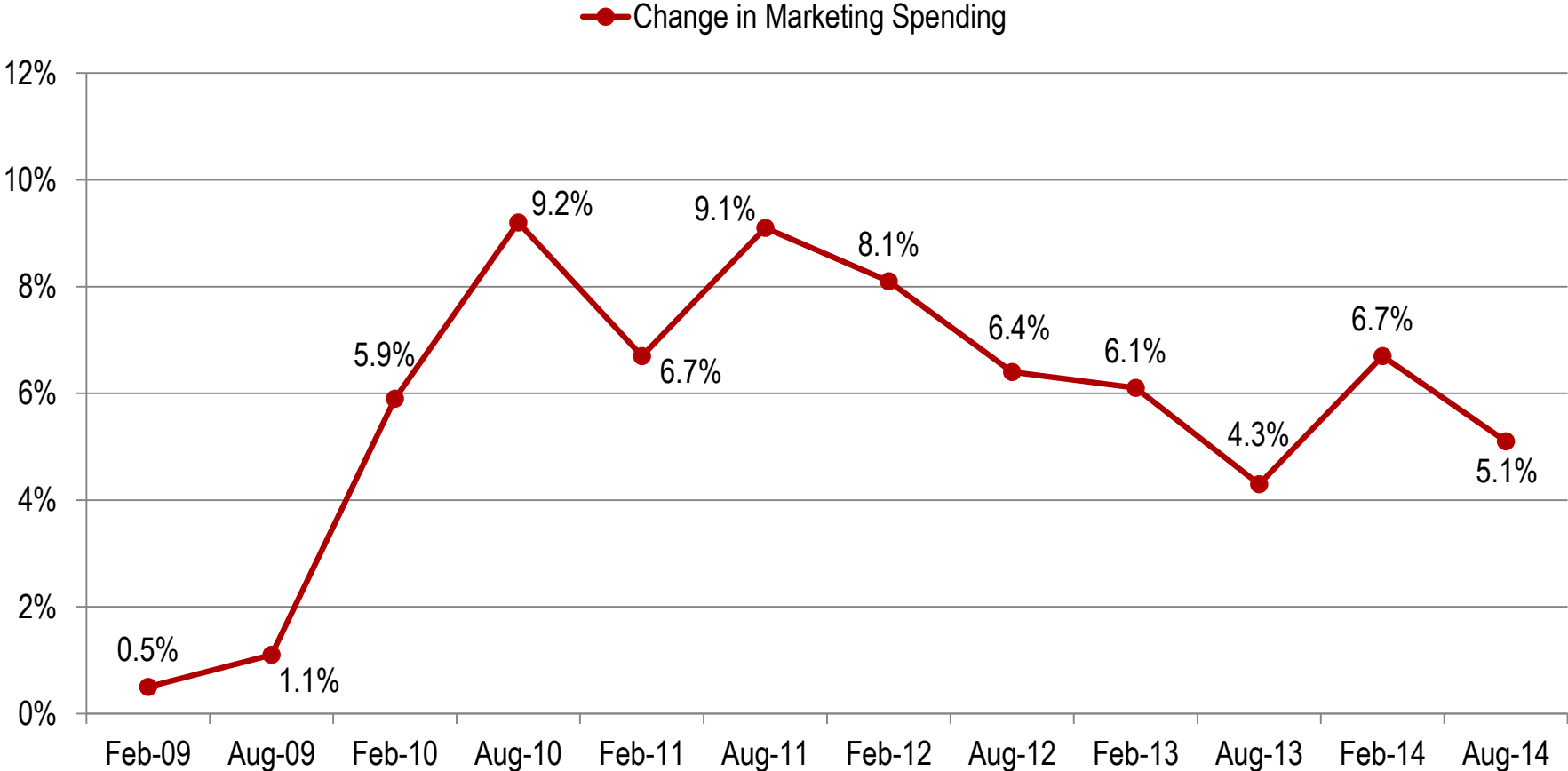
Marketing Spending



Marketing budgets remain positive but trend downward since 2010



Figure 3.1. Percent change in marketing budgets in next 12 months



Expenses including in marketing spending

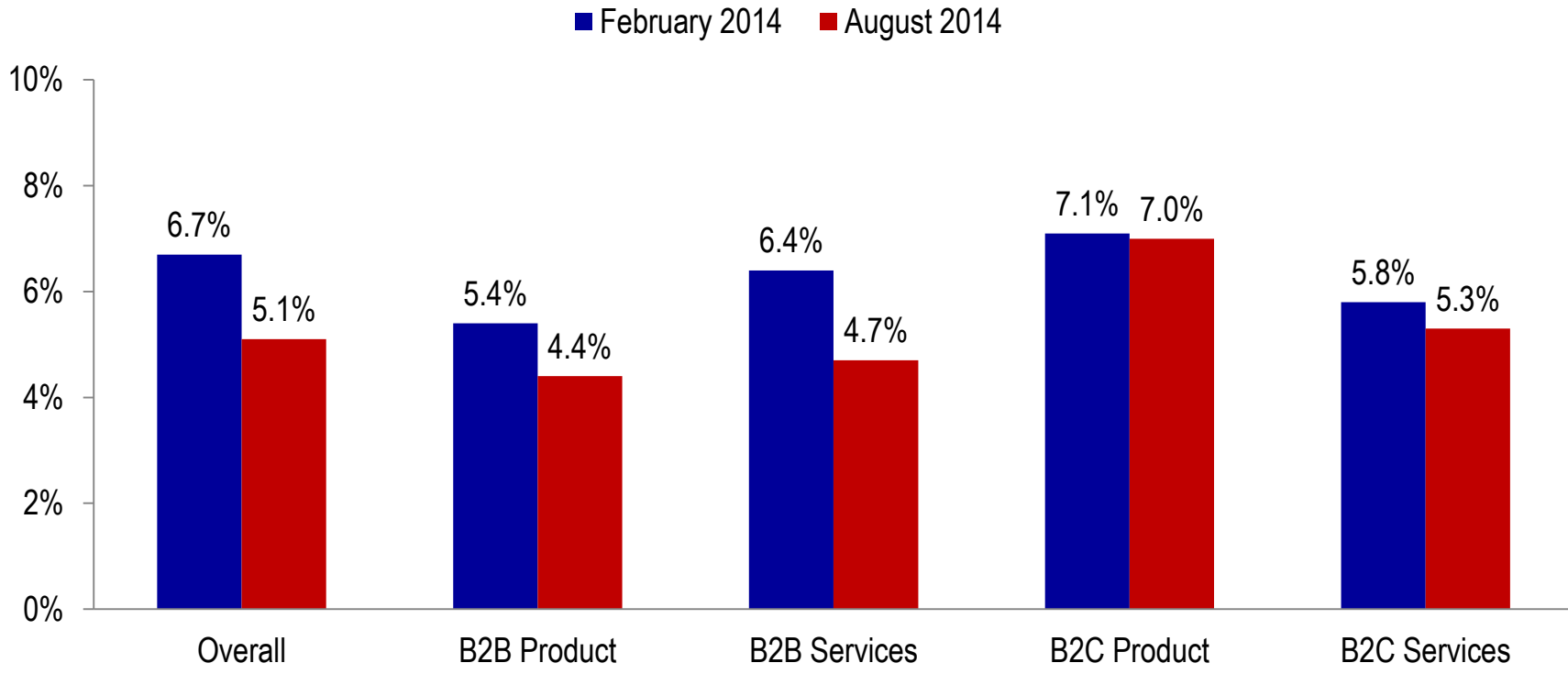
Table 3.1. Marketing spending in your company include the following items (% of respondents)

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Overhead costs associated with marketing	45.9%	48.2%	50.8%	35.8%	44.2%
Salaries and wages of marketing employees	43.9%	50.0%	49.2%	29.9%	38.5%
Marketing analytics	41.0%	42.9%	40.7%	43.3%	36.5%
Marketing research	40.7%	42.9%	38.1%	47.8%	34.6%



Sector differences in marketing spend

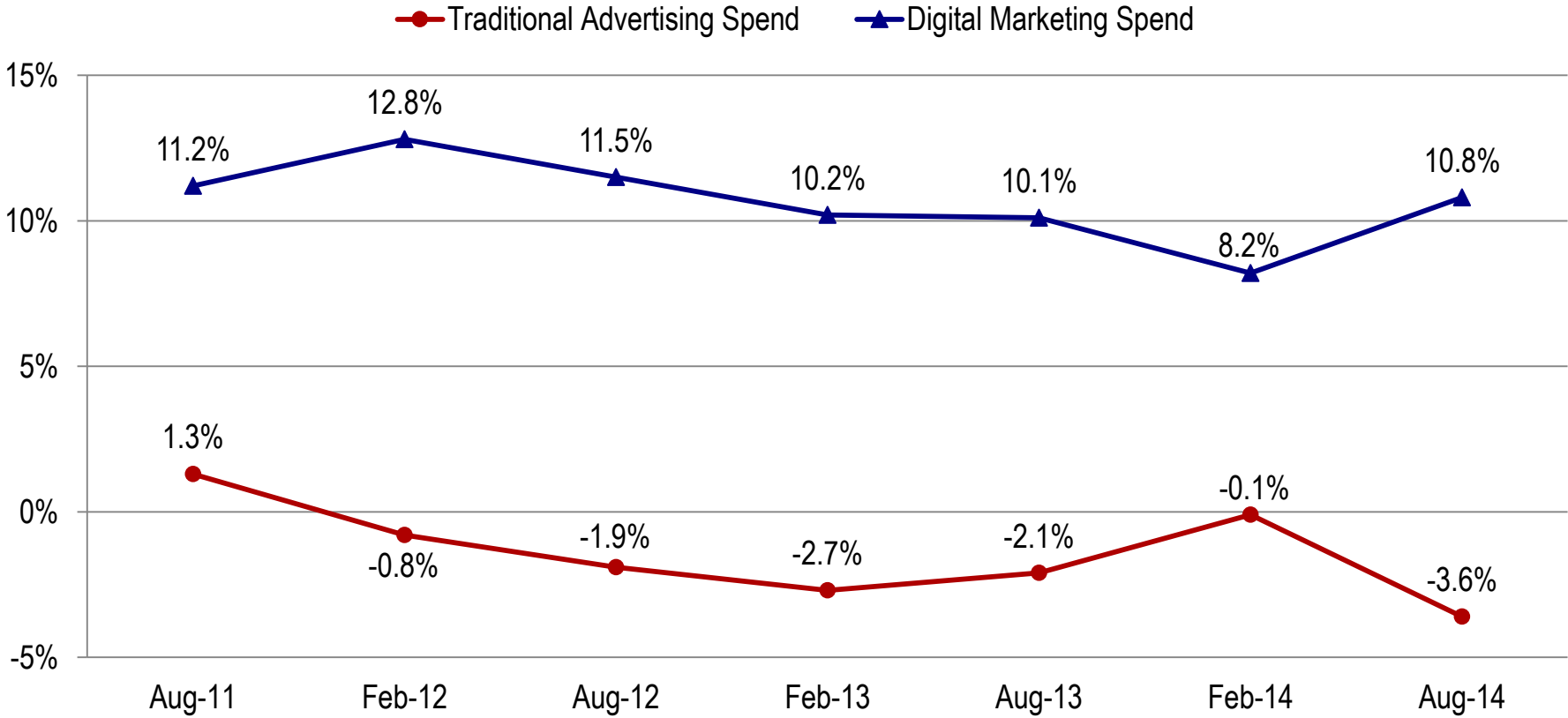
Figure 3.2. Percent change in marketing budgets in next 12 months



Companies increase digital spend at the expense of traditional advertising



Figure 3.3. Percent change in traditional advertising* vs. digital marketing spend in next 12 months



*Refers to media advertising not using the web.

Digital marketing spend increases across sectors

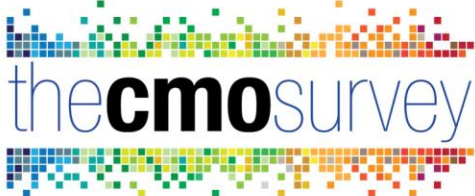
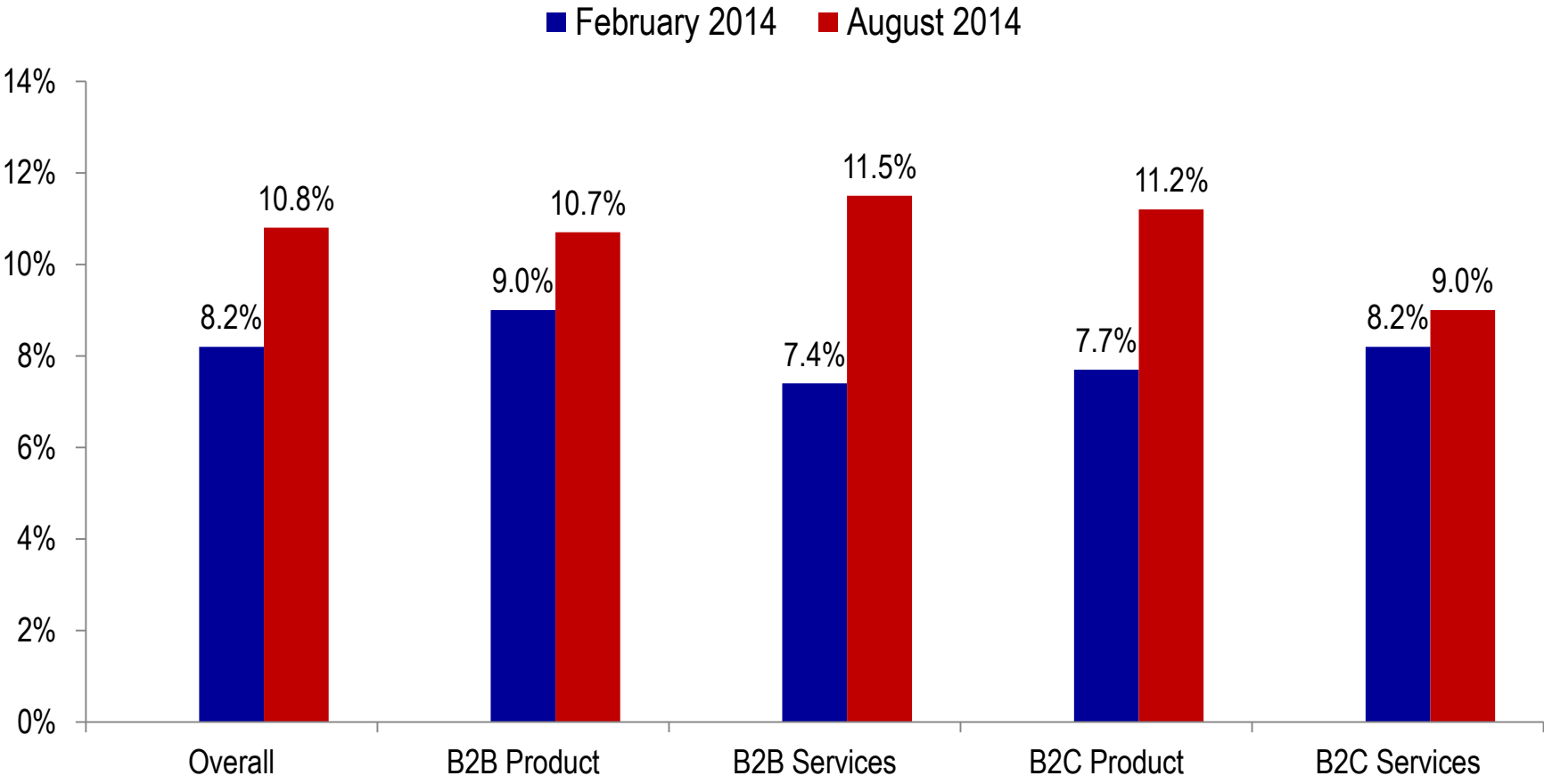


