

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

CMO Survey Report:

Highlights and Insights

Feb. 2015

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 service 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 February 2015 survey was the 13th administration of The CMO Survey.

Sponsoring Organizations

McKinsey & Company



Survey methodology



Survey Sample

- 2630 top U.S. marketers at Fortune 1000, Forbes Top 200, and top marketers who are AMA Members or Duke University Alumni and Friends
- 288 responded for a 10.9% response rate

Survey Administration

- Email contact with four follow-up reminders
- Survey in field from January 13, 2015 - February 3, 2015
- 84.3% of respondents VP-level or above

Results Interpretation

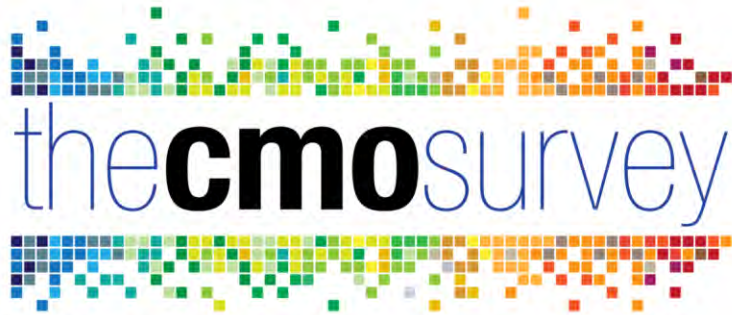
- M = sample mean; SD = sample standard deviation
- B2B = Business-to-Business firms; B2C = Business-to-Consumer firms



Survey topics



Topic 1: Marketplace Dynamics.....	5-9
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Topic 1:

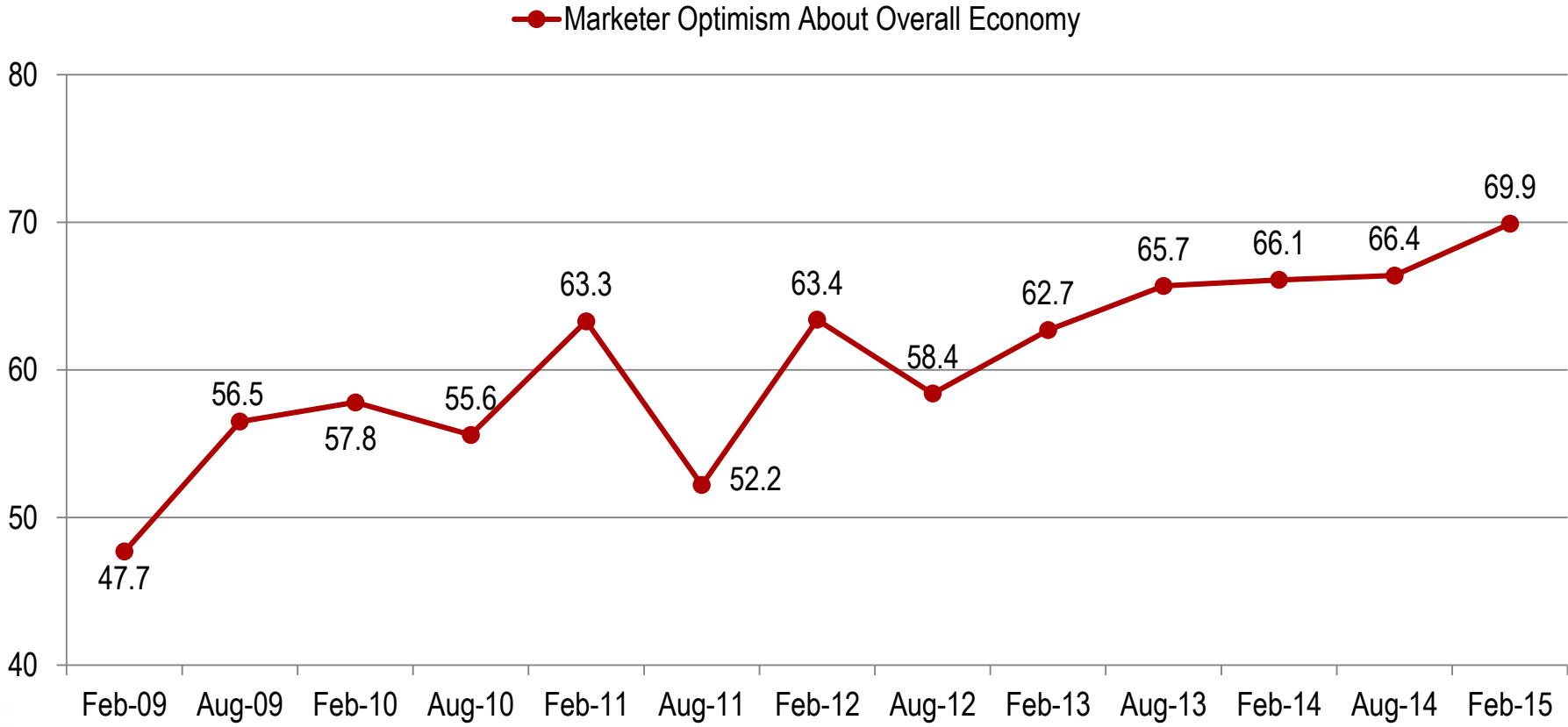
Marketplace Dynamics



Marketer optimism for U.S. economy reaches six year high



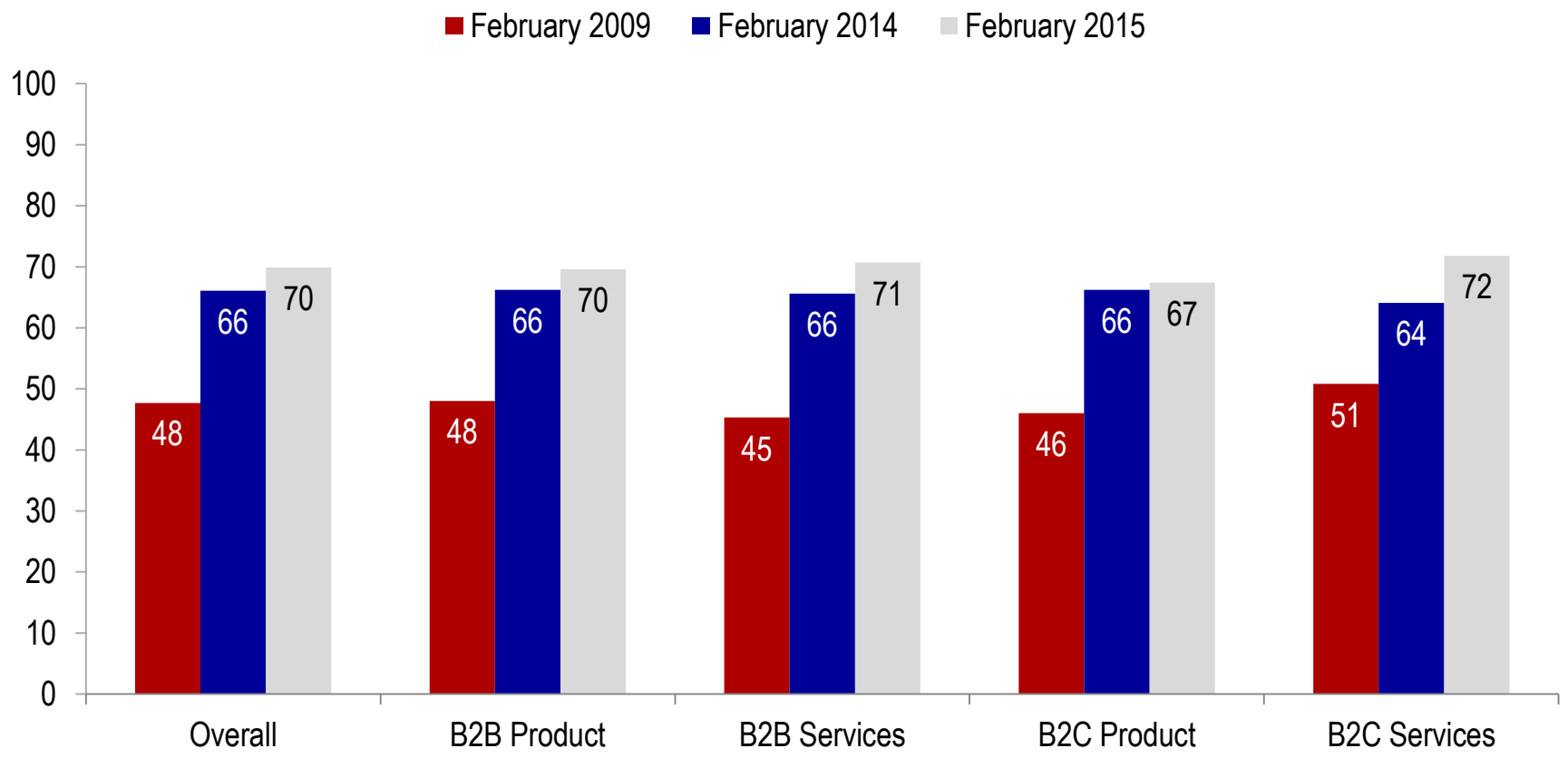
Figure 1.1. How optimistic are you about the overall U.S. economy on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



Optimism for US economy remains high across all sectors

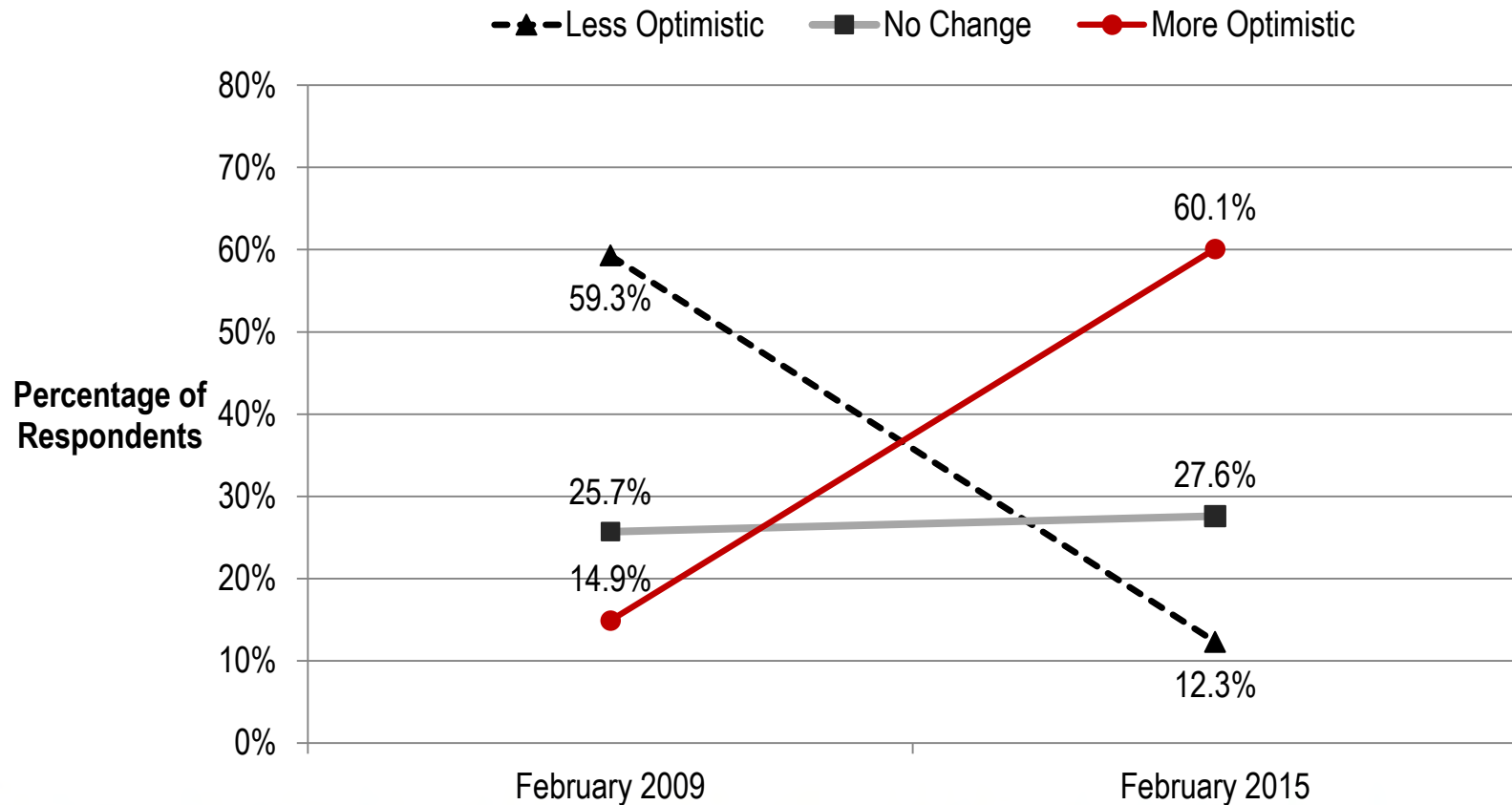


Figure 1.2. How optimistic are you about the overall U.S. economy on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



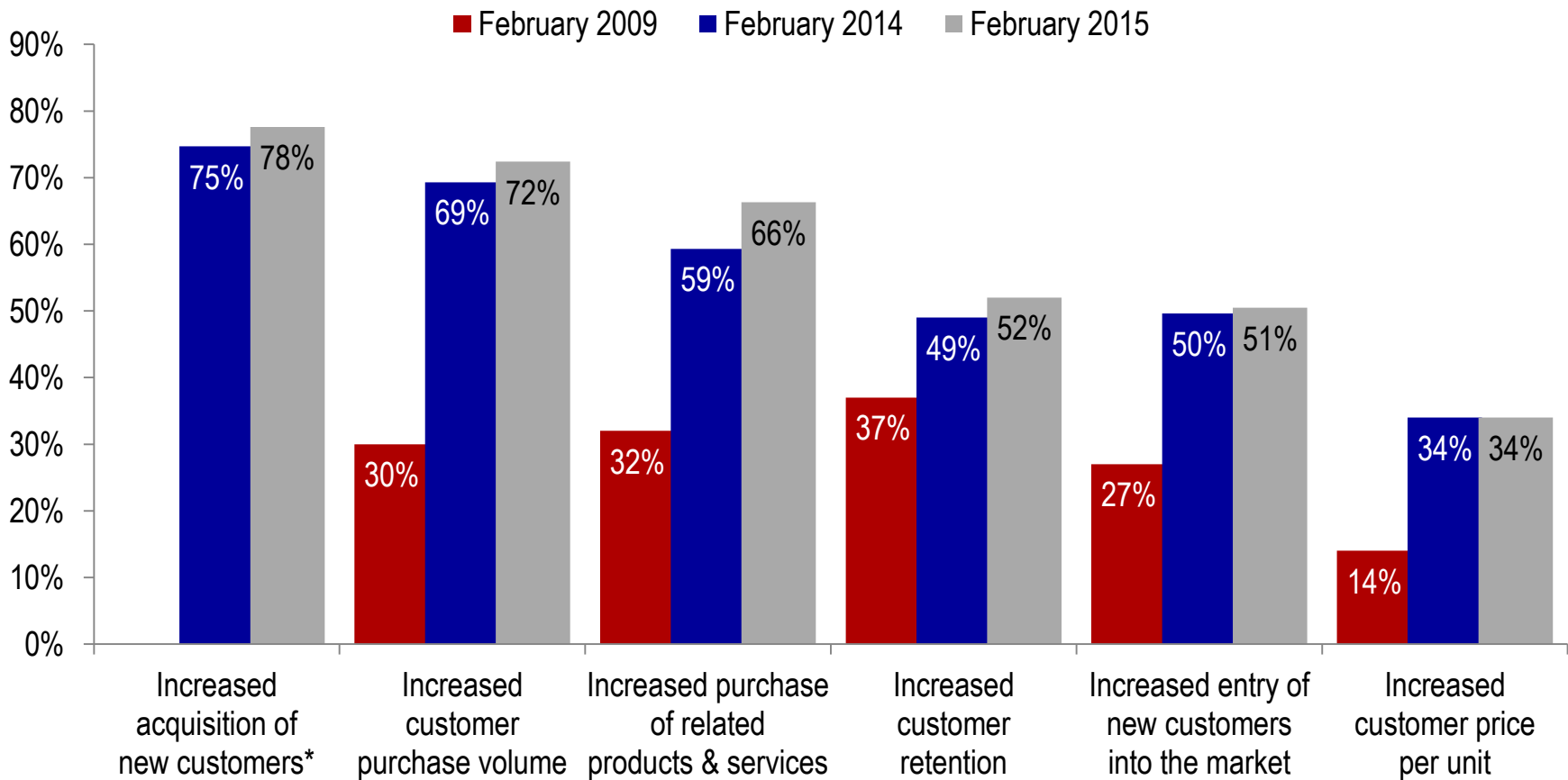
Optimists dominate pessimists: 5-to-1

Figure 1.3. Are you more or less optimistic about the overall U.S. economy compared to last quarter?



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

Figure 1.4. Forecasted customer outcomes in next 12 months (% of respondents)

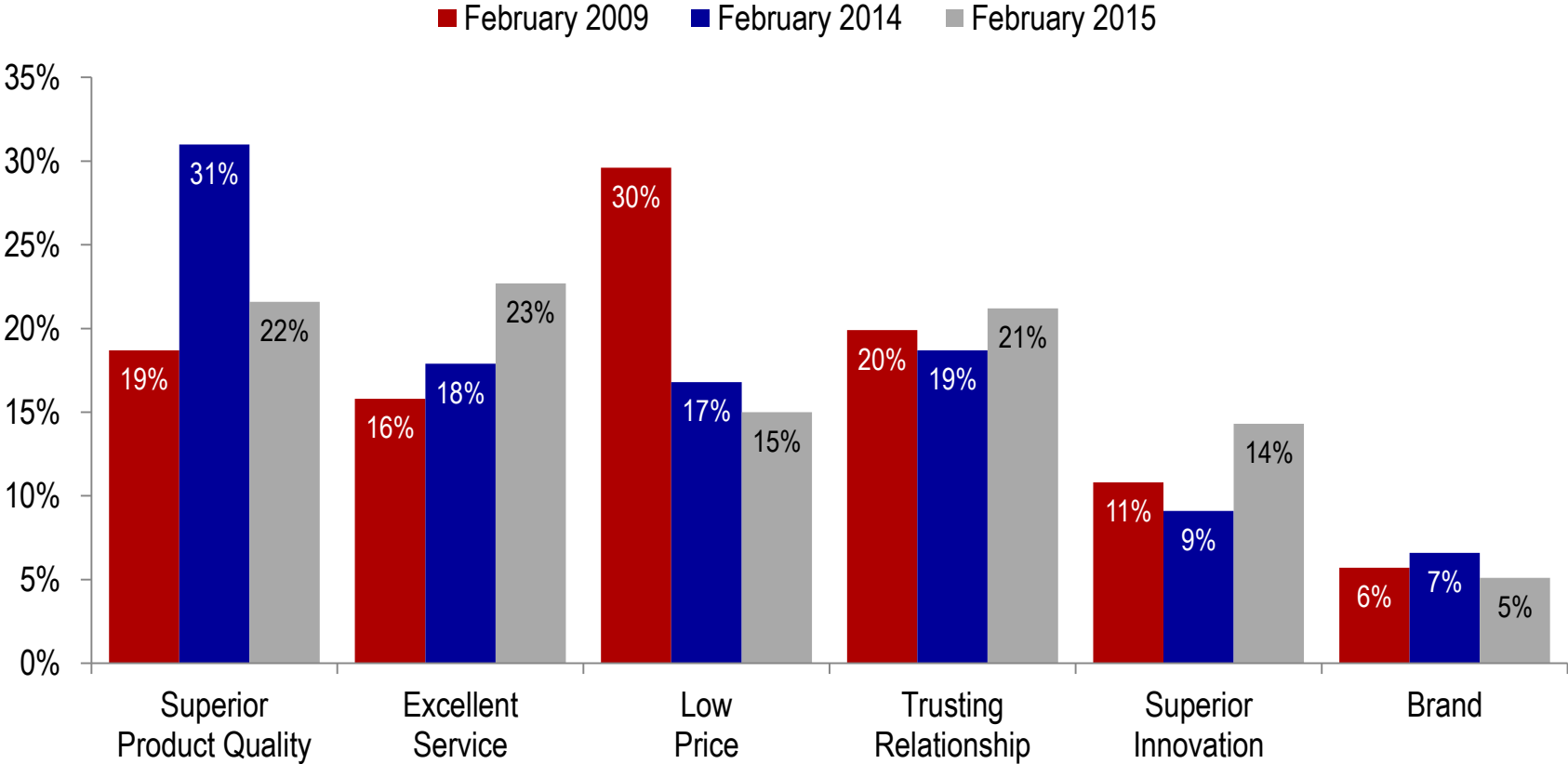


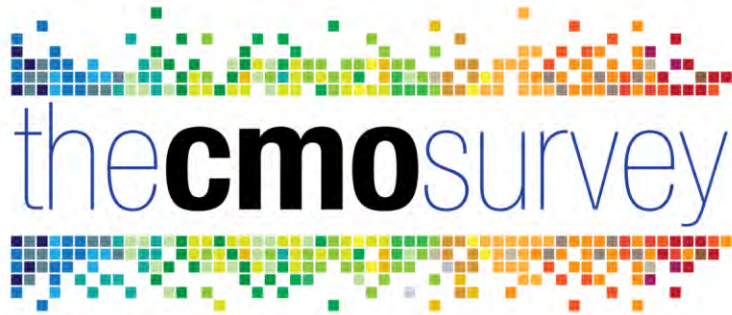
* Question not asked in Feb-09.