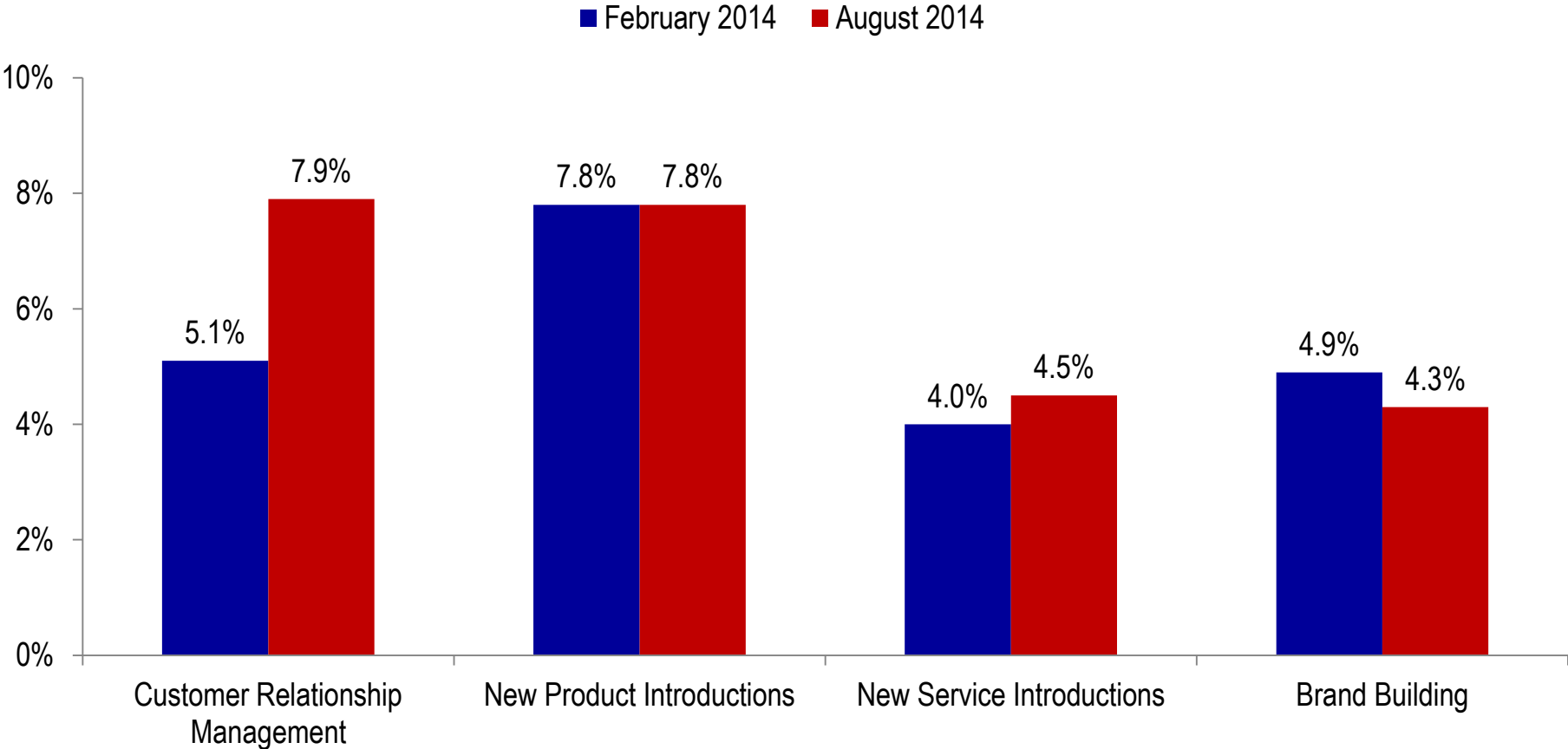
Figure 3.4. Change in digital marketing spending in next 12 months by sector



Spend in other marketing categories is also increasing



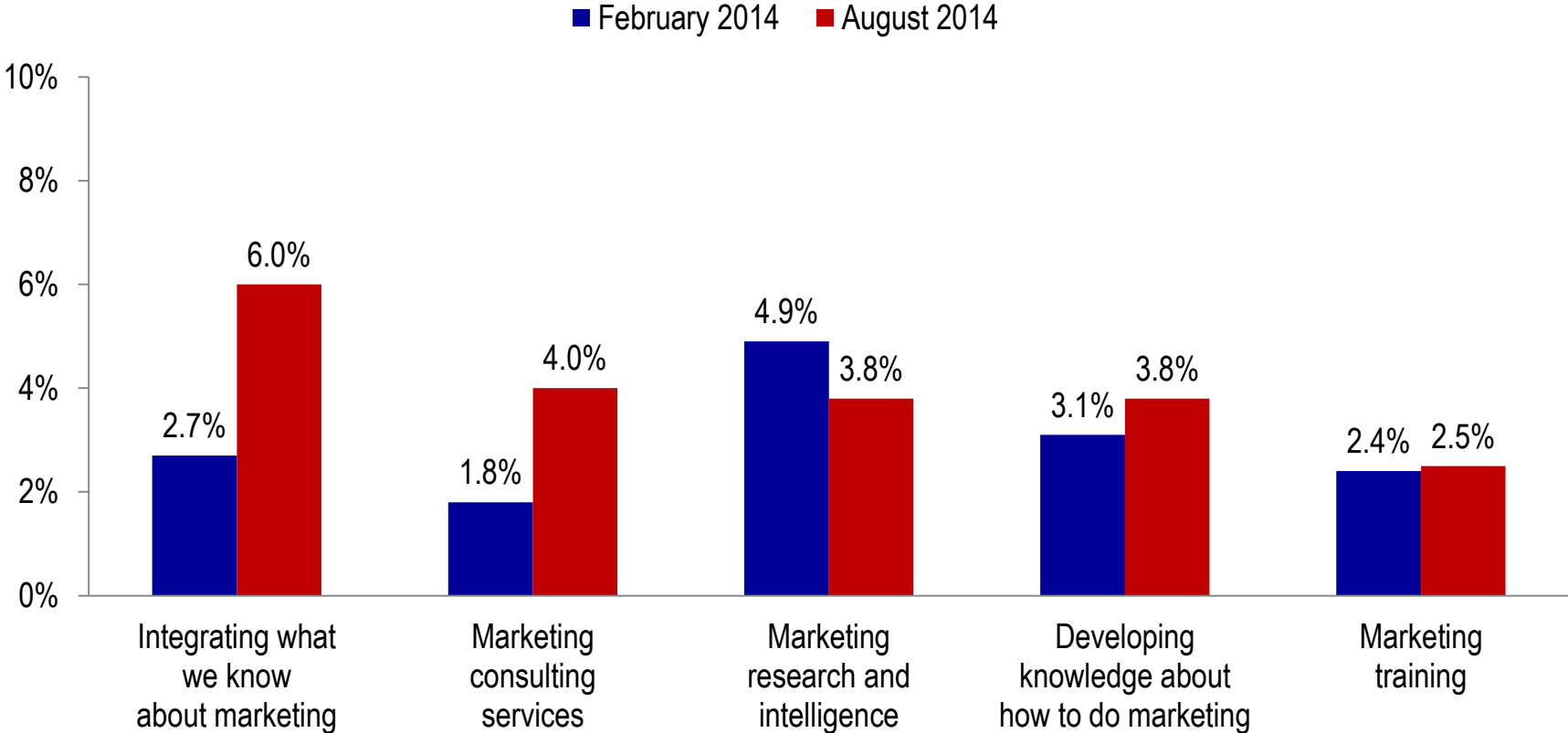
Figure 3.5. Percent change in marketing spending in next 12 months



Integrating knowledge and consulting services top knowledge investments



Figure 3.6. Changes in firm spending on marketing knowledge in next 12 months



*Developing knowledge about how to do marketing refers to the development of new marketing capabilities, while marketing training involves transferring existing marketing knowledge to employees.

Marketing budgets represent 10.9% of overall firm budgets

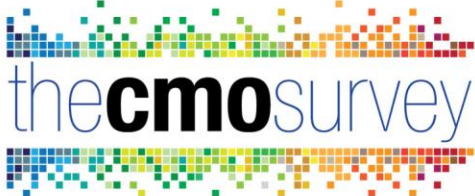
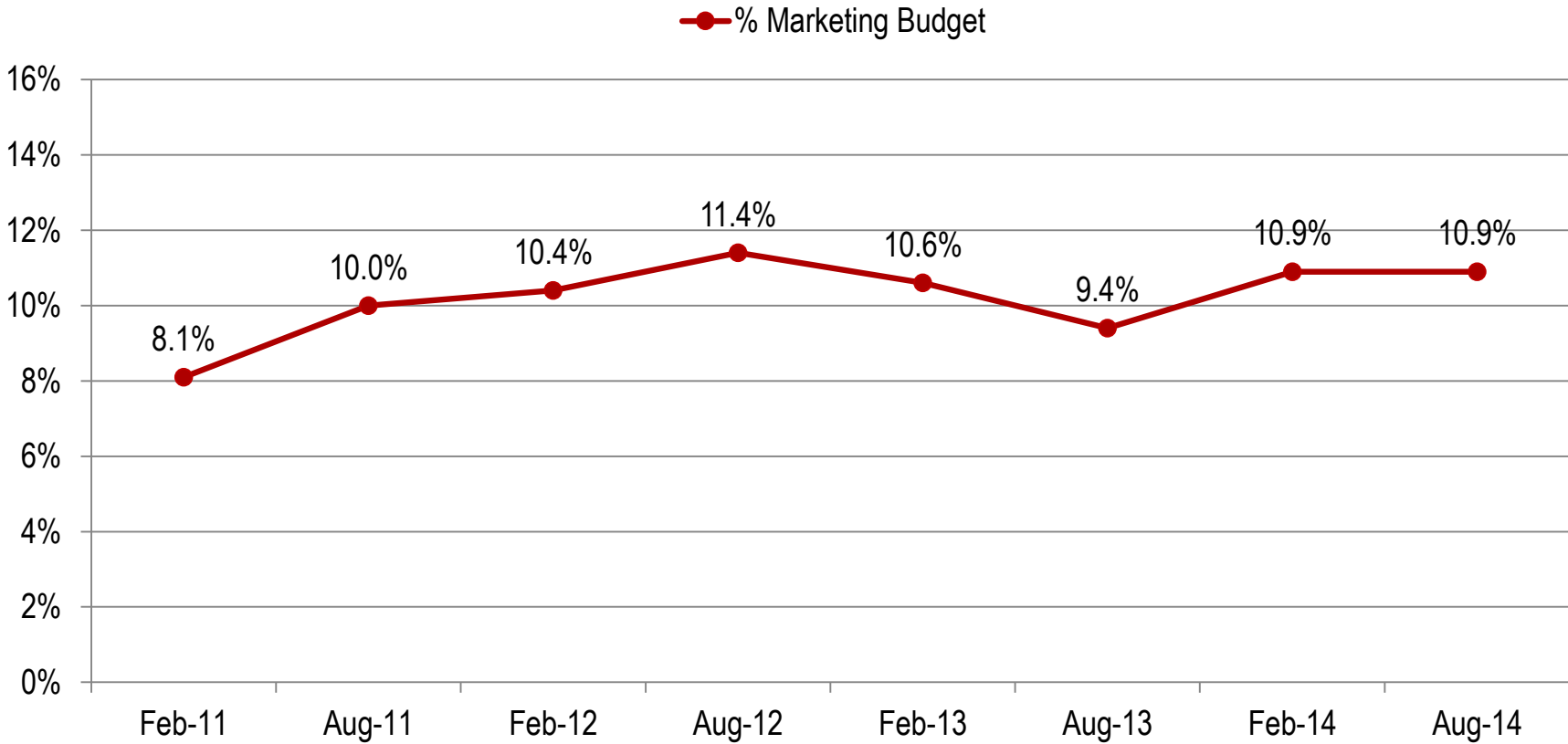


Figure 3.7. Marketing budget as a percent of firm budget*



*Question asked in Feb-11 for the first time.

Who has the biggest marketing budgets?

Table 3.2a. Marketing percentage of firm budget by economic sector

	B2B Product	B2B Services	B2C Product	B2C Services
August 2014	10.5%	7.7%	17.0%	11.1%

Table 3.2b. Marketing percentage of firm budget by company sales revenue

	<\$25 Million	\$26-99 Million	\$100-499 Million	\$500-999 Million	\$1-9.9 Billion	>\$10 Billion
August 2014	11.9%	8.6%	11.8%	14.2%	8.7%	14.0%

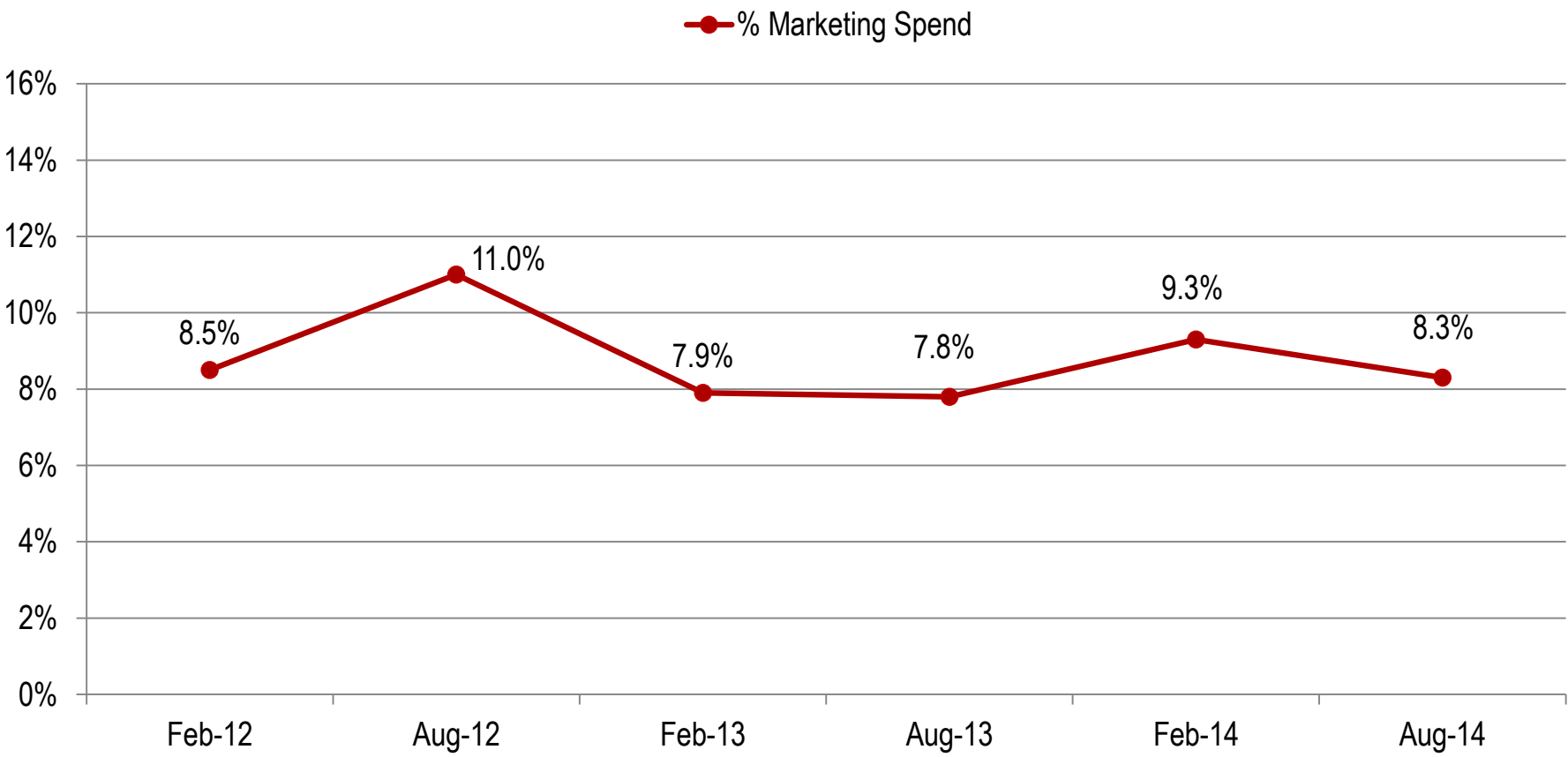
Table 3.2c. Marketing percentage of firm budget by company internet sales

	0% Internet Sales	1-10% Internet Sales	>10% Internet Sales
August 2014	9.7%	10.7%	13.4%

Marketing spending as a percentage of firm revenues is 8.3%



Figure 3.8. Marketing spending as a percentage of firm revenues*



*Question asked in Feb-12 for the first time.