Service trumps product as customers' top priority



Figure 1.5. Customers' top priority in next 12 months (% of respondents)





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Topic 2:

Firm Growth Strategies



Firms to decrease market penetration and emphasize riskier growth strategies 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	56.4%	50.0%	-11.3%
Market Development Strategy	15.8%	17.7%	+12.0%
Product/Service Development Strategy	20.4%	22.7%	+11.3%
Diversification Strategy	7.4%	9.6%	+29.7%

* % of spending for each growth strategy

How will firms grow in the next year?

Marketplace

Growth

Spending

Performance

Social Media

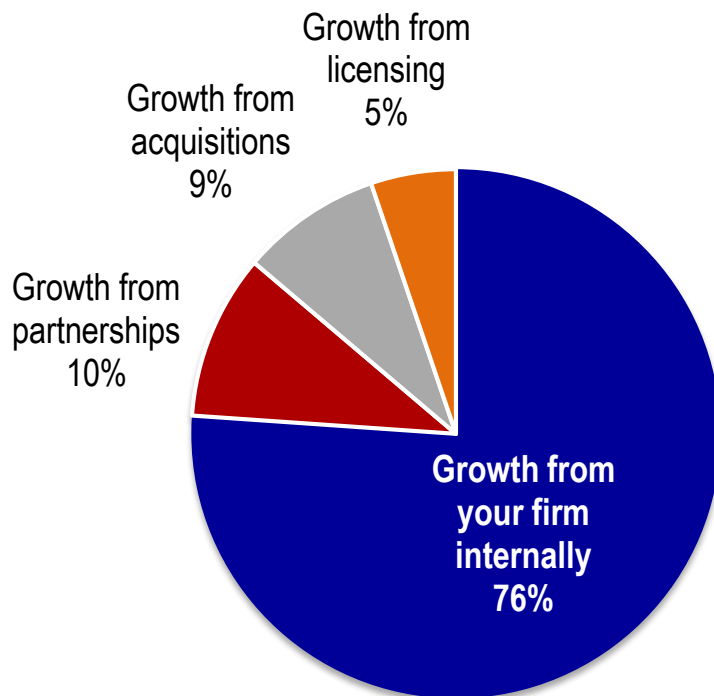
Jobs

Organization

Leadership

Analytics

Figure 2.1. How firms will grow in the next 12 months*



	B2B Product	B2B Services	B2C Product	B2C Services
Growth from within your firm (organic growth)	76%	77%	75%	74%
Growth from partnerships	9%	10%	12%	11%
Growth from acquisitions	8%	10%	7%	10%
Growth from licensing	7%	3%	7%	5%

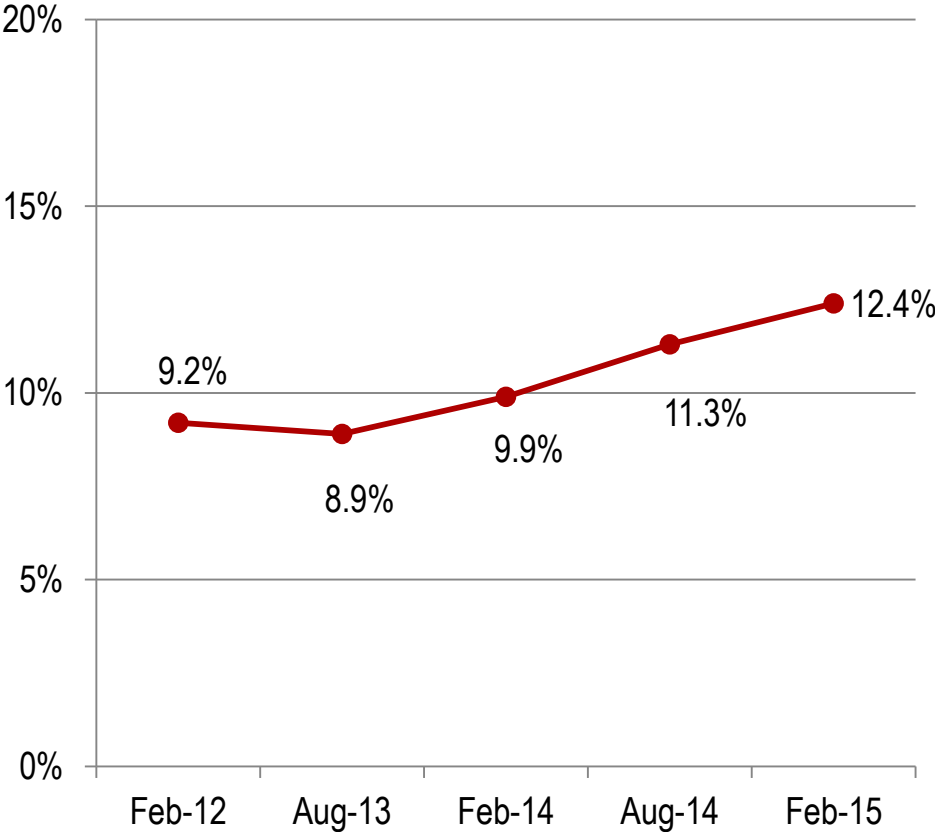
* Percentage of growth spending in each category



Percent of sales through Internet shows steady climb



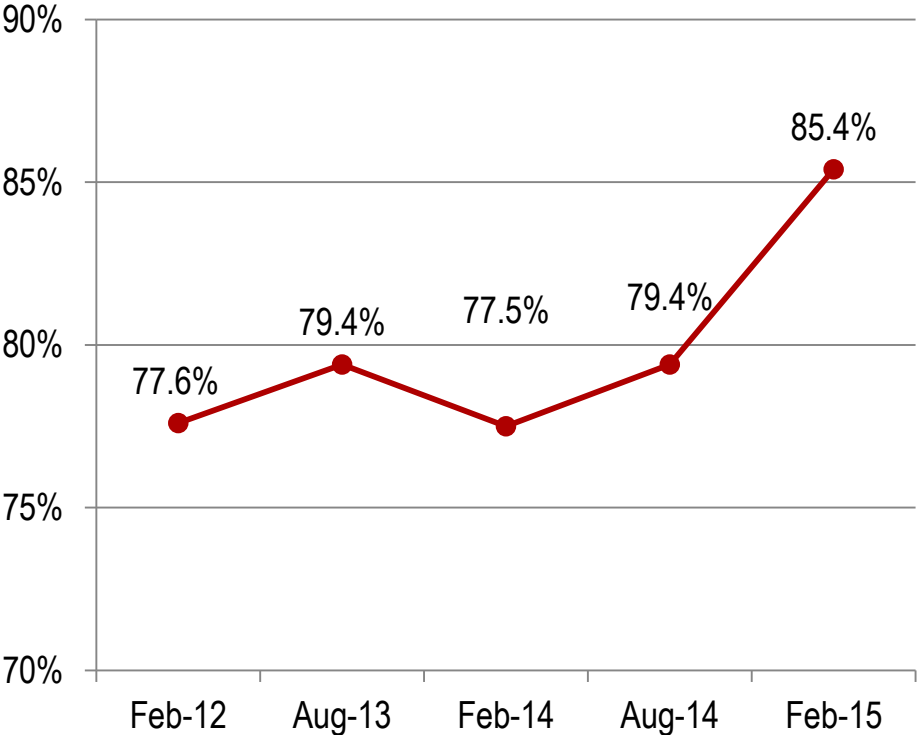
Figure 2.2. Percent of company sales expected via the Internet in next 12 months



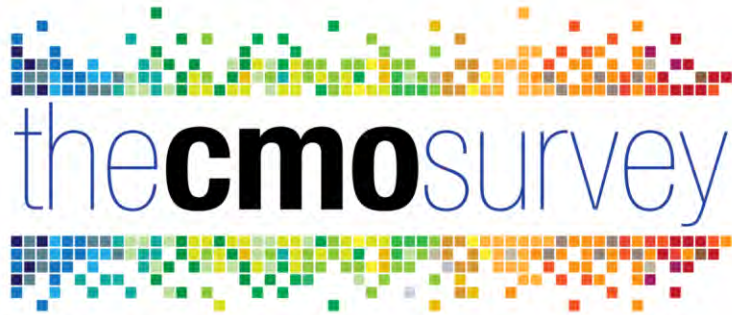
B2B Product	10.2%
B2B Services	10.9%
B2C Product	13.2%
B2C Services	21.7%

85% of sales revenues from domestic markets

Figure 2.3. Percent of company sales that is domestic



B2B Product	78.0%
B2B Services	88.9%
B2C Product	87.0%
B2C Services	87.0%



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Topic 3:

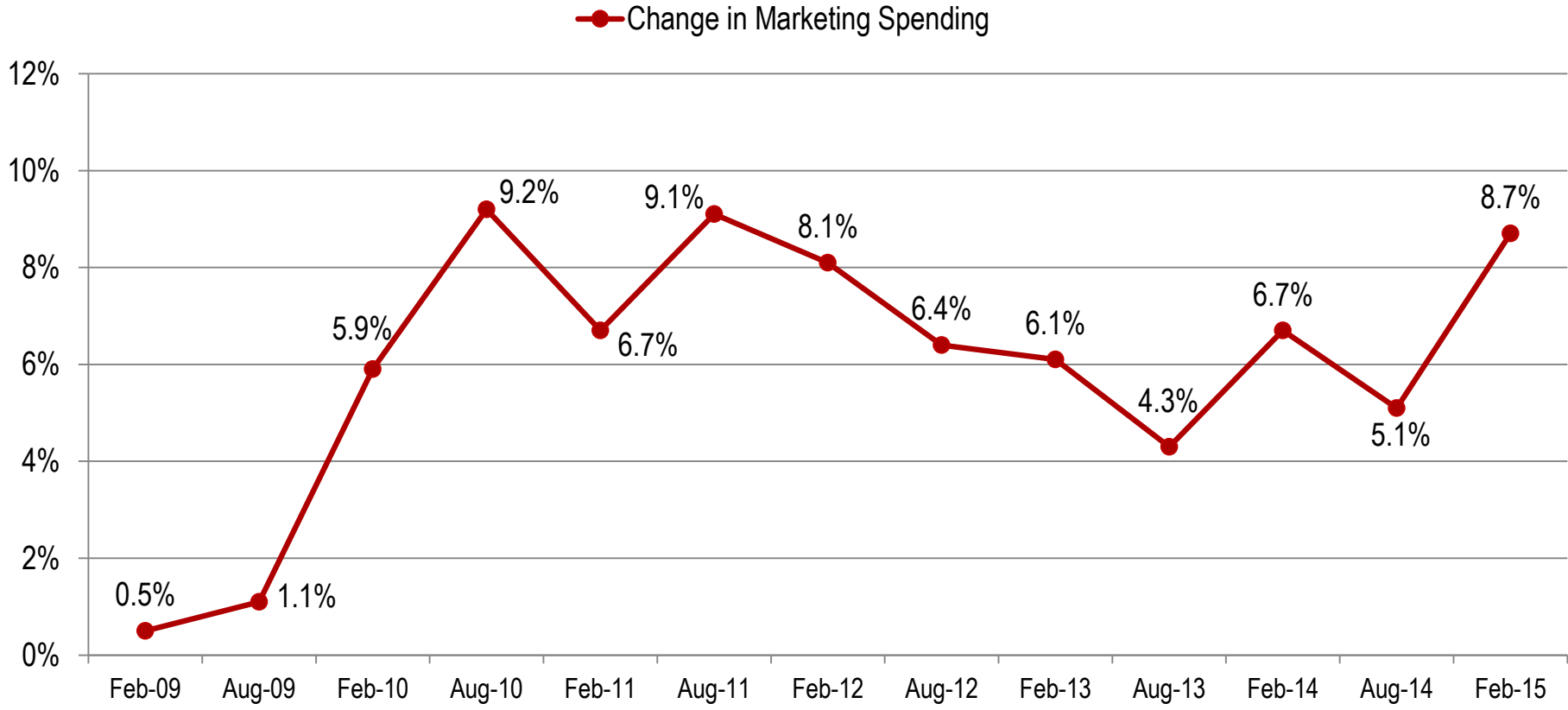
Marketing Spending



Marketing budgets expected to rebound to highest point in 3 years



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



Sector differences in marketing spend

Marketplace

Growth

Spending

Performance

Social Media

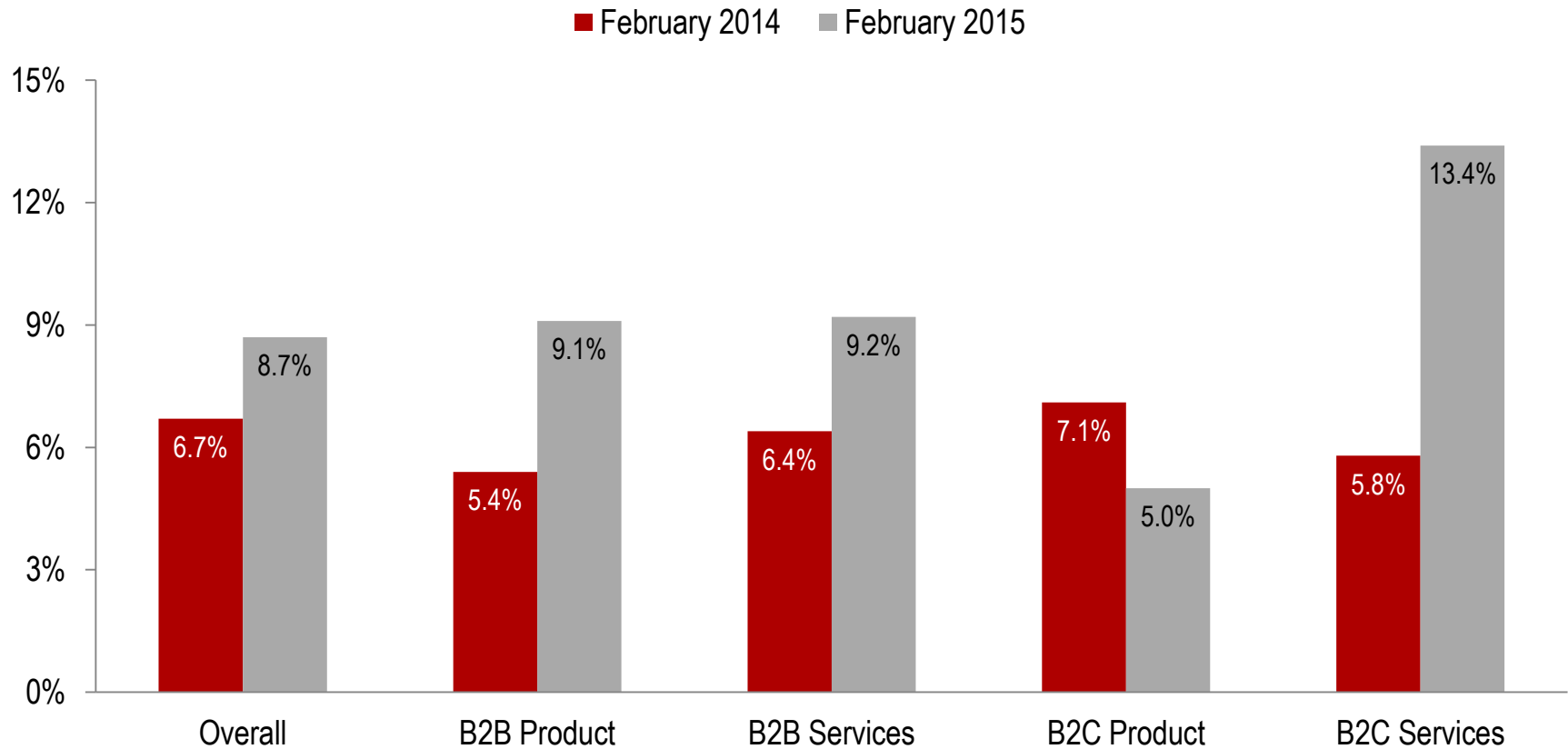
Jobs

Organization

Leadership

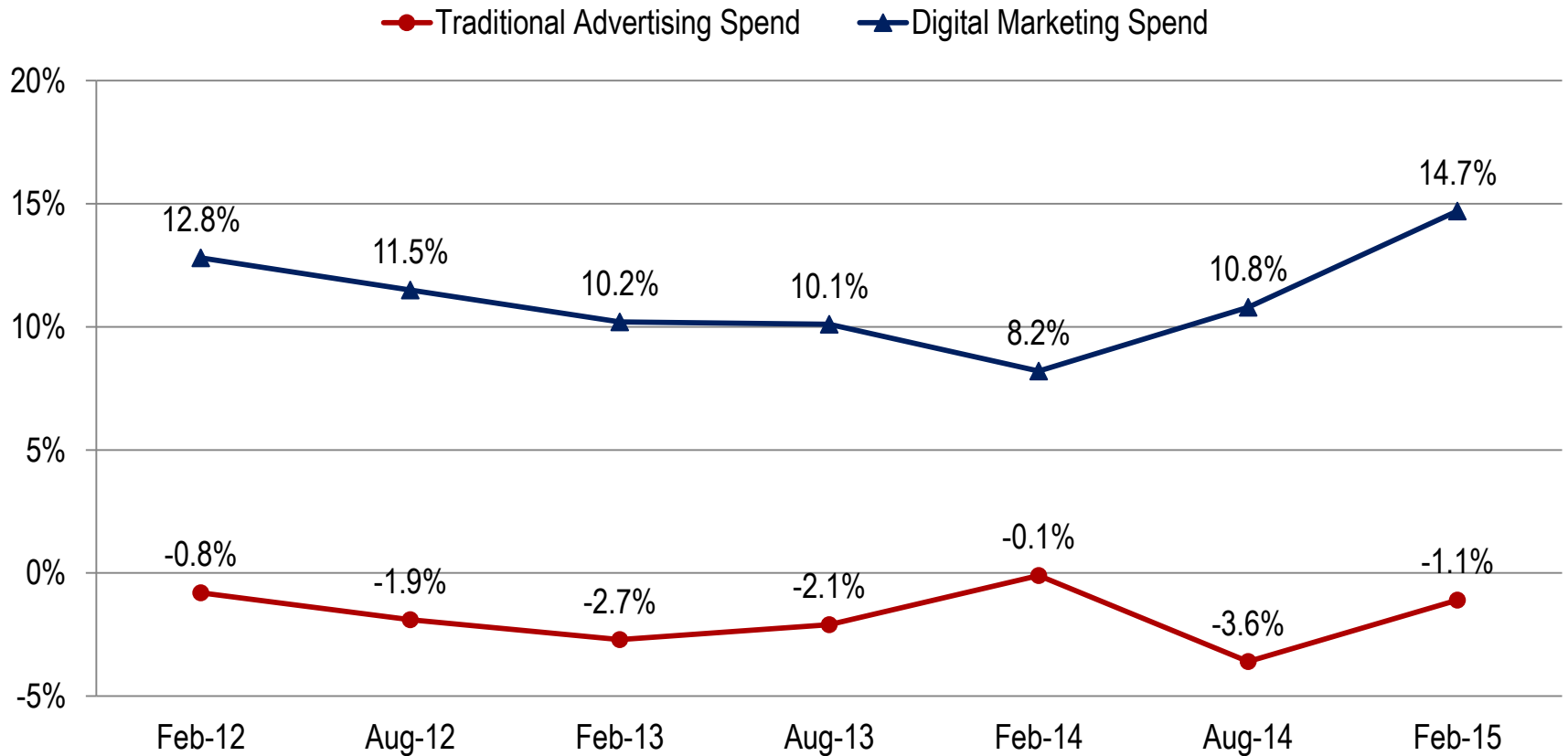
Analytics

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



Digital marketing spend to increase 14.7% in next year

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

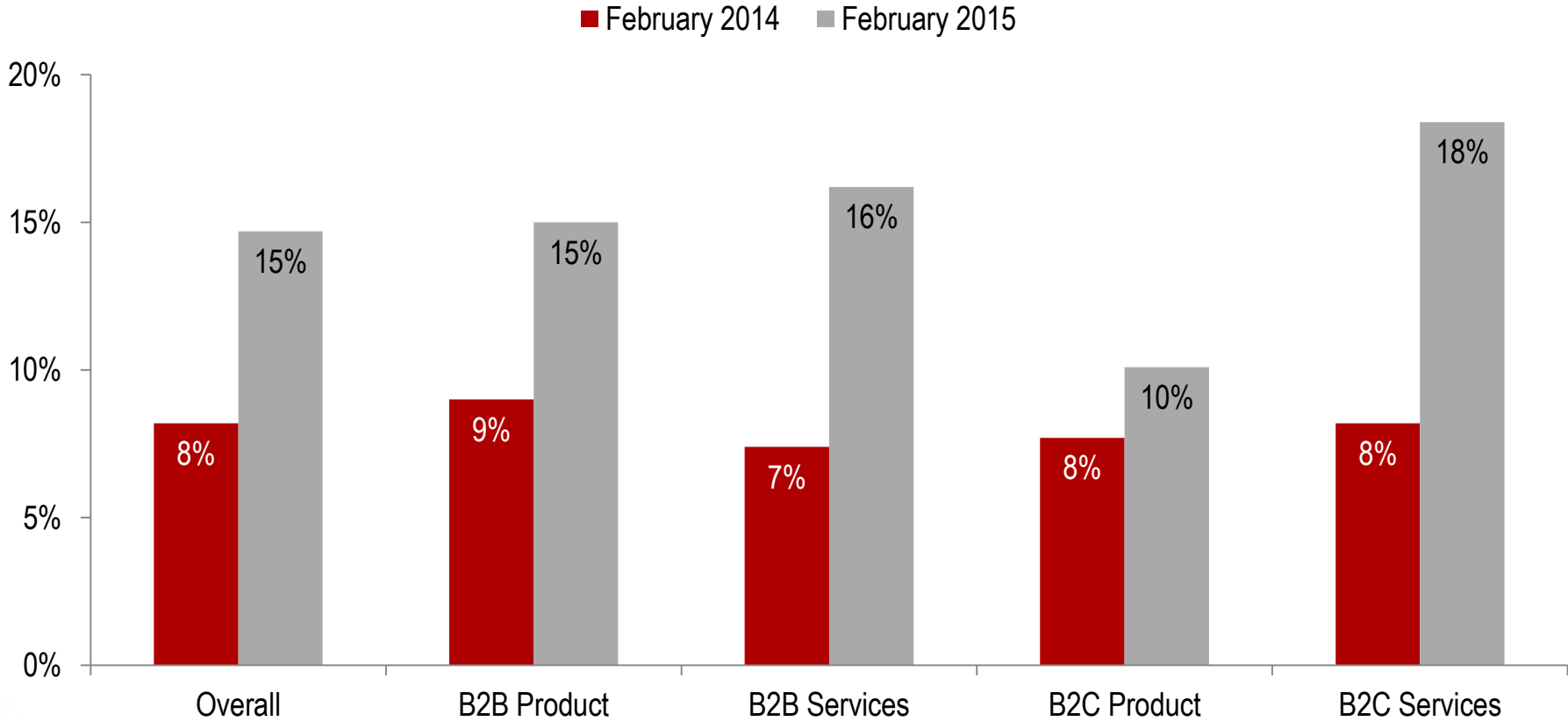


*Refers to media advertising not using the web.