Marketing spending as a percentage of firm revenues by firm and industry

Table 3.3a. Marketing spending as a percentage of firm revenues by economic sector

	B2B Product	B2B Services	B2C Product	B2C Services
August 2014	7.8%	7.5%	9.0%	10.4%

Table 3.3b. Marketing spending as a percentage of firm revenues by company sales revenue

	<\$25 Million	\$26-99 Million	\$100-499 Million	\$500-999 Million	\$1-9.9 Billion	>\$10 Billion
August 2014	11.0%	7.3%	6.1%	3.7%	6.7%	11.9%

Table 3.3c. Marketing spending as a percentage of firm revenues by company internet sales

	0% Internet Sales	1-10% Internet Sales	>10% Internet Sales
August 2014	7.1%	6.9%	12.5%





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Topic 4:

Financial and Marketing Performance



Company performance on financial metrics positive but flat

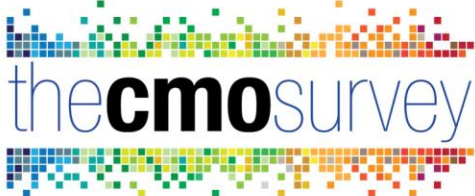
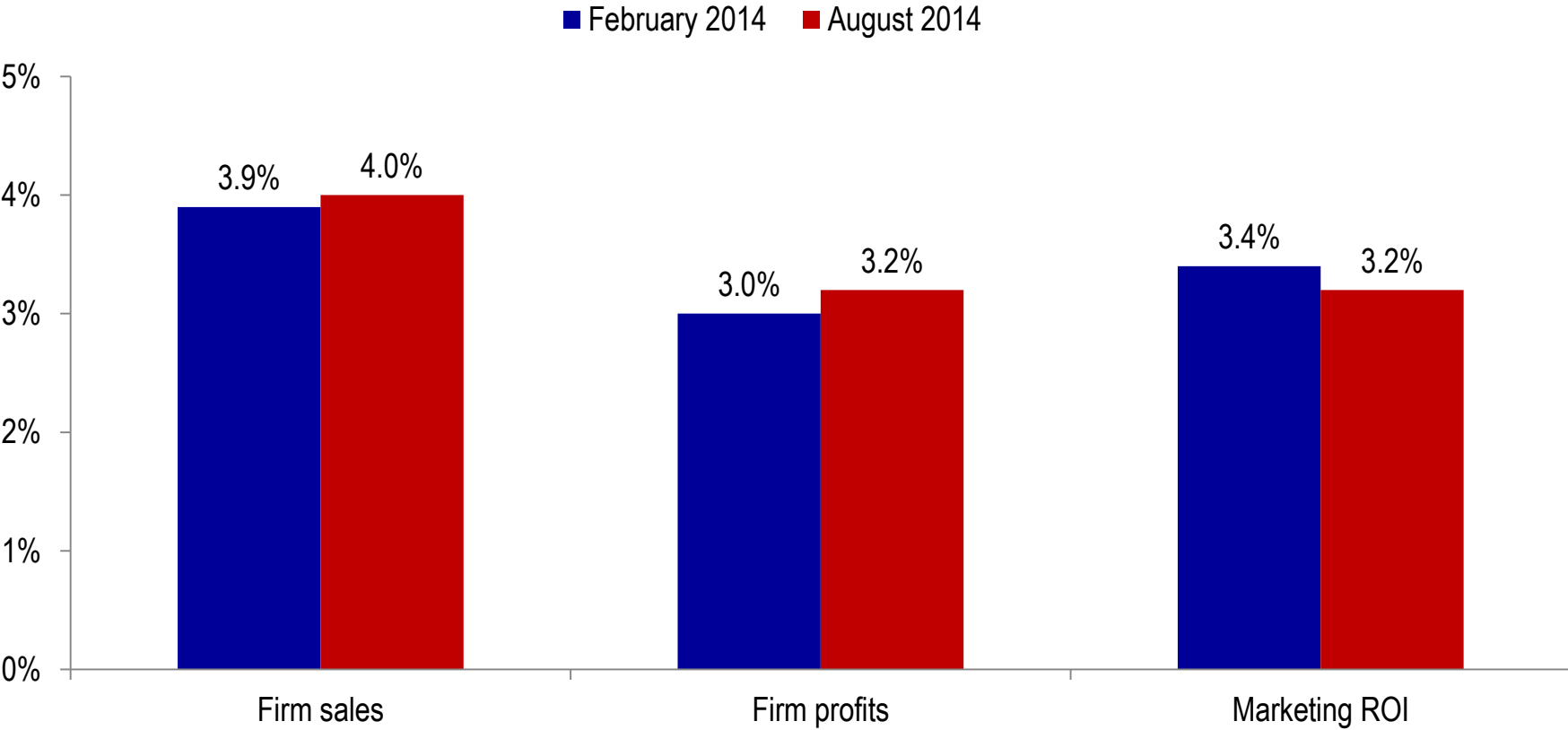


Figure 4.1. Percent change in firm performance in prior 12 months

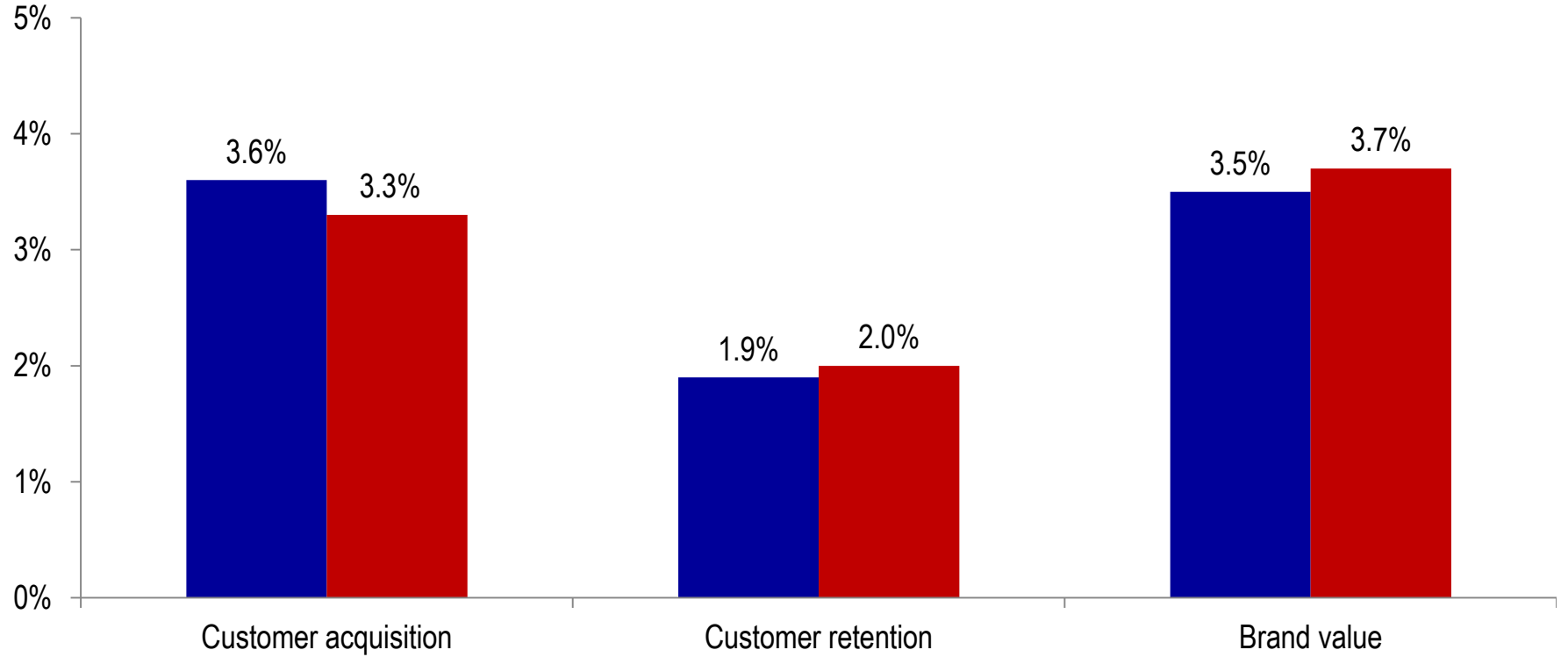


Performance on key customer and brand assets no significant change



Figure 4.2. Percent change in performance on customer and brand metrics in prior 12 months

■ February 2014 ■ August 2014



B2B Product sector shows highest performance gains

Table 4.1. Percent change in performance in prior 12 months by sector

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Firm sales	4.0%	4.6%	4.1%	3.6%	3.0%
Marketing ROI	3.2%	3.8%	3.6%	1.8%	2.5%
Firm profits	3.2%	3.5%	3.1%	3.0%	2.8%
Customer acquisition	3.3%	4.0%	3.1%	3.2%	2.4%
Customer retention	2.0%	2.1%	2.2%	2.0%	1.3%
Brand value	3.7%	3.7%	4.1%	3.5%	3.3%



Firm performance goals remain strong

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

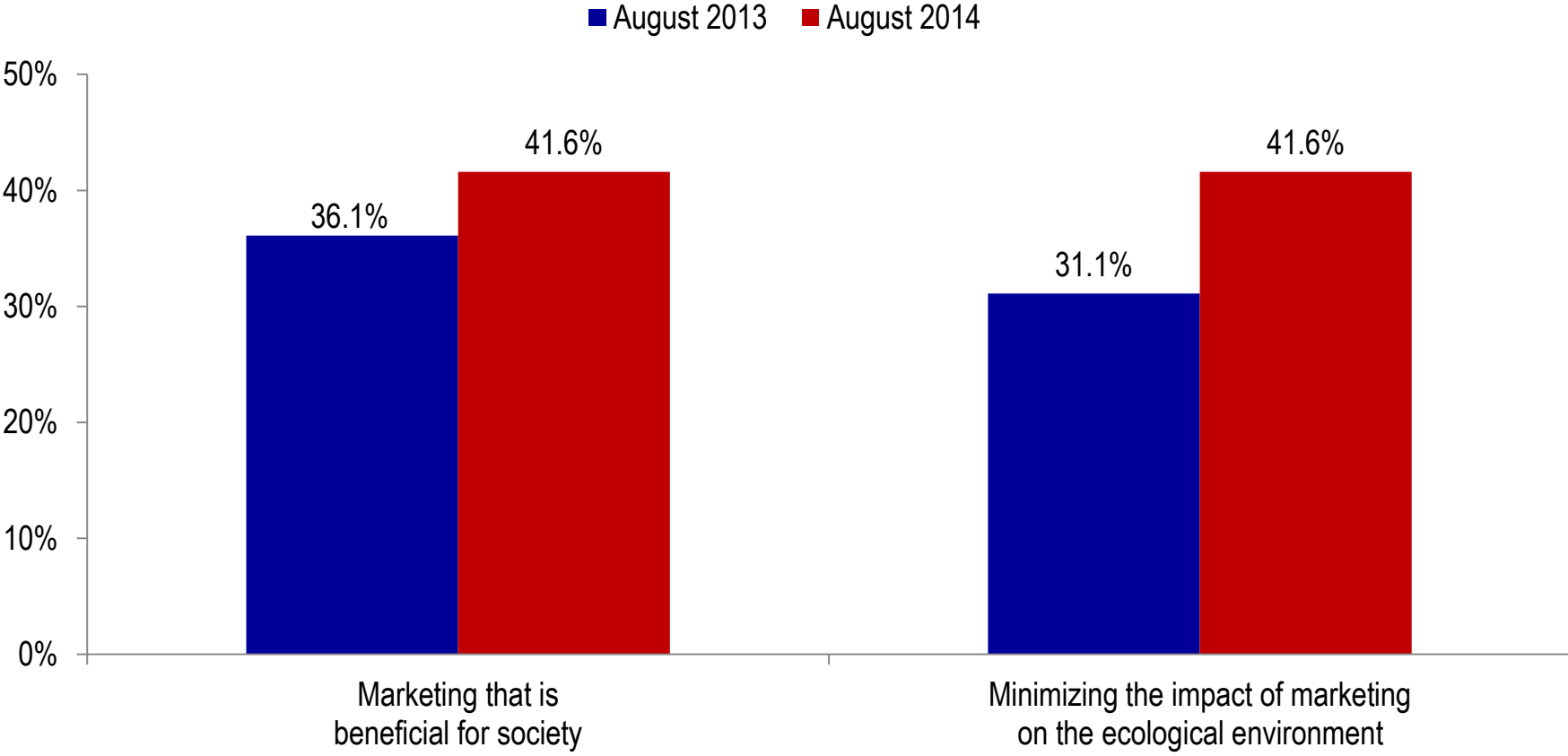
Table 4.2. Percent change in performance

	Actual firm performance in prior 12 months	Goal in the next 12 months
Firm sales	4.0%	6.7%
Marketing ROI	3.2%	5.2%
Firm profits	3.2%	5.8%
Customer acquisition	3.3%	5.9%
Customer retention	2.0%	4.7%
Brand value	3.7%	5.8%

Increased focus on marketing that benefits society and minimizes environmental impact

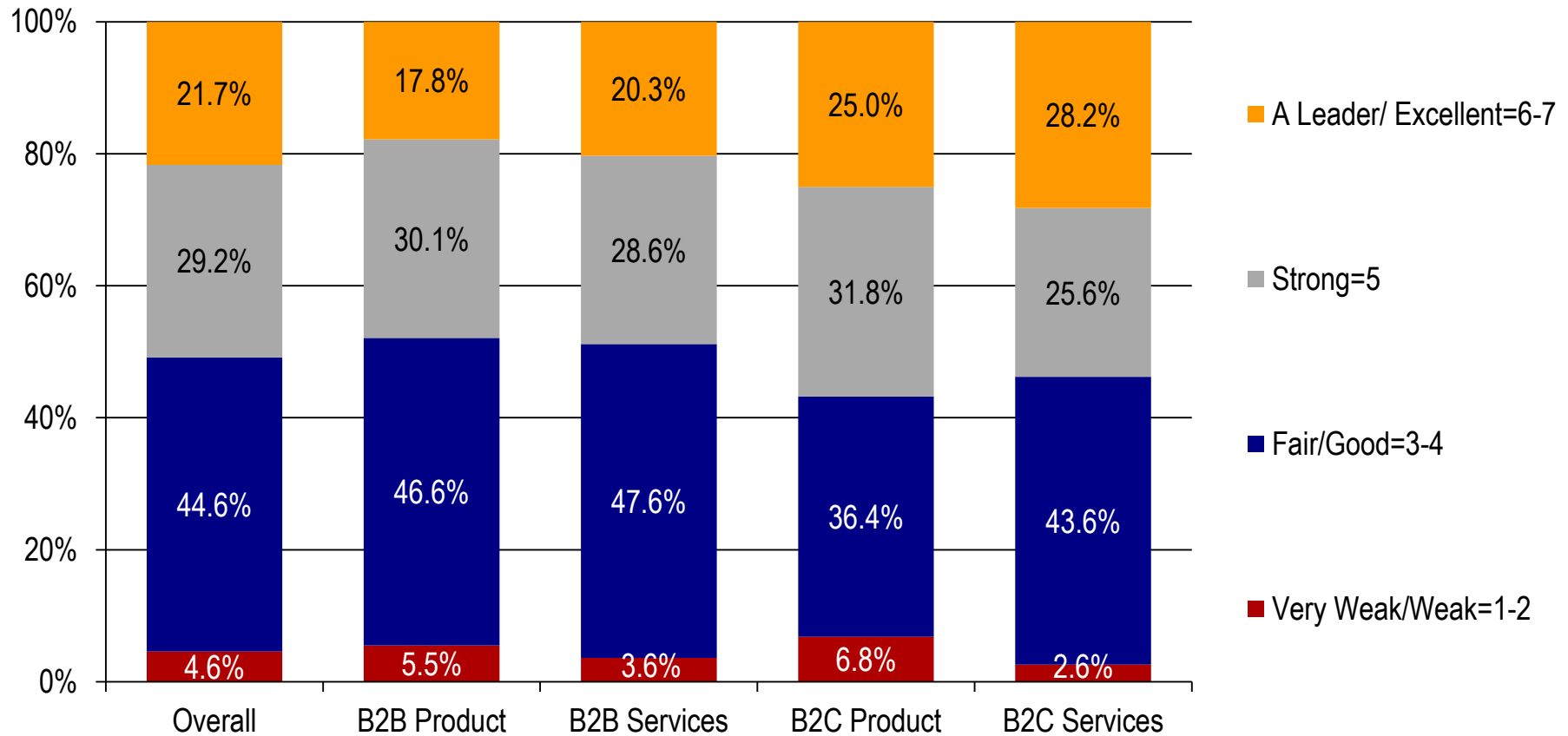


Figure 4.3. Rate your firm on each the following non-financial metrics during the last 12 months (% Excellent & Good on a 5-point scale where 1=Poor and 5=Excellent)