Digital marketing spend increases across sectors



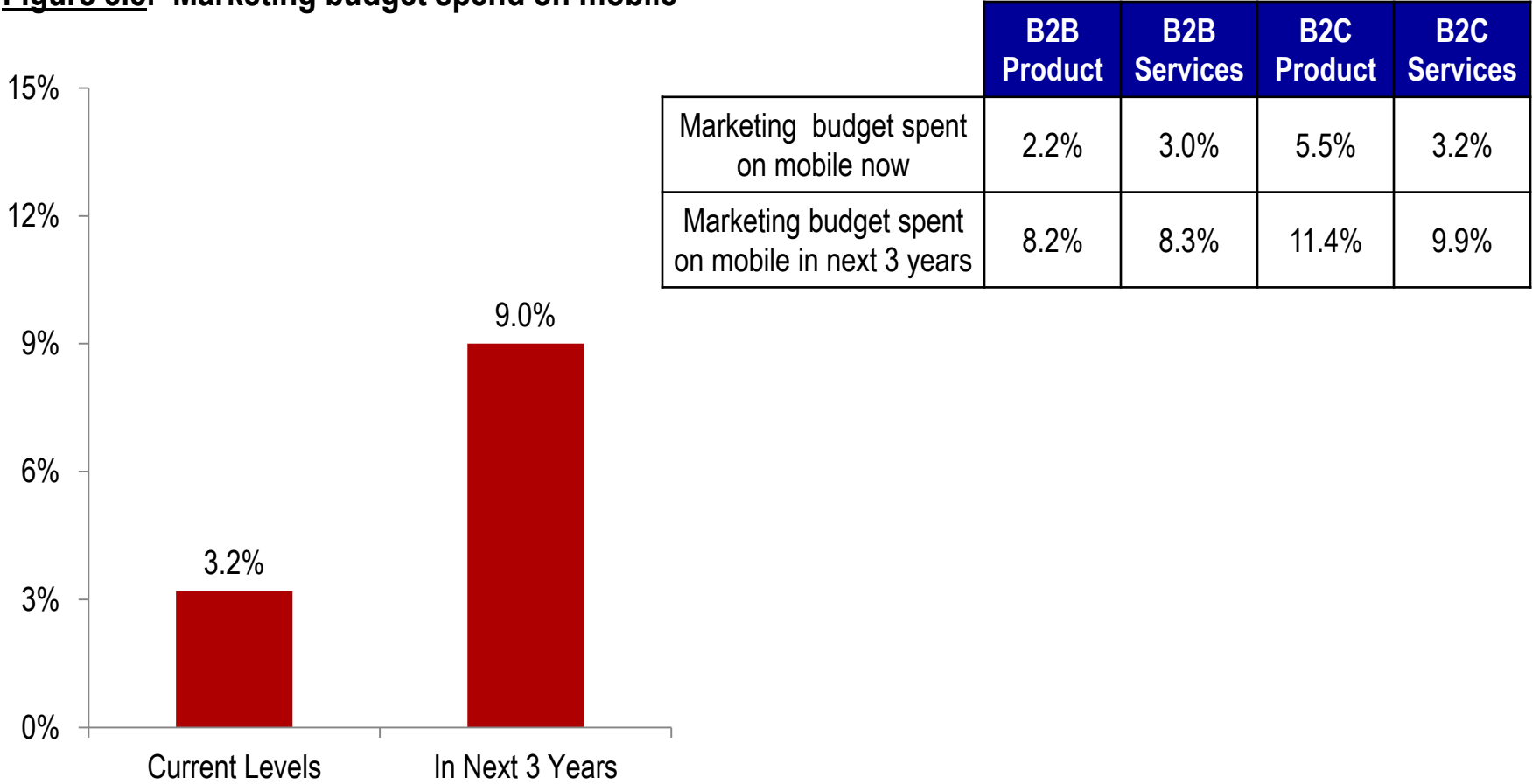
Figure 3.4. Change in digital marketing spending in next 12 months by sector



Marketing spend on mobile expected to triple in three years



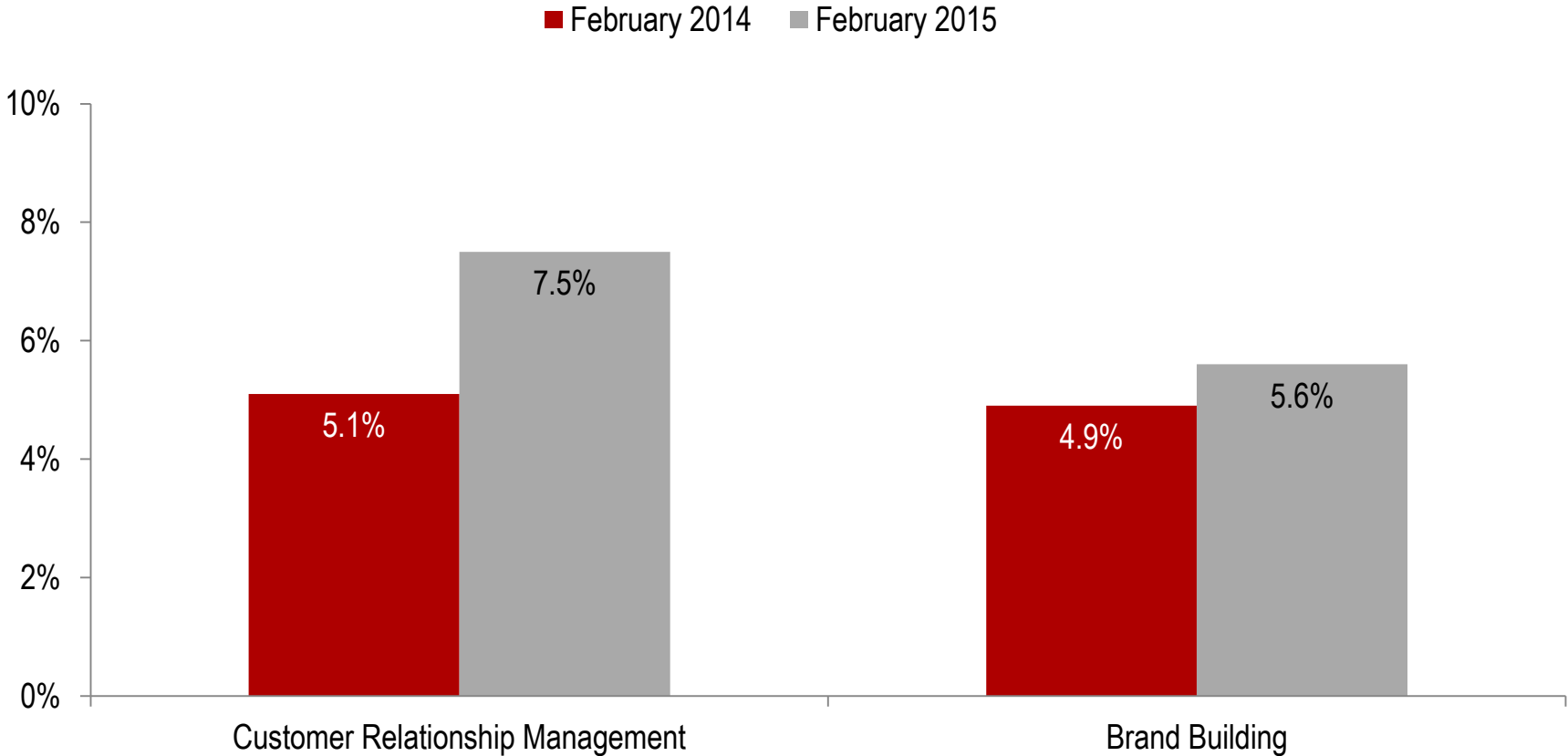
Figure 3.5. Marketing budget spend on mobile