B2C companies more likely to be marketing leaders

Figure 4.4. How would you rate your company's marketing excellence?
(7-point scale where 1=Very Weak and 7=Leader)





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Topic 5:

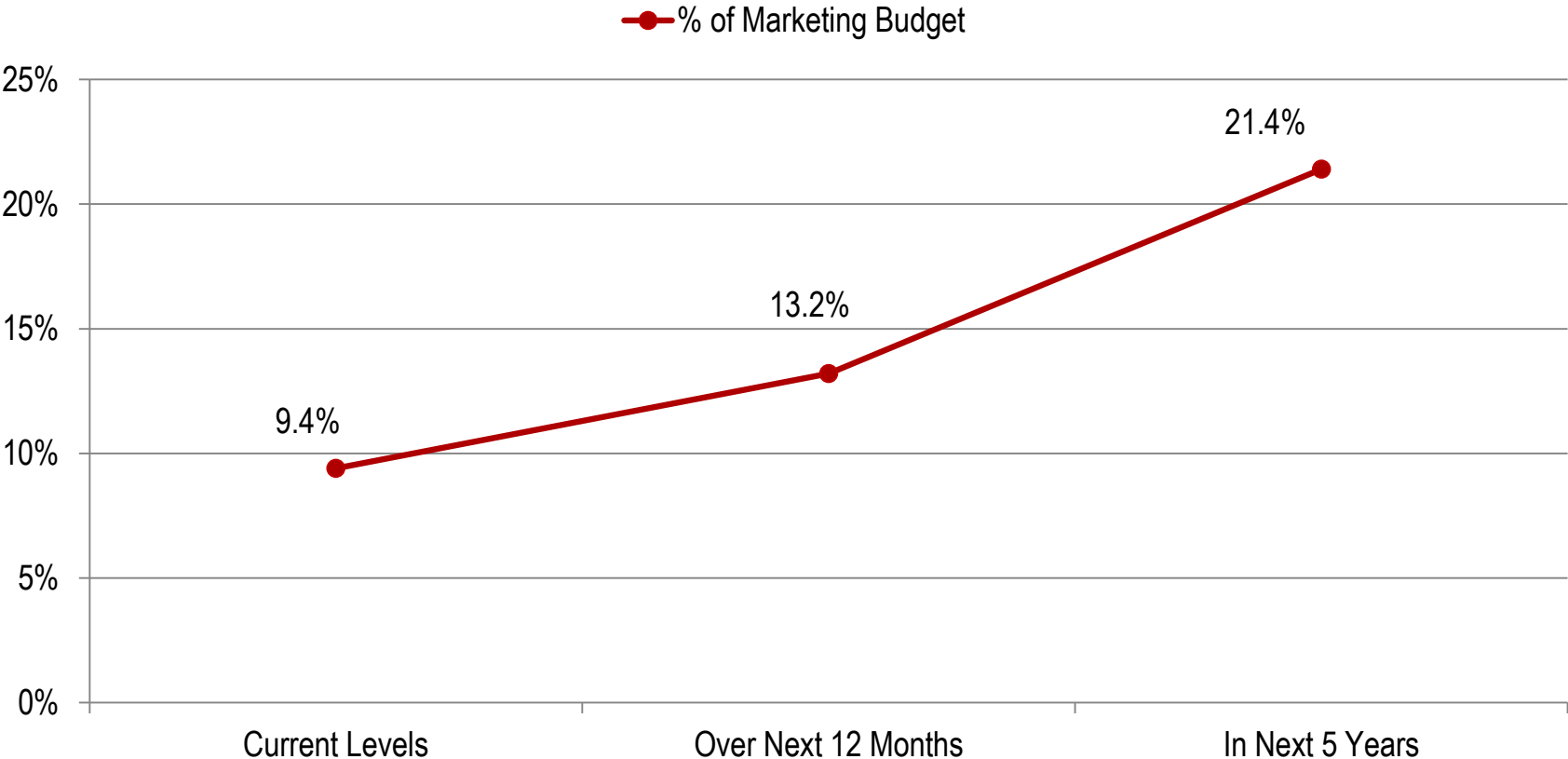
Marketing and Social Media



Social media spending expected to be 21.4% of marketing budgets in five years



Figure 5.1. Social media spending as a percent of marketing budgets



Social media spending across sectors

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

Table 5.1. Changes in social media spending across sectors

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Current Social Media Spending	9.4%	9.5%	9.2%	10.4%	8.6%
Social Media Spending in the next 12 months	13.2%	12.6%	13.3%	15.0%	11.9%
Social Media Spending in the next 5 years	21.4%	19.9%	22.2%	22.8%	21.0%



No growth on human capital for social media: Tech investments appear to dominate?

Figure 5.2. Location of social media employees

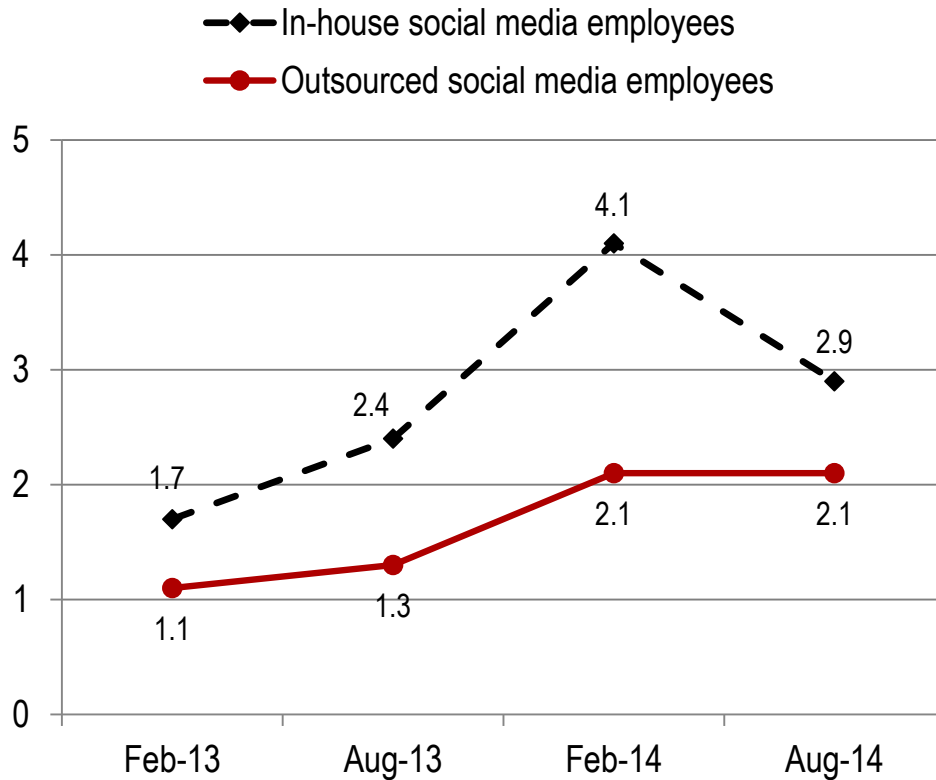


Table 5.2. Social media employees by sector

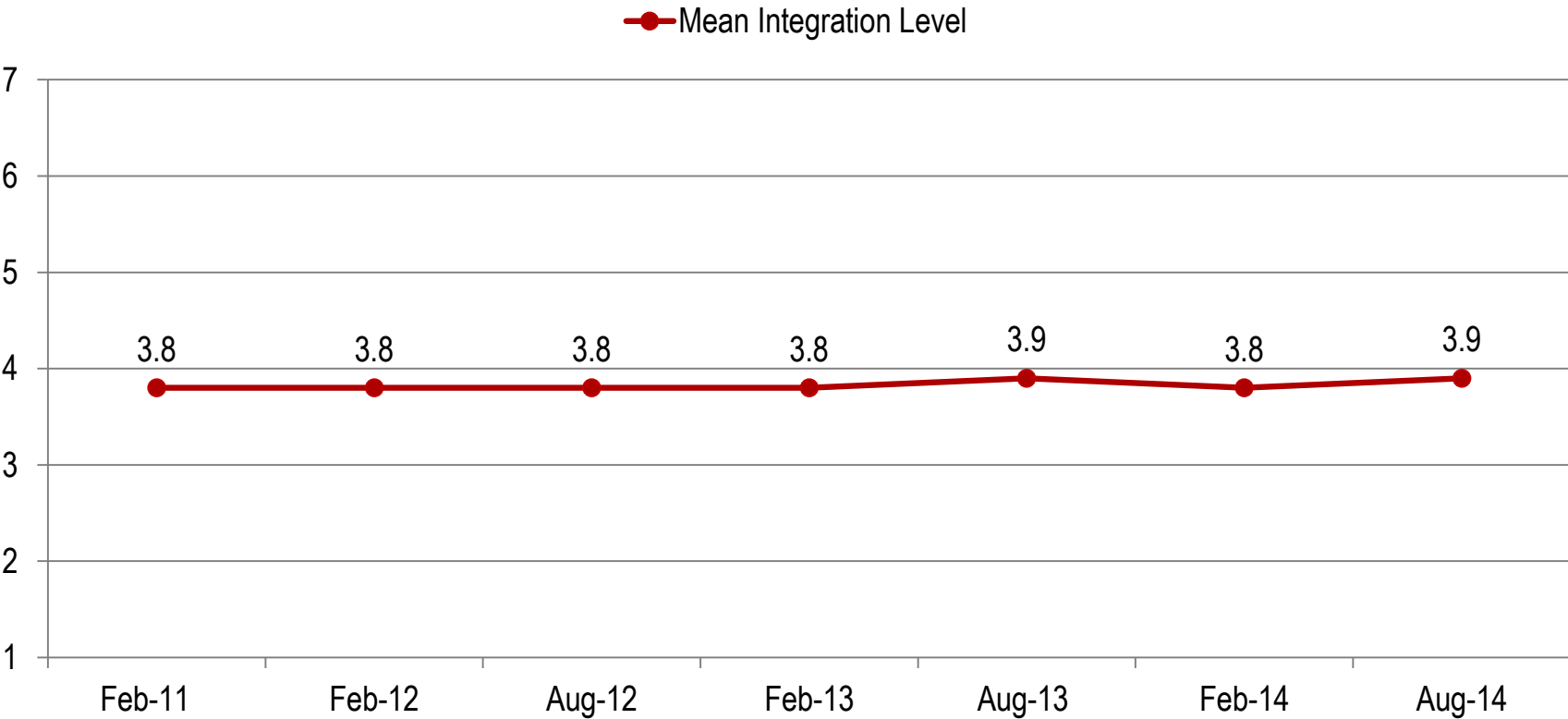
	In-house social media employees	Outsourced social media employees
B2B Product	4.1	2.0
B2B Services	4.1	1.5
B2C Product	5.7	3.9
B2C Services	4.9	2.1



Social media remains poorly integrated with marketing strategy

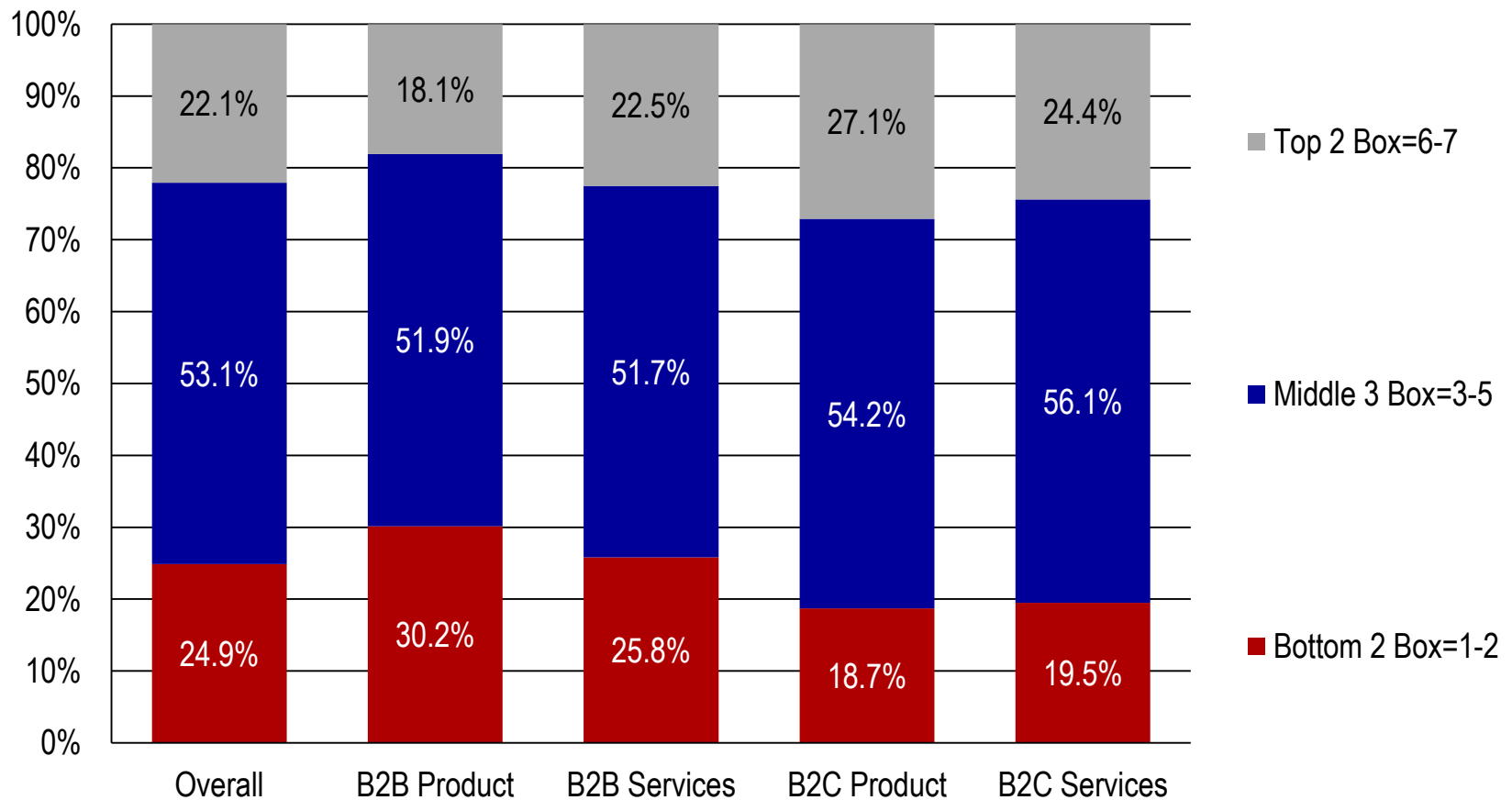


Figure 5.3. How effectively is social media linked to your firm’s marketing strategy?
(1=Not integrated, 7=Very integrated)



B2C Product companies have the highest social media integration

Figure 5.4. How well is social media integrated with marketing strategy?
(1=Not At All Effectively, 7=Very Effectively)



Persistent poor integration of customer information across channels

Marketplace

Growth

Spending

Performance

Social Media

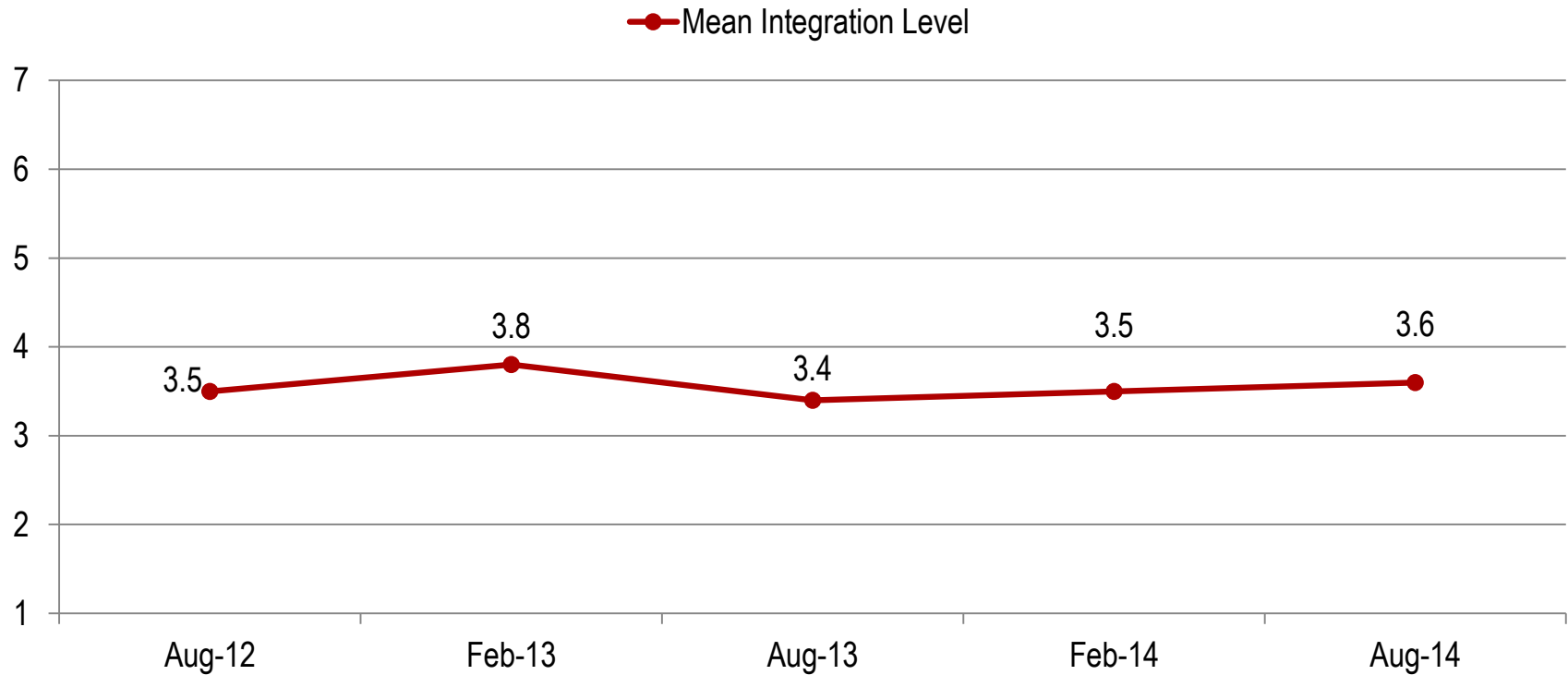
Jobs

Organization

Leadership

Analytics

Figure 5.5. How effectively does your company integrate customer information across purchasing, communication, and social media channels (1=Not At All Effectively, 7=Very Effectively)?

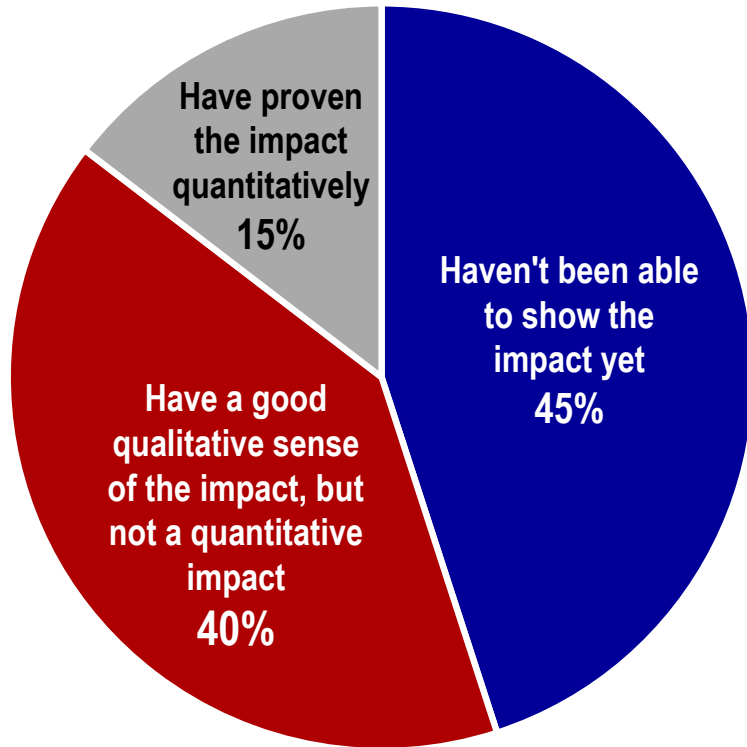


*Question asked in Aug-12 for the first time.



Only 15% of firms able to show impact of social media on business

Figure 5.6. Which best describes how you show the impact of social media on your business?



	B2B Product	B2B Services	B2C Product	B2C Services
We haven't been able to show the impact yet	54.2%	42.0%	46.9%	30.8%
We have a good qualitative sense of the impact, but not a quantitative impact	34.9%	43.2%	34.7%	51.3%
We have proven the impact quantitatively	10.8%	14.8%	18.4%	17.9%



Social media metrics: Firms shift toward referral and text measures and away from financial metrics

Table 5.3. Social Media Metrics Used by Firms*

Metrics	August 2010	August 2014
Hits/visits/page views	47.6%	60.7%
Number of followers or friends	24.0%	45.0%
Repeat visits	34.7%	38.7%
Conversion rates (from visitor to buyer)	25.4%	31.3%
Buzz indicators (web mentions)	15.7%	24.2%
Sales levels	17.9%	16.8%
Online product/service ratings	8.2%	14.0%
Customer acquisition costs	11.8%	13.7%
Net promoter score	7.5%	12.8%
Revenue per customer	17.2%	12.5%
Other text analysis ratings	6.6%	11.7%
Customer retention costs	7.7%	6.3%
Abandoned shopping carts	3.8%	6.0%
Profits per customer	9.4%	6.0%

*Red indicates metric use has decreased; green indicates that metric use has increased, and changes of 1% or less are classified as no change.

Use of online customer behavior data expected to increase over time

Figure 5.7. Does your company use customer behavior data collected online for targeting purposes?

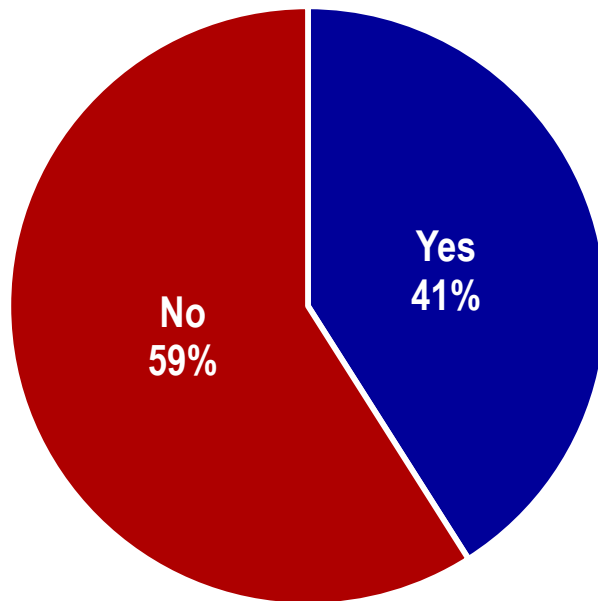
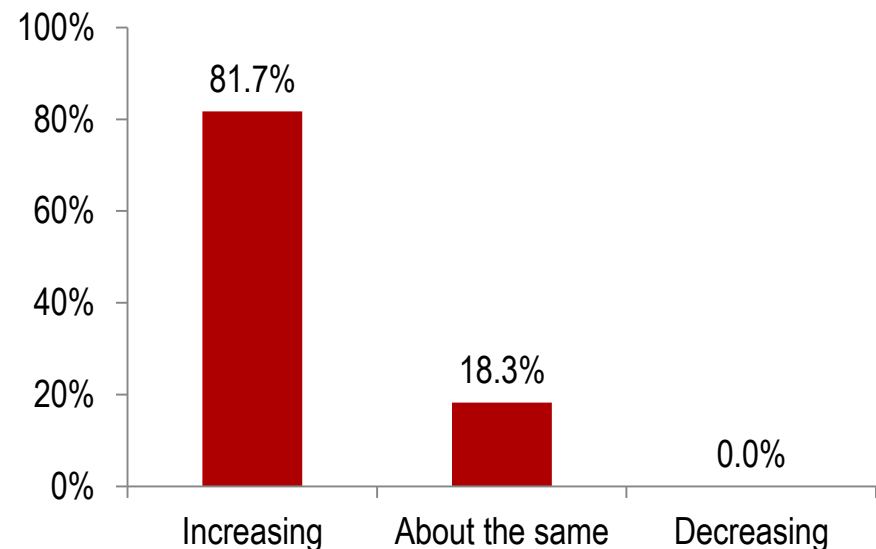
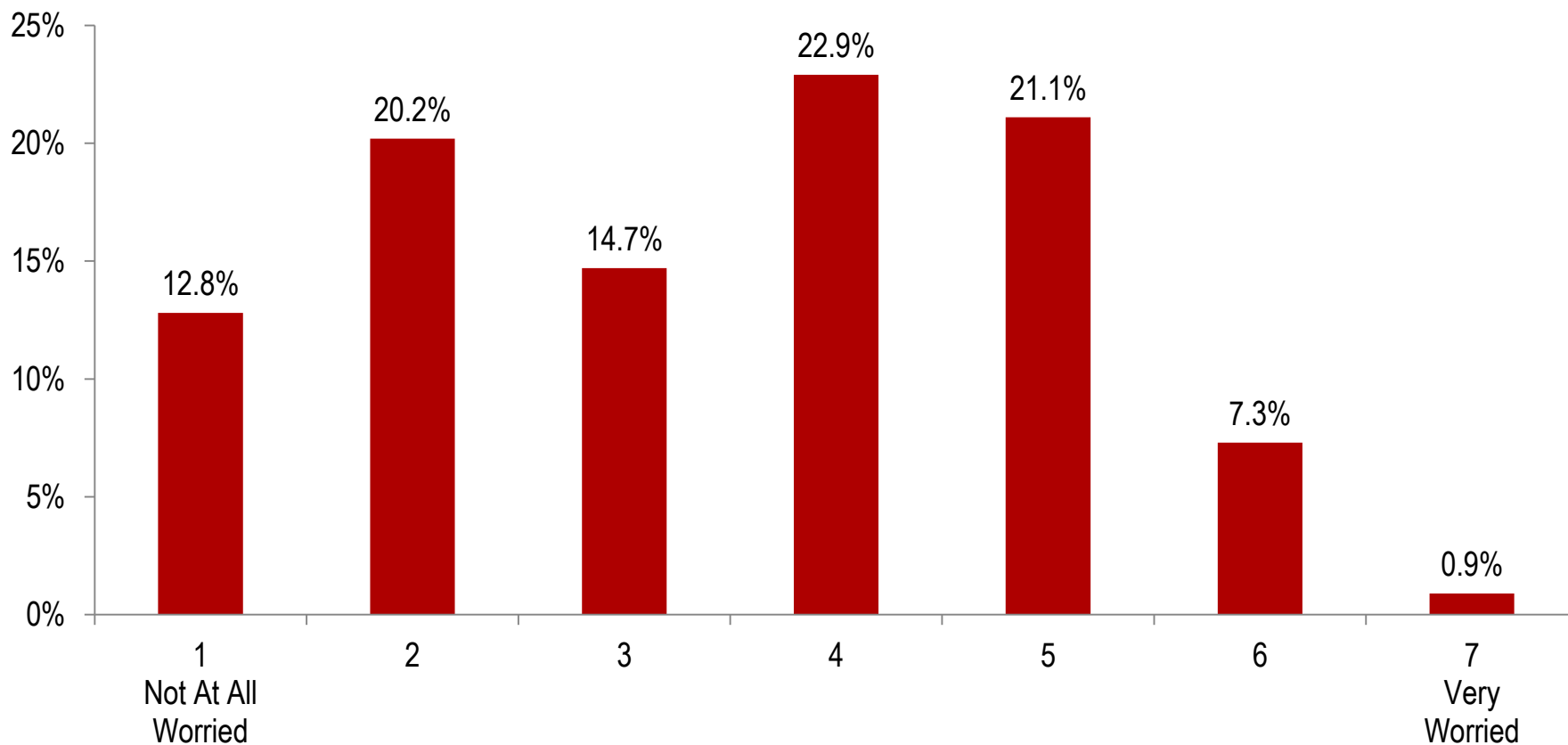


Figure 5.8. Is your company's use of such data increasing, decreasing, or staying the same over time?



Most marketers have low levels of concern over the use of online customer data

Figure 5.9. How worried are you that the use of online customer data could raise questions about privacy? Mean = 3.4 (SD = 1.6)





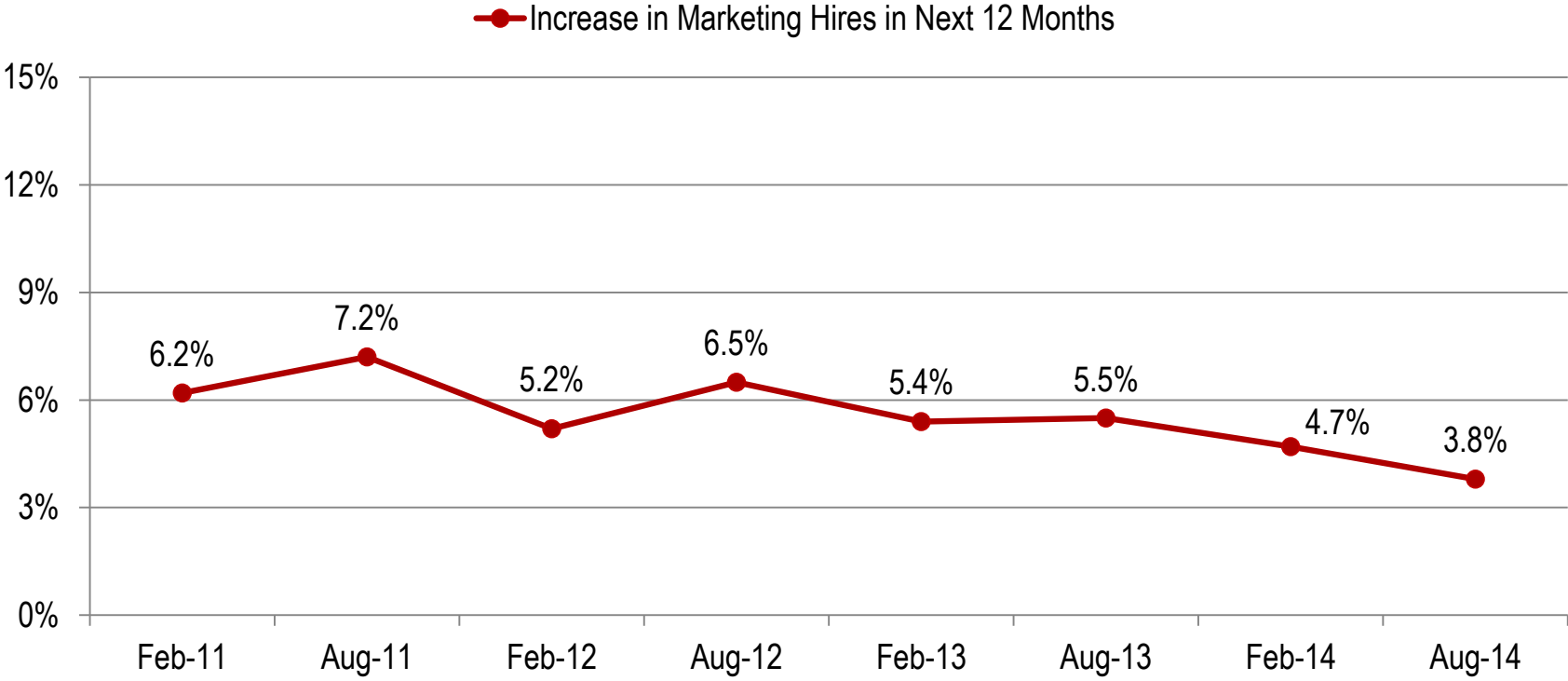
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Topic 6: Marketing Jobs