Brand and customer investments remain strong

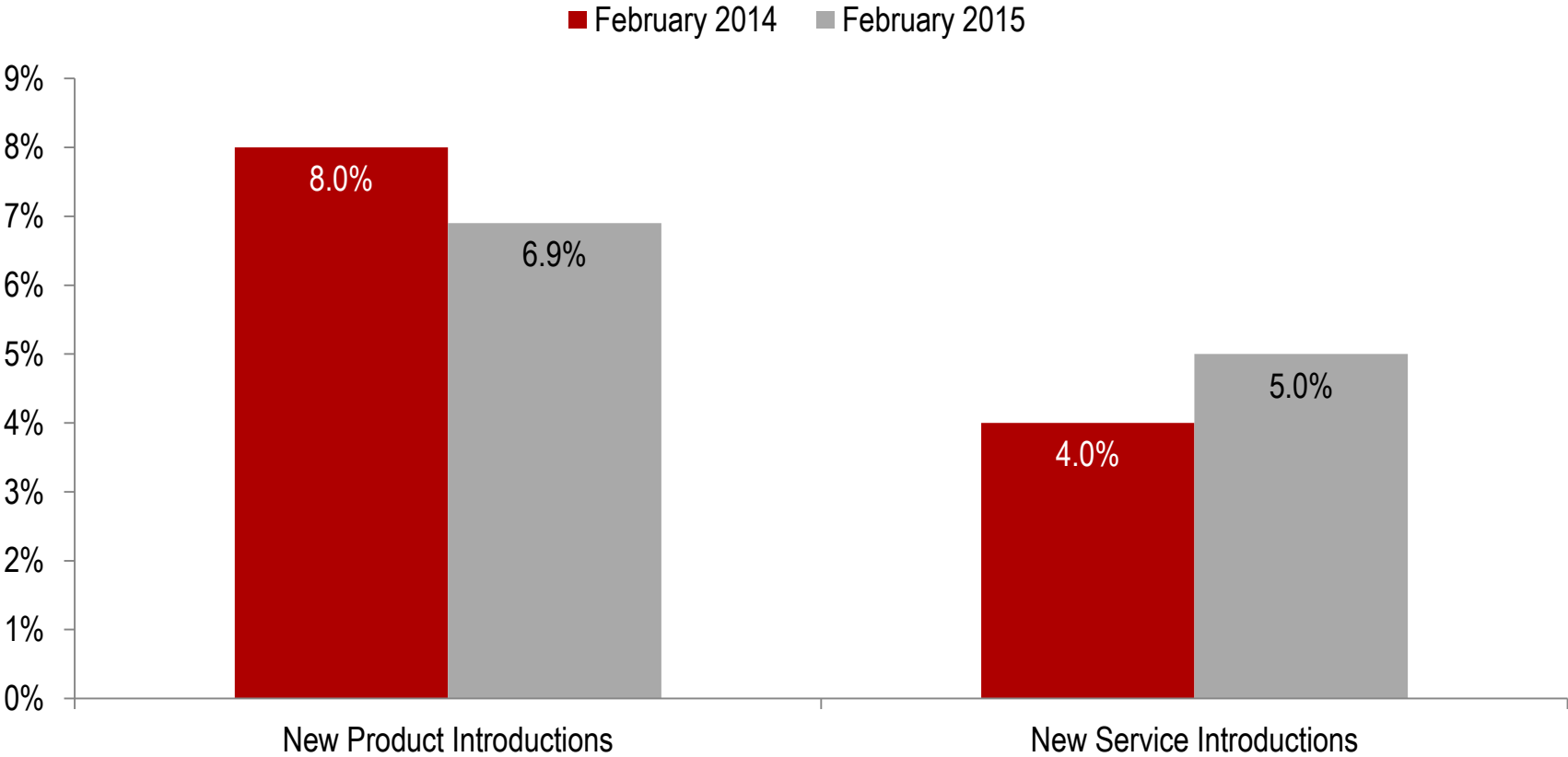


Figure 3.6. Percent change in marketing spending in next 12 months



Spending for service introductions inches up

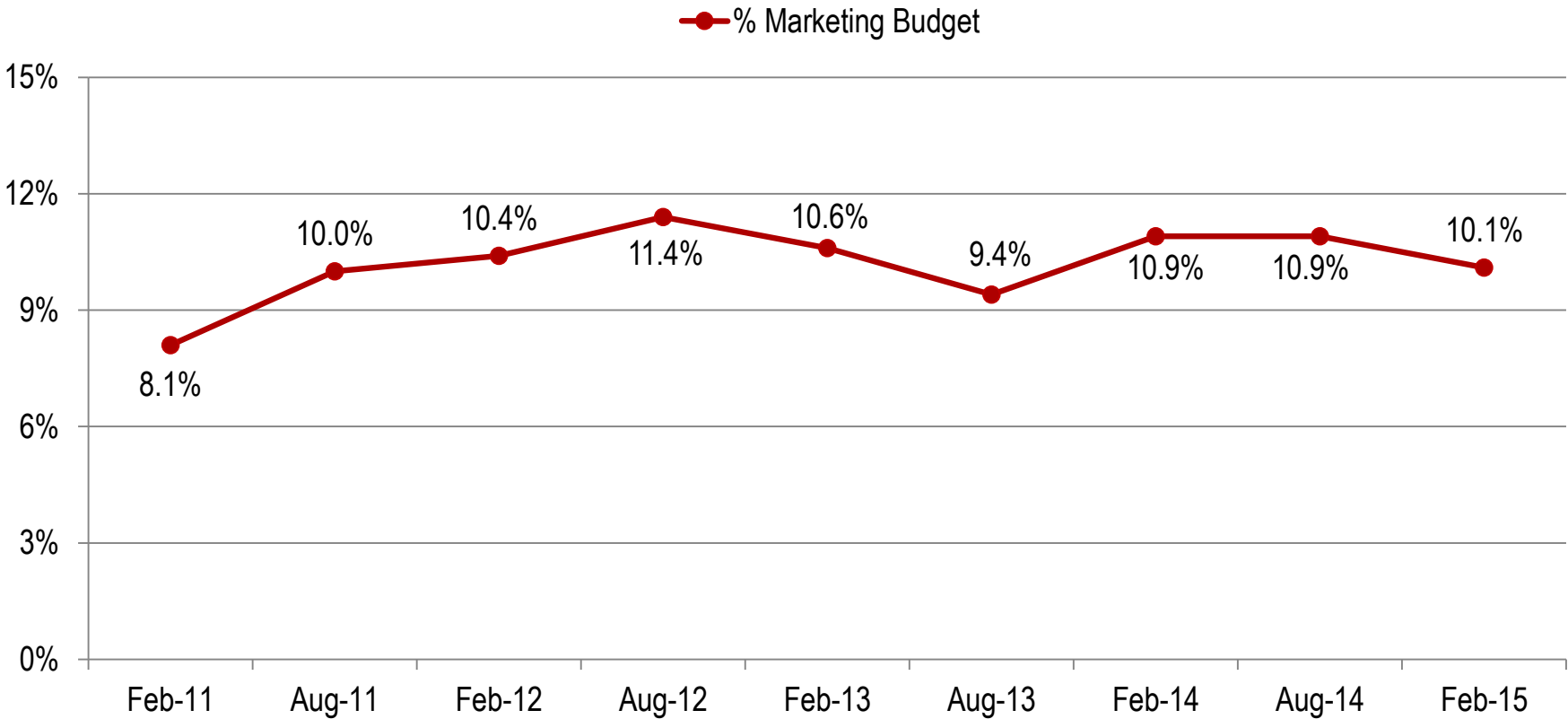
Figure 3.7. Percent change in marketing spending in next 12 months



Marketing budgets represent 10% of overall firm budgets



Figure 3.8. Marketing budget as a percent of firm budget*

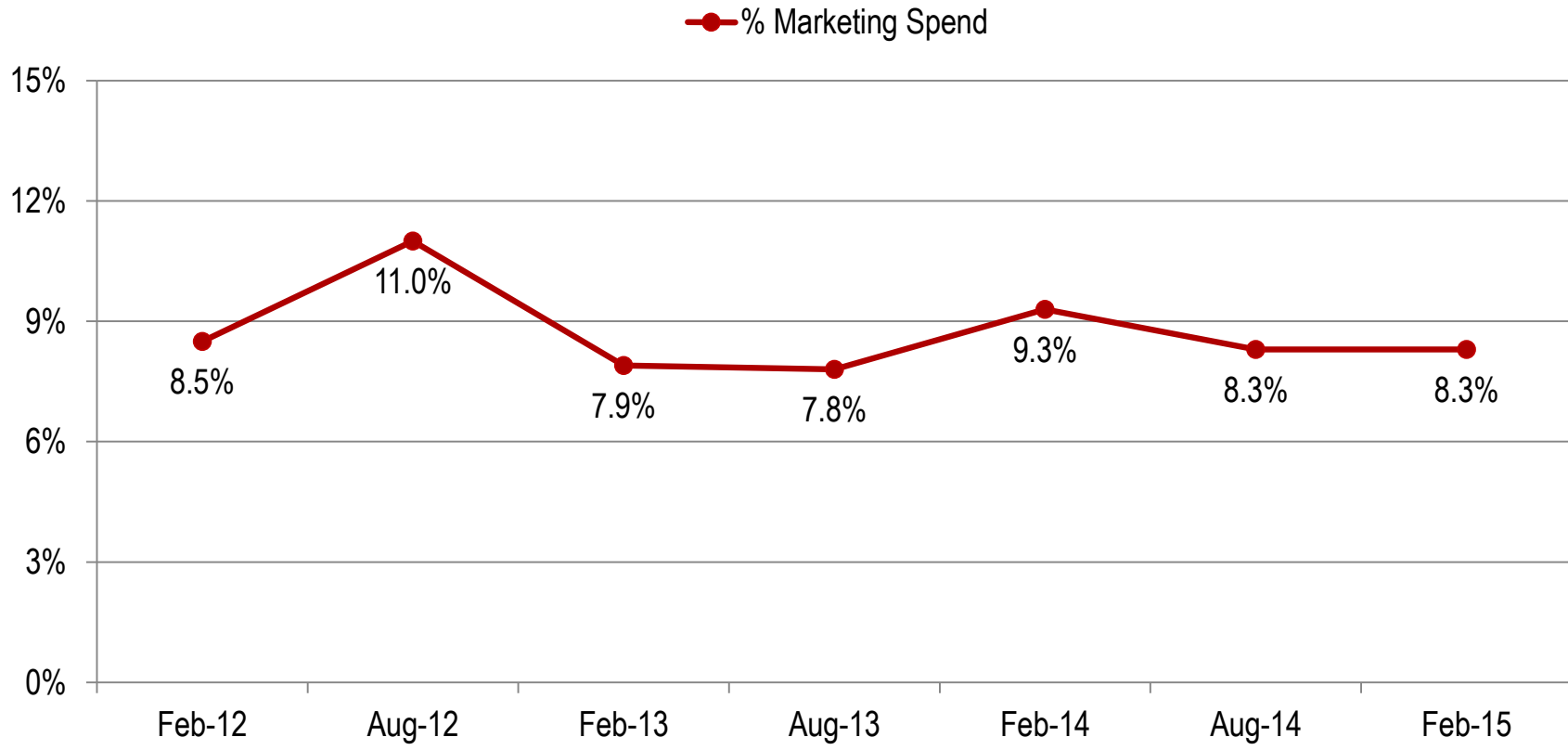


*Question asked in Feb-11 for the first time.

Marketing spend 8.3% of company revenues



Figure 3.9. Marketing spending as a percentage of company revenues*



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

Who has the biggest marketing budgets?

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

Table 3.1a. Marketing spending as a percentage of firm revenues by economic sector

	B2B Product	B2B Services	B2C Product	B2C Services
February 2015	7.4%	8.6%	9.1%	9.3%

Table 3.1b. Marketing spending as a percentage of firm revenues by company sales revenue

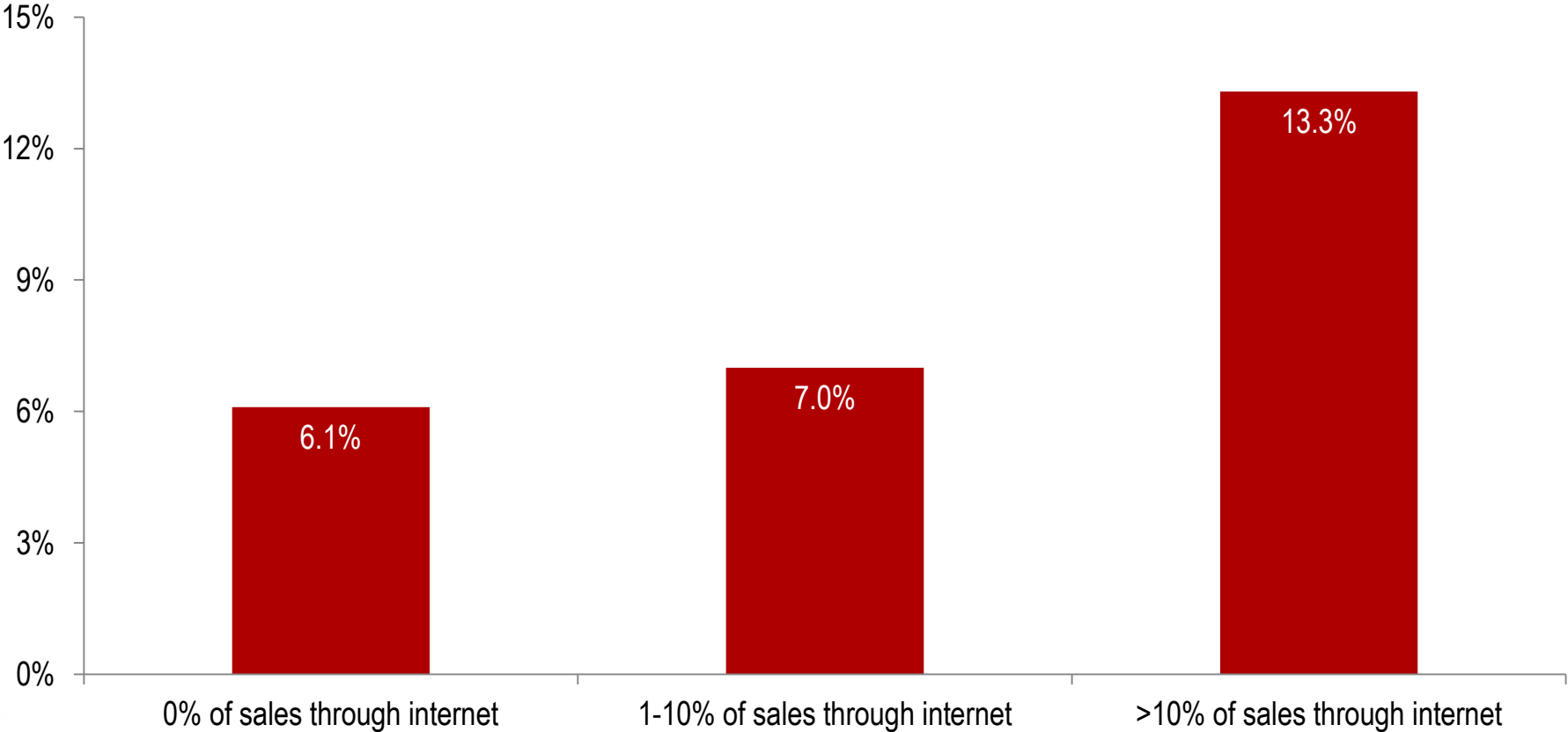
	<\$25 Million	\$26-99 Million	\$100-499 Million	\$500-999 Million	\$1-9.9 Billion	>\$10 Billion
February 2015	11.1%	6.9%	4.5%	8.0%	6.9%	8.1%



Marketing budgets correspond with Internet sales



Figure 3.10. Marketing spend as a percentage of firm revenues by company internet sales

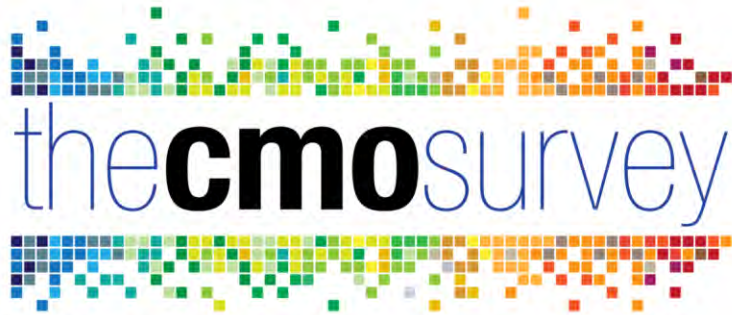


Marketing spend on domestic markets dominates



Table 3.3. Marketing spending on domestic and international markets

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Percent of marketing budget spent on domestic markets	87.8%	82.2%	90.8%	88.1%	94.0%
Percent of marketing budget spent on international markets	12.2%	17.8%	8.2%	11.9%	6.0%



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Topic 4:

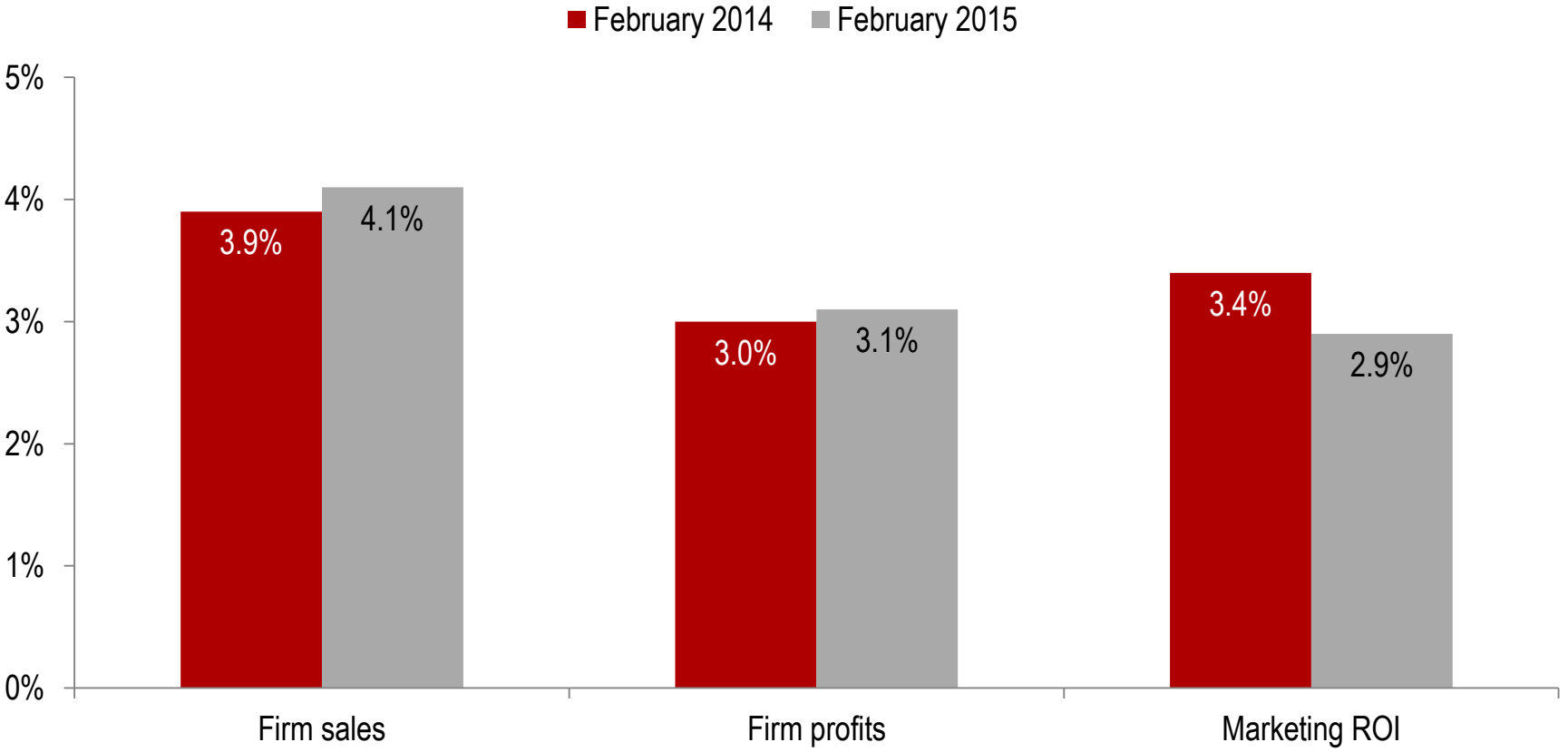
Financial and Marketing Performance



Company financial performance holds



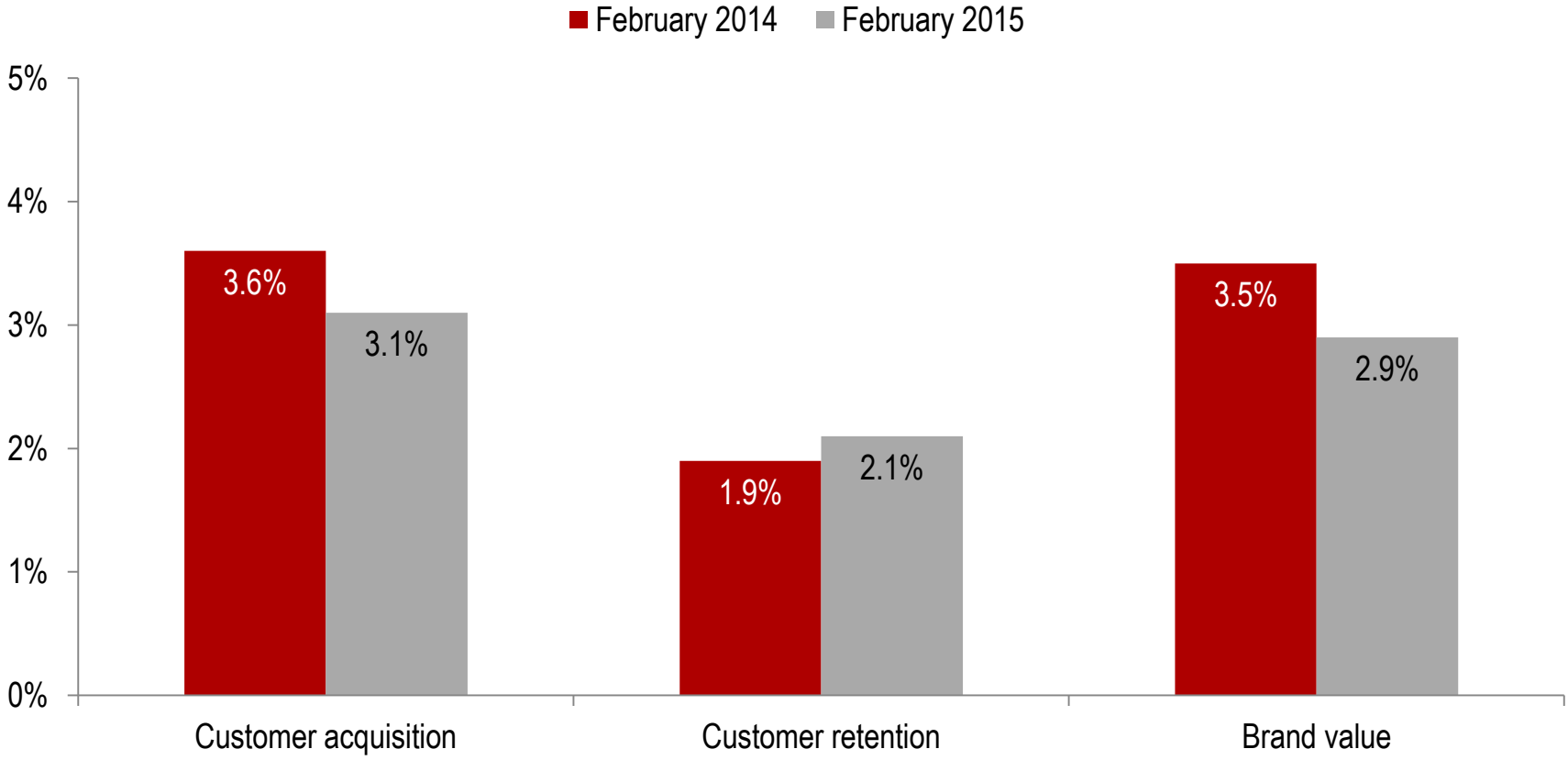
Figure 4.1. Percent change in firm performance in prior 12 months