Marketing hiring positive but continues to decline

Figure 6.1. Percentage change in marketing hires planned in next 12 months



Sector differences in marketing hires: B2B services largest hiring increase

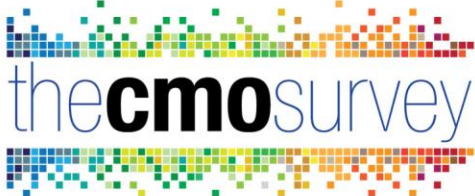
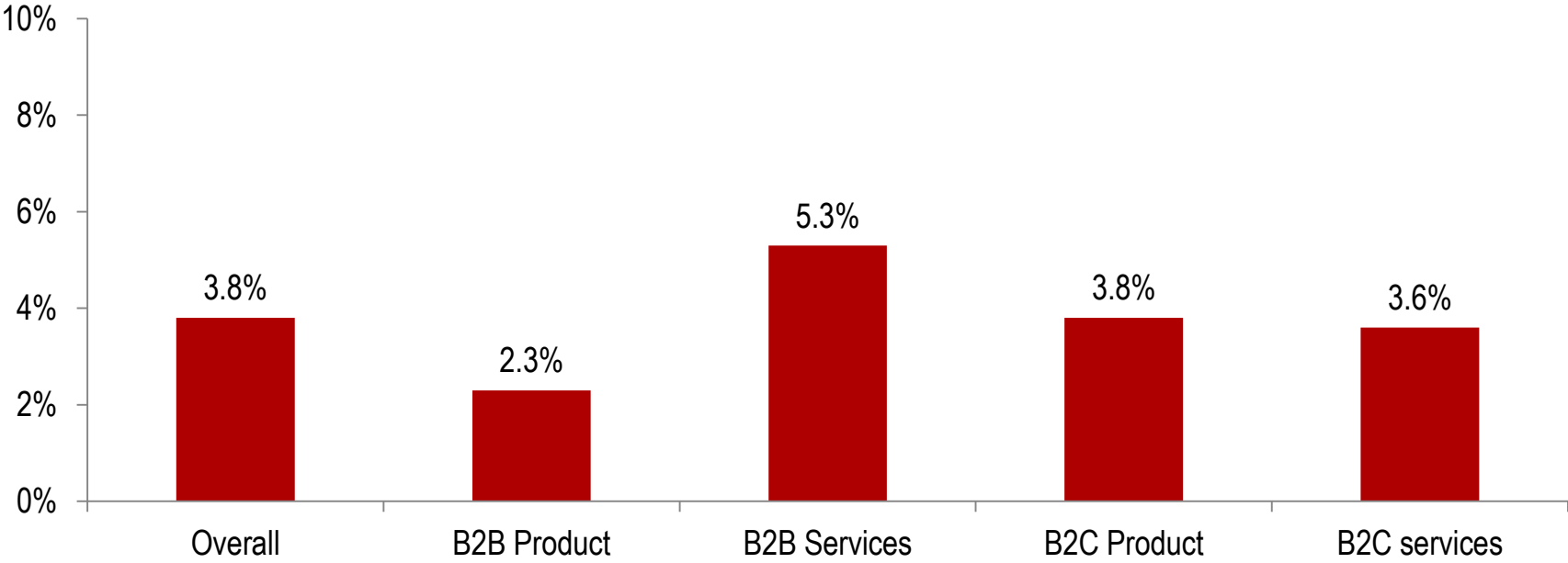
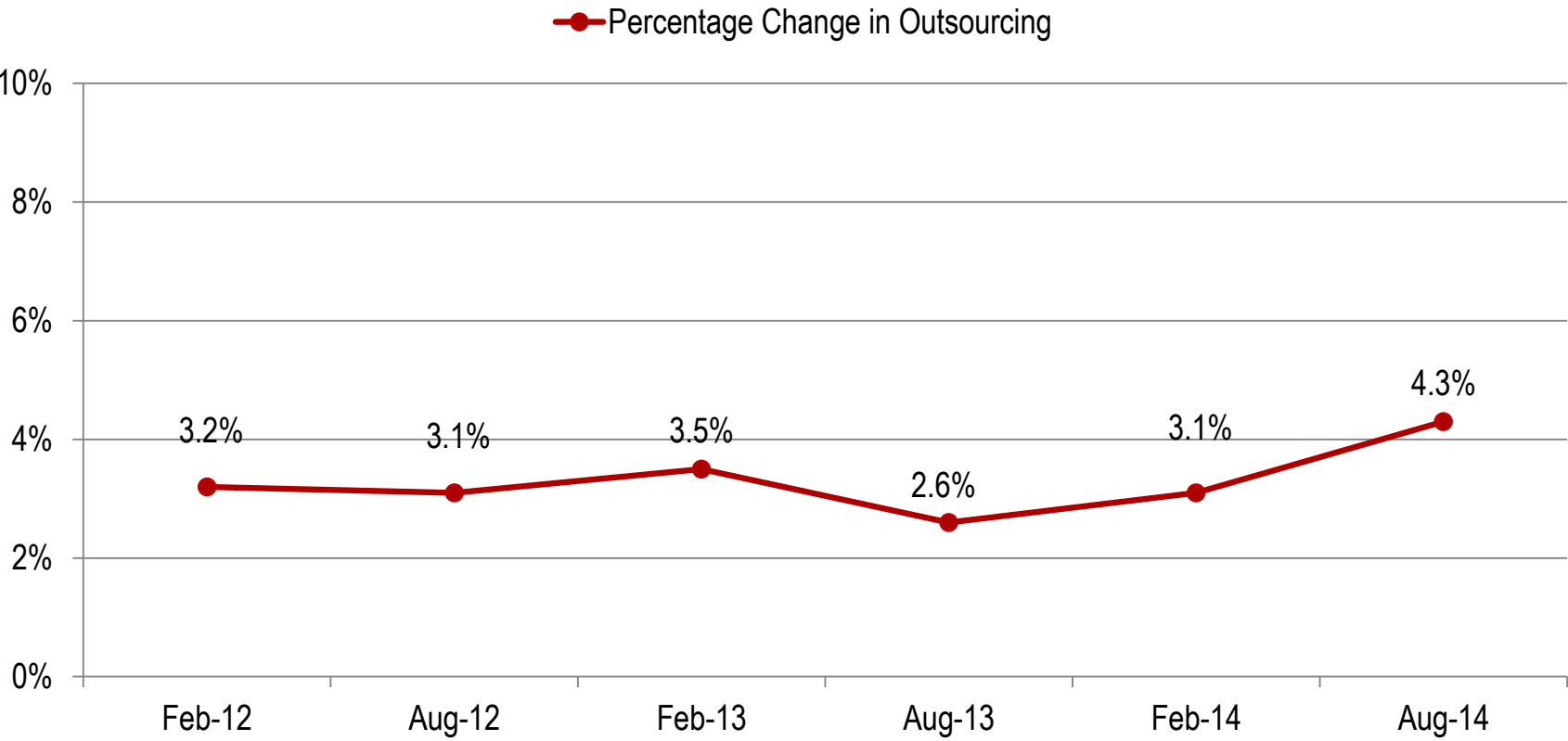


Figure 6.2. Percentage change in marketing hires planned in next 12 months



Outsourcing of marketing jobs increases

Figure 6.3. Percentage of company marketing expected to be outsourced in next 12 months





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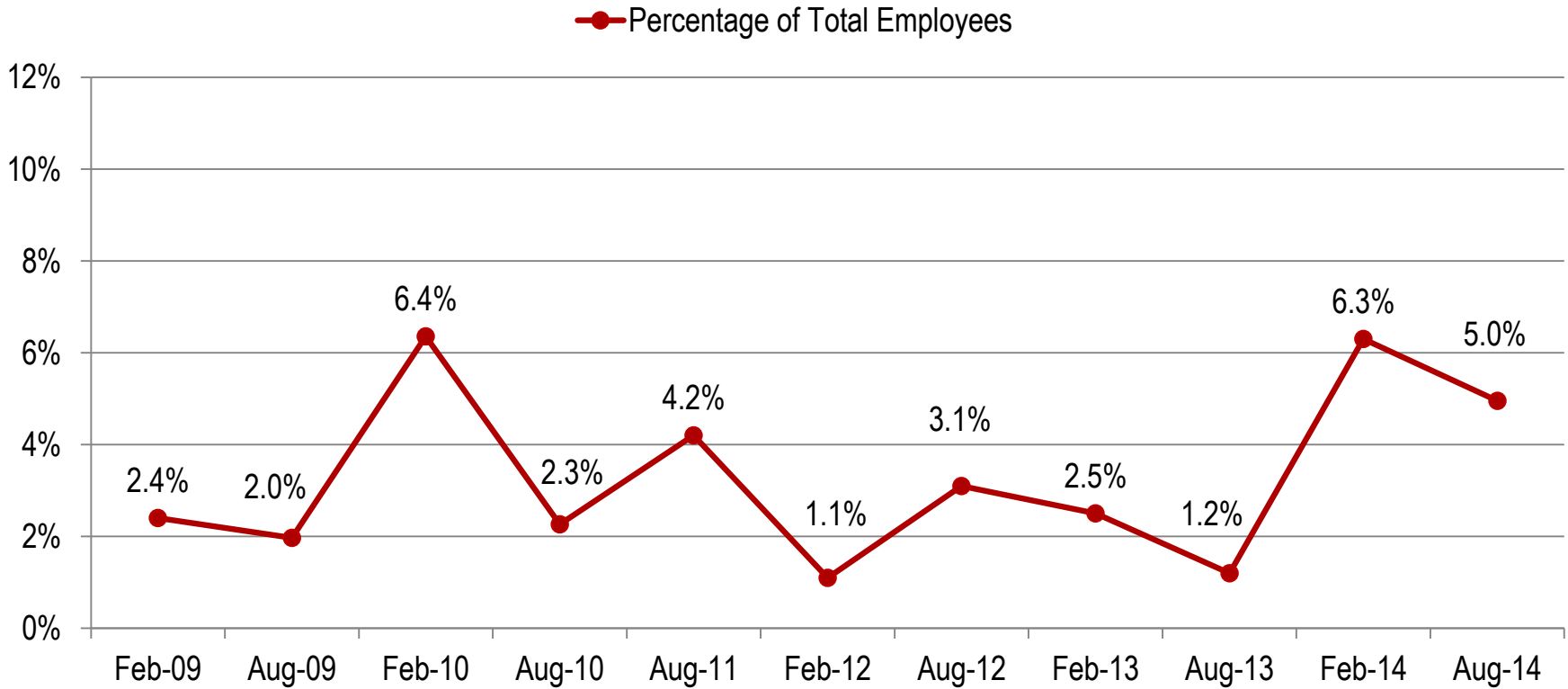
Topic 7:

Marketing Organization



Marketing employees 5% of total

Figure 7.1. Marketing Employees as a Percentage of Total Employees

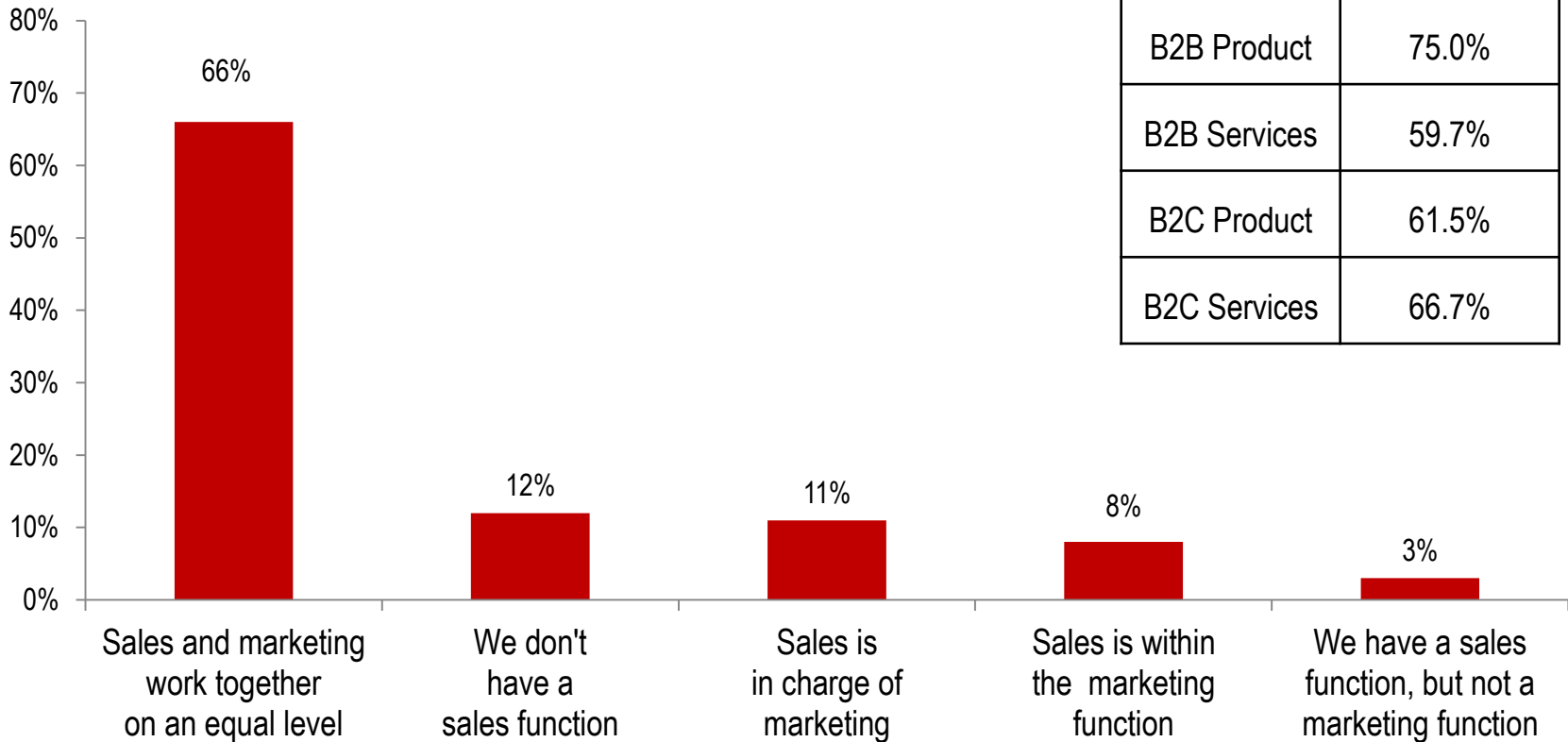


Marketing and sales are equal partners in most companies, esp. B2B Product



Marketplace > Growth > Spending > Performance > Social Media > Jobs > **Organization** > Leadership > Analytics

Figure 7.2. The marketing-sales relationship (% of respondents)



Sales and marketing work together on an equal level	
B2B Product	75.0%
B2B Services	59.7%
B2C Product	61.5%
B2C Services	66.7%



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Topic 8:

Marketing Leadership



Marketing leadership erosion in key strategic areas

Table 8.1. Percentage of companies in which marketing leads activity*

Activity	Aug-13	Aug-14
Brand	80.7%	84.4%
Advertising	83.9%	83.9%
Social media	74.9%	78.4%
Positioning	76.7%	76.9%
Promotion	80.3%	74.9%
Marketing analytics**	69.1%	68.3%
Public relations	62.3%	65.8%
Marketing research	66.4%	65.3%
Competitive intelligence	55.6%	57.3%
Lead generation	56.1%	56.3%
Market entry strategies	54.7%	52.3%
New products	48.4%	41.7%
CRM	40.4%	38.2%
Pricing	37.2%	32.2%
Targeting/Market selection	39.9%	30.7%
Innovation	32.7%	30.2%
Sales	27.8%	26.6%
Customer service	22.0%	19.6%
Stock market performance	3.1%	2.5%

Weaker marketing leadership:

- Promotion
- Marketing research
- Market entry
- New products
- CRM
- Pricing
- Target/Market selection
- Innovation
- Customer service

Stronger marketing leadership:

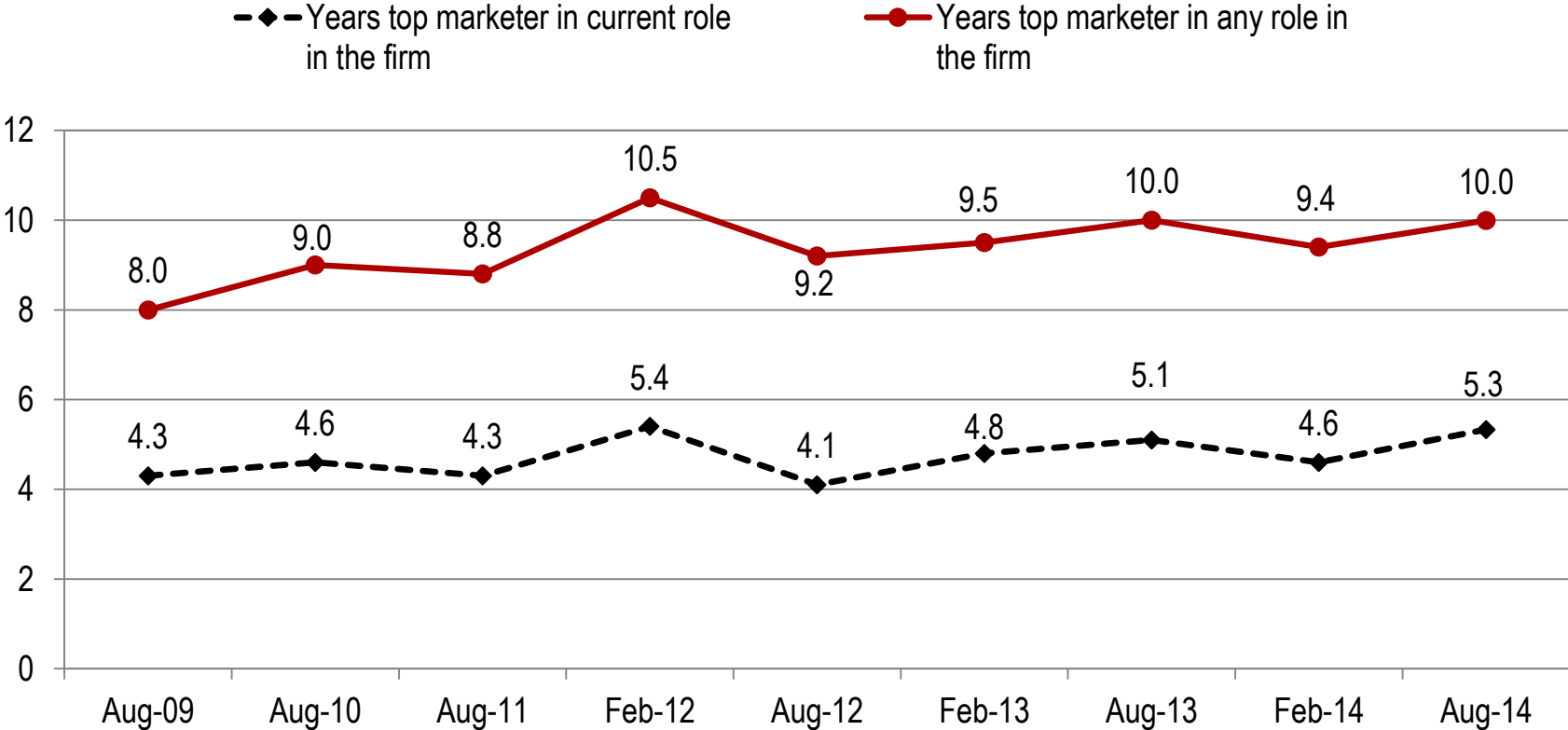
- Brand
- Social media
- Public relations
- Competitive intelligence

* Red indicates marketing's influence has decreased, green indicates that marketing's influence has increased, and changes of 1% or less are classified as no change.

Marketing leaders retained for an average of 5.3 years; likely to be insiders

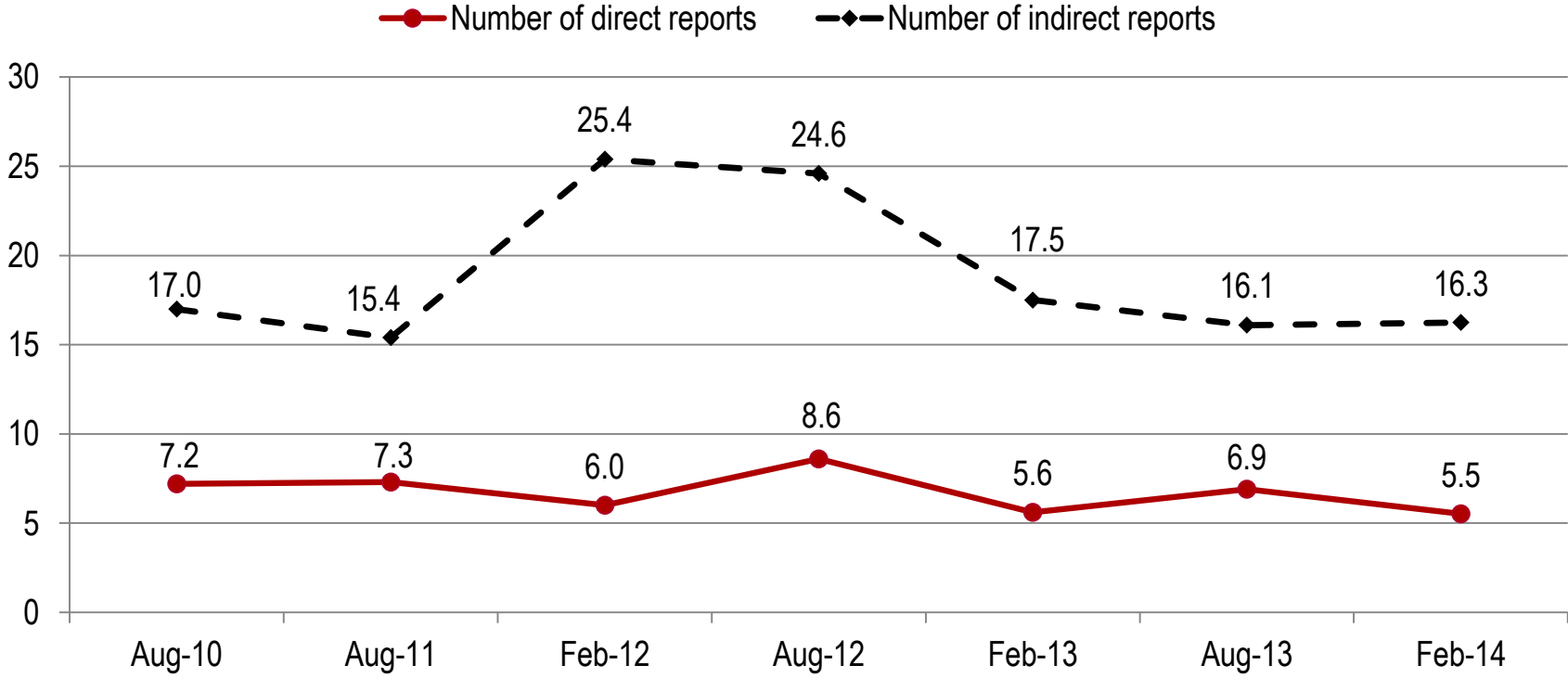


Figure 8.1. Marketing leader retention



Number of people reporting to top marketer

Figure 8.2. Number of people reporting to top marketer



Increasing pressure to prove the value of marketing

Figure 8.3. Do you feel pressure from your CEO or Board to prove the value of marketing?

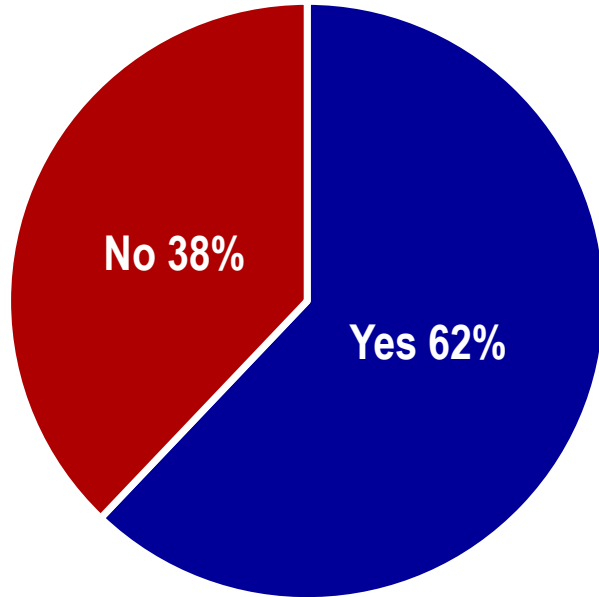
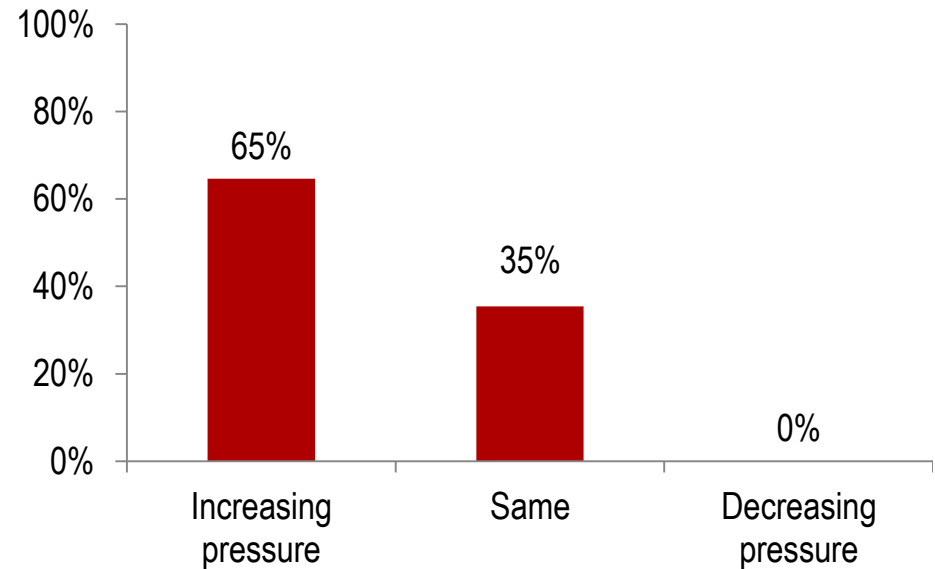


Figure 8.4. Is this pressure increasing, decreasing, or about the same?



Best Practices from Marketing Leaders:

See full interviews at www.cmosurvey.org/cmo-insights/



Senior Vice President and Chief Marketing Officer Beth Comstock discusses how GE approaches marketing: “You have to create a platform that invites innovative ideas.” This platform involves four capabilities that have produced an array of new products, services, customers, and business models.



Chief Marketing Officer Kim Feil discusses how she built a marketing function. From insights to accountability, she describes the organization, processes, metrics, and talent management strategies important to this effort.



Executive Vice President and Chief Marketing Officer Geert van Kuyck shares ideas on building the essential skill set for CMOs and the importance of defining the CMO’s mission. He discusses the use of the Net Promoter Score and other metrics to evaluate business results at Philips, touching on Philips’ engagement with LinkedIn and social media metrics.



Executive Vice President and Chief Marketing Officer Stephen Quinn describes how Walmart rebuilt its customer focus. Key steps involved harnessing internal support, generating market insight, using customer-focused metrics, living the brand internally, and building marketing talent.



Global Marketing Officer Marc Pritchard shares views on how marketing contributes to P&G’s performance. He talks about how P&G learns about customers and how it is relentless in its attention to building loyal customers and strong brands in the store, on the web, and around the world.





Predicting the future of marketing
Tracking marketing excellence
Improving the value of marketing

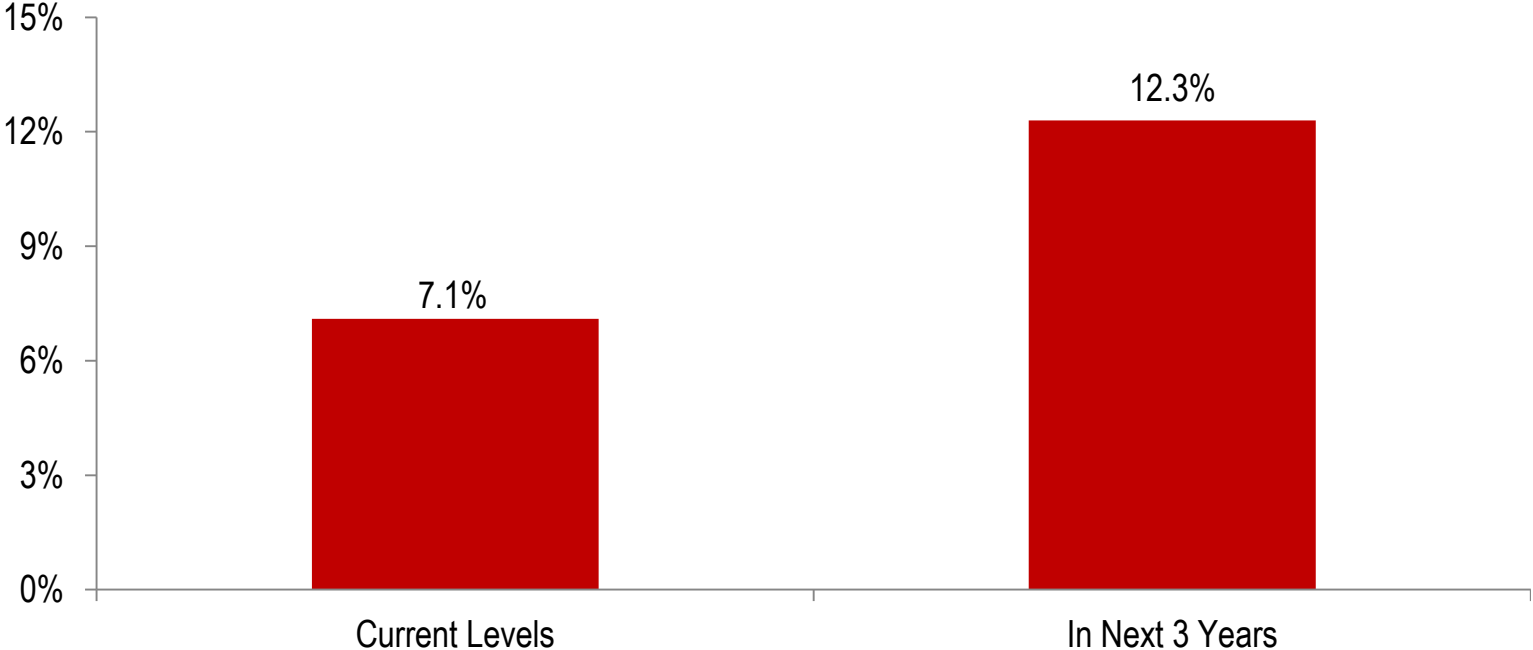
Topic 9: Marketing Analytics



Spending on marketing analytics expected to increase 73% in three years



Figure 9.1. Percent of marketing budget spent on marketing analytics



Spending on marketing analytics by firm and industry characteristics

Table 9.1a. Firm sector differences

	Current	In Next 3 years
B2B Product	8.2%	13.1%
B2B Services	7.1%	12.0%
B2C Product	5.4%	9.8%
B2C Services	7.3%	14.4%

Table 9.1c. Firm size differences

	Current	In Next 3 years
<\$25M	6.6%	11.2%
\$26-99M	5.8%	10.2%
\$100-499M	6.9%	11.9%
\$500-999M	7.5%	13.0%
\$1-9.9B	8.1%	15.1%
\$10+B	9.8%	13.9%

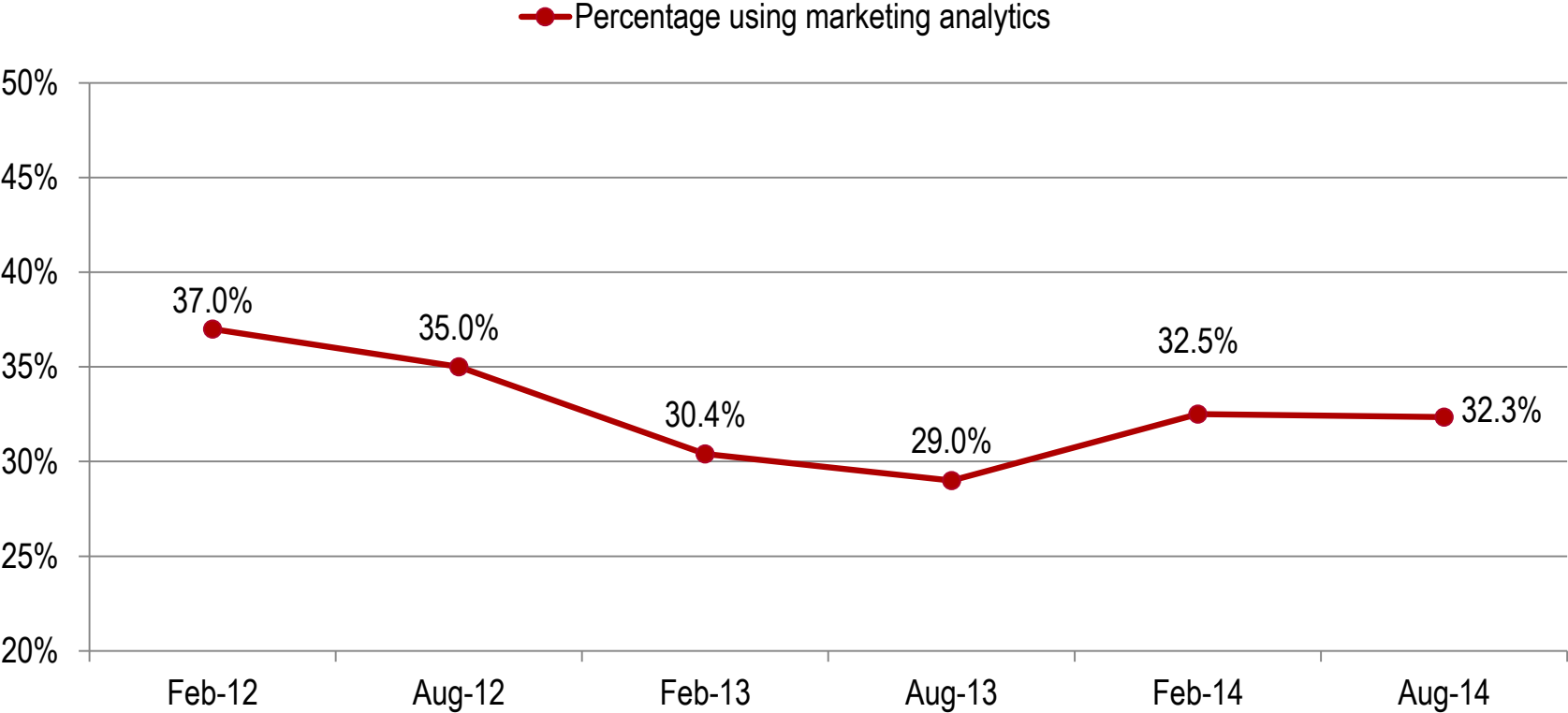
Table 9.1b. Firm internet sales differences

	Current	In Next 3 years
0%	6.5%	11.8%
1-10%	7.5%	12.5%
>10%	7.9%	13.2%

Only one-third of projects use marketing analytics; no improvement despite spending



Figure 9.2. Percentage of projects using available or requested marketing analytics*

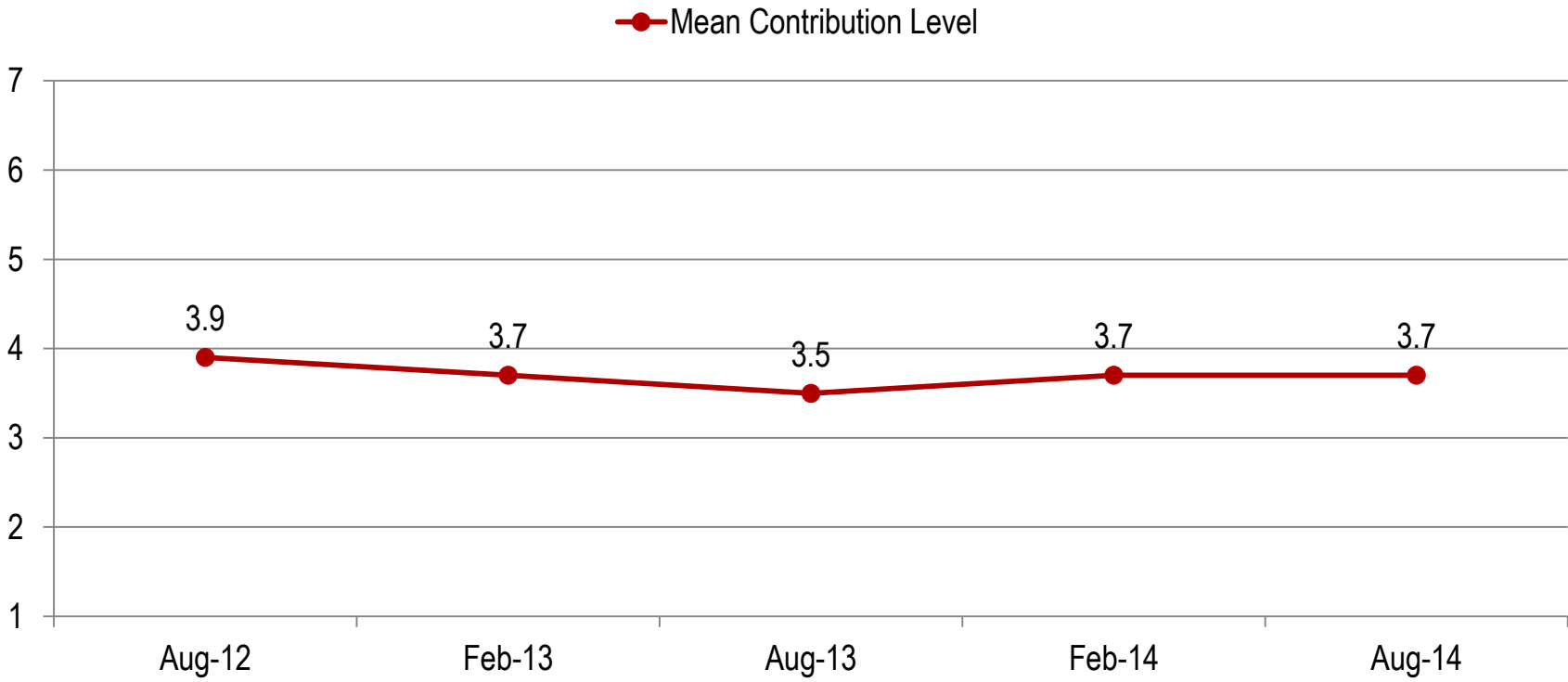


*This question was asked in Feb-12 for the first time.

Contribution of marketing analytics remains low and is not improving



Figure 9.3. To what degree does the use of marketing analytics contribute to your company's performance? 1 = Not at all and 7 = Very highly



*This question was asked in Feb-12 for the first time.

Marketing analytics contributions by sector and firm differences



To what degree does the use of marketing analytics contribute to your company's performance?
(1=Not At All, 7=Very Highly)

Table 9.2a. Industry sector differences

Sector	Mean (SD)
Banking/Finance/Insurance	3.6 (1.7)
Communications/Media	4.0 (2.1)
Consumer Packaged Goods	4.0 (2.0)
Energy	4.0 (2.2)
Healthcare/Pharma.	4.2 (1.7)
Manufacturing	3.3 (1.6)
Mining/Construction	4.0 (0.0)
Retail/Wholesale	4.1 (2.3)
Service/Consulting	2.9 (1.9)
Tech Software Biotech	4.3 (1.7)
Transportation	4.2 (0.8)

Table 9.2b. Economic sector differences

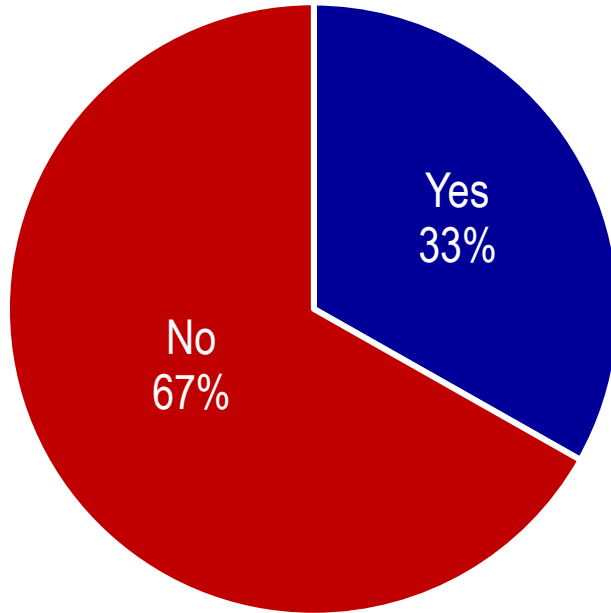
Sector	Mean (SD)
B2B Product	3.6 (1.6)
B2B Services	3.4 (1.9)
B2C Product	4.3 (2.0)
B2C Services	4.2 (1.9)

Table 9.2c. Firm internet sales differences

	Mean (SD)
0% of sales	3.5 (1.9)
1-10% of sales	3.7 (1.7)
>10% of sales	4.2 (1.9)

Majority of companies do not evaluate marketing analytics

Figure 9.4. Does your company formally evaluate the quality of marketing analytics?

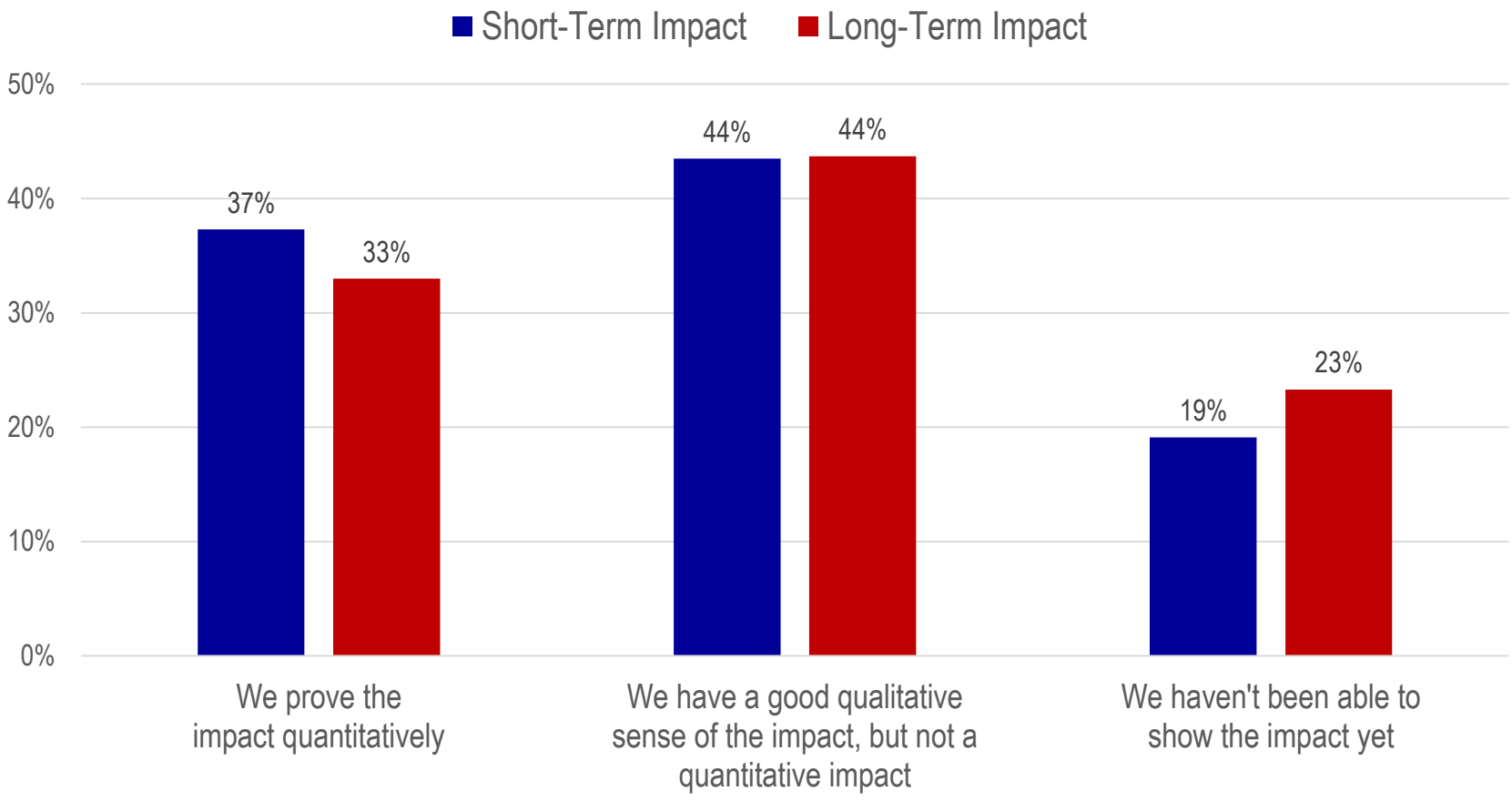


	B2C Services	B2B Services	B2C Product	B2B Product
Yes, evaluate quality	47%	38%	29%	24%
No, do not evaluate quality	53%	62%	71%	76%

Companies lack quantitative metrics to demonstrate impact of marketing spending

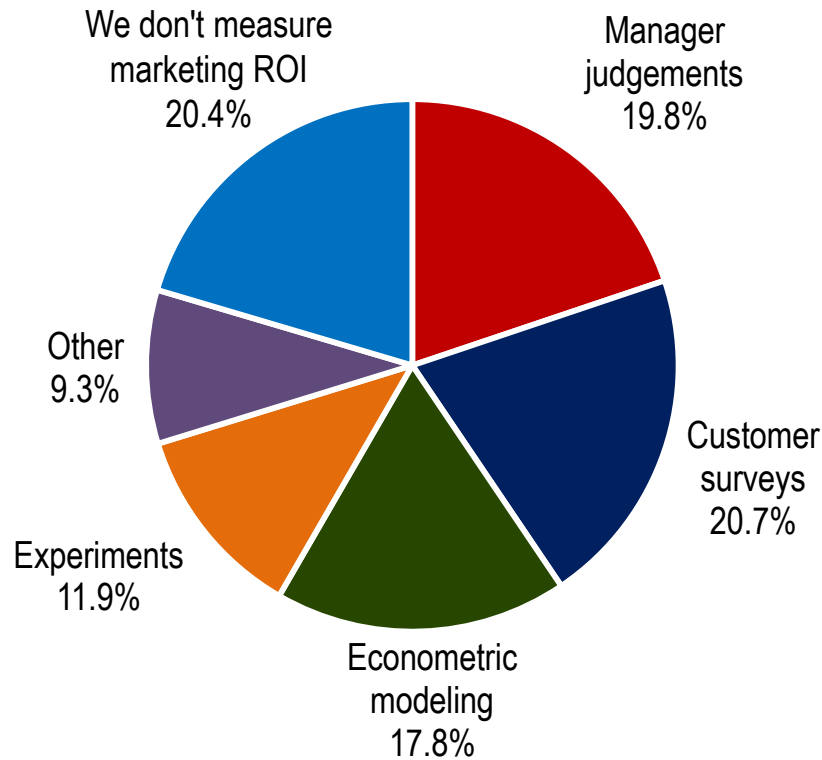


Figure 9.5. Metrics for demonstrating impact of marketing spending on business



How companies measure marketing ROI

Figure 9.8. How companies measure marketing ROI



What percent of your marketing budget do you spend measuring your marketing ROI?

- Mean = 2.31%
- SD = 3.26%
- 95% Confidence interval = 1.83% - 2.79%

Preview



Next survey: January 2015

Participate: Sign up [here](#)

Media: [Press releases and coverage](#)

Feedback: Send comments to moorman@duke.edu