Performance on key customer and brand assets slips



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



Sector performance differences

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

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

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Firm sales	4.1%	4.9%	4.1%	2.2%	5.5%
Firm profits	3.1%	2.9%	3.9%	1.8%	4.2%
Marketing ROI	2.9%	3.2%	2.8%	2.7%	3.1%
Customer acquisition	3.1%	2.6%	3.75	2.2%	4.5%
Customer retention	2.1%	2.9%	2.6%	0.7%	1.5%
Brand value	2.9%	3.9%	3.4%	0.8%	2.7%



Performance goals remain strong

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

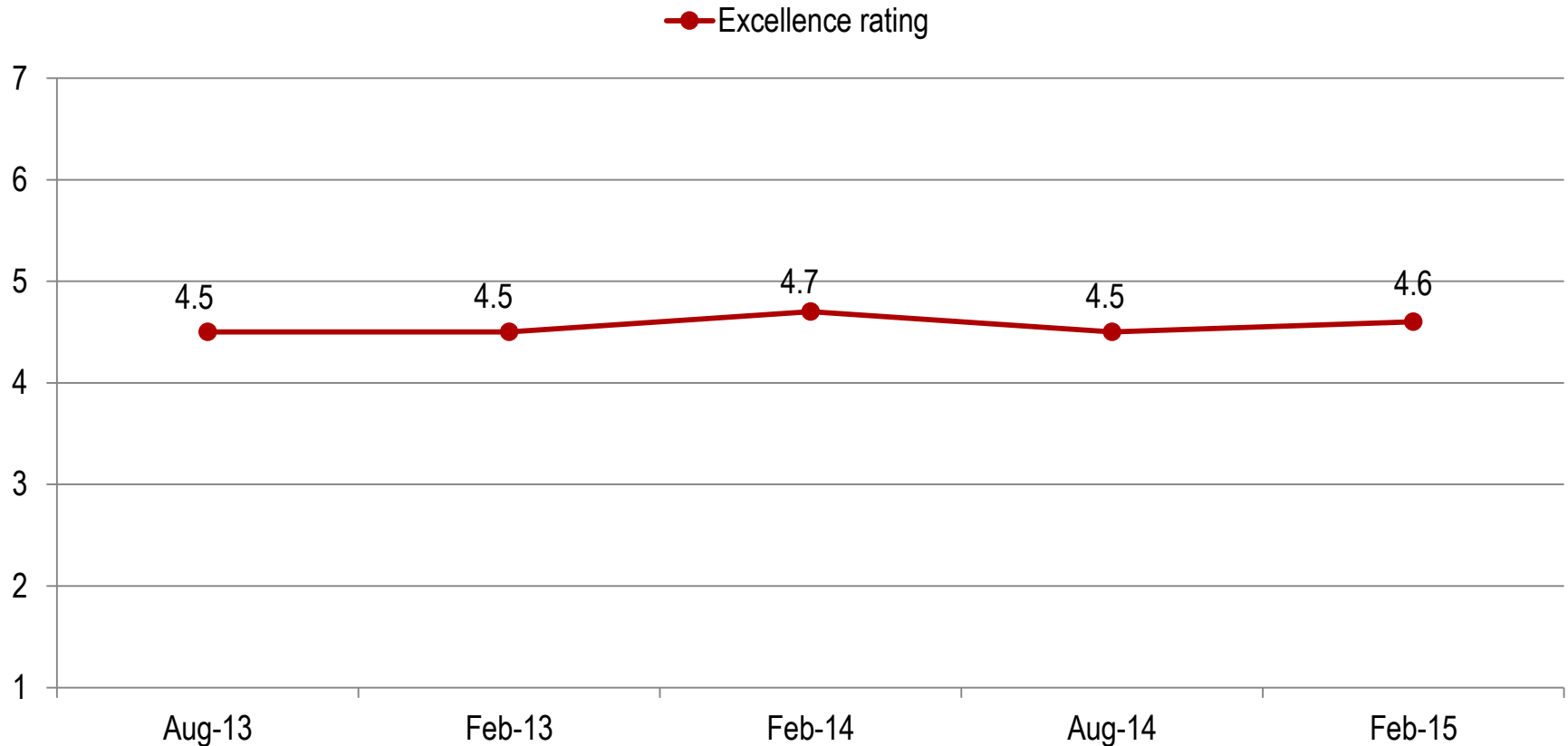
Table 4.2. How actual performance compares to goals

	Actual firm performance in prior 12 months	Goal in the next 12 months
Firm sales	4.1%	4.5%
Marketing ROI	3.1%	5.1%
Firm profits	2.9%	5.9%
Customer acquisition	3.1%	5.8%
Customer retention	2.1%	4.6%
Brand value	2.9%	5.0%

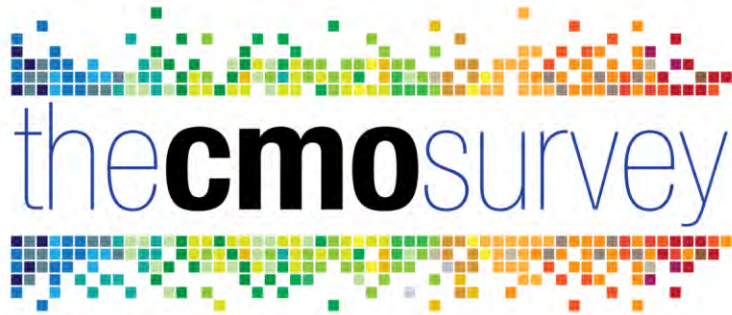


Marketing excellence fails to improve

Figure 4.3. How would you rate your company's marketing excellence?
(7-point scale where 1=Very Weak and 7=Leader)



* Question asked in Aug-13 for the first time



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Topic 5:

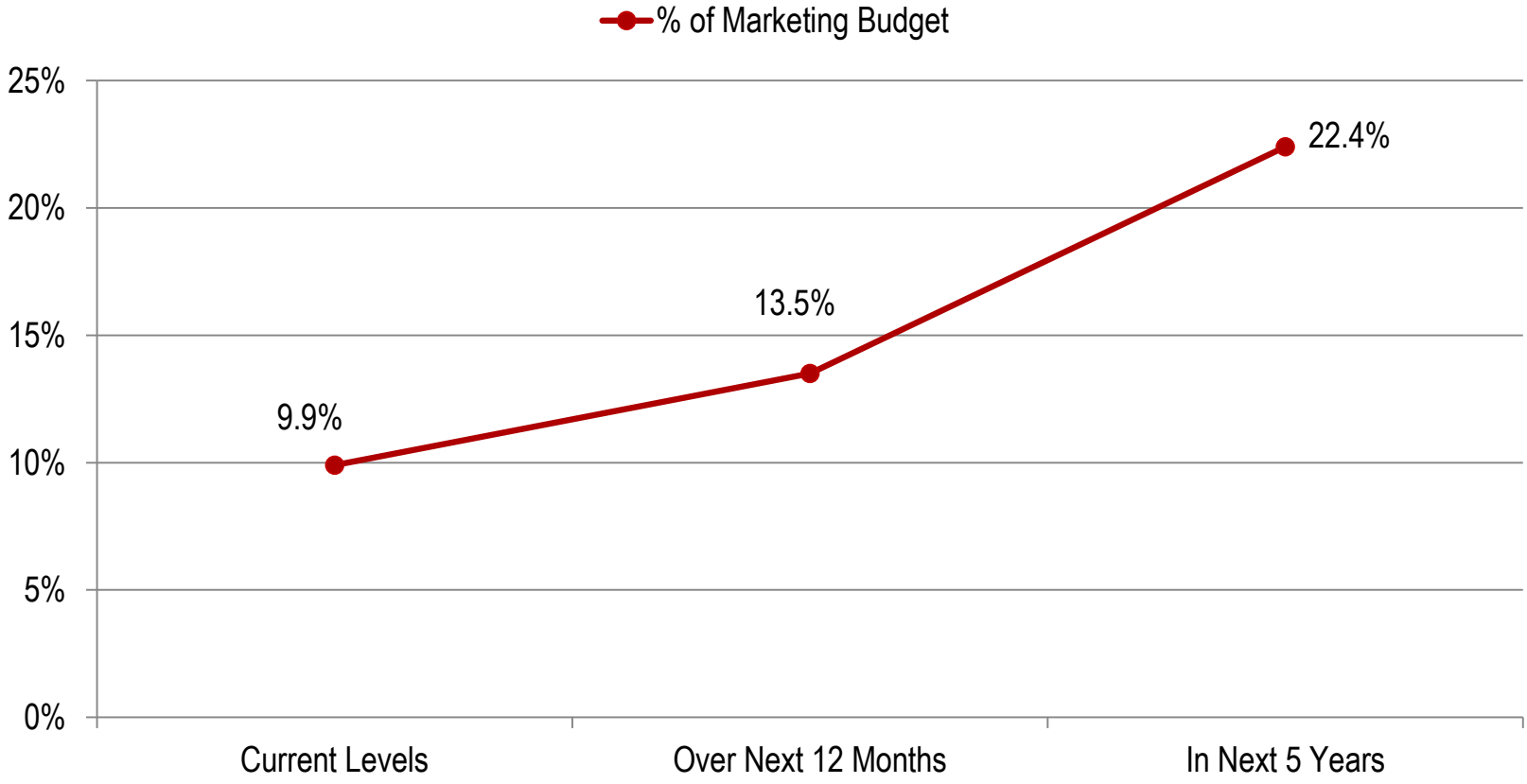
Marketing and Social Media



Social media spend expected to be 22.4% of marketing budgets in five years



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



Social media spend across sectors: Service companies outpace product companies

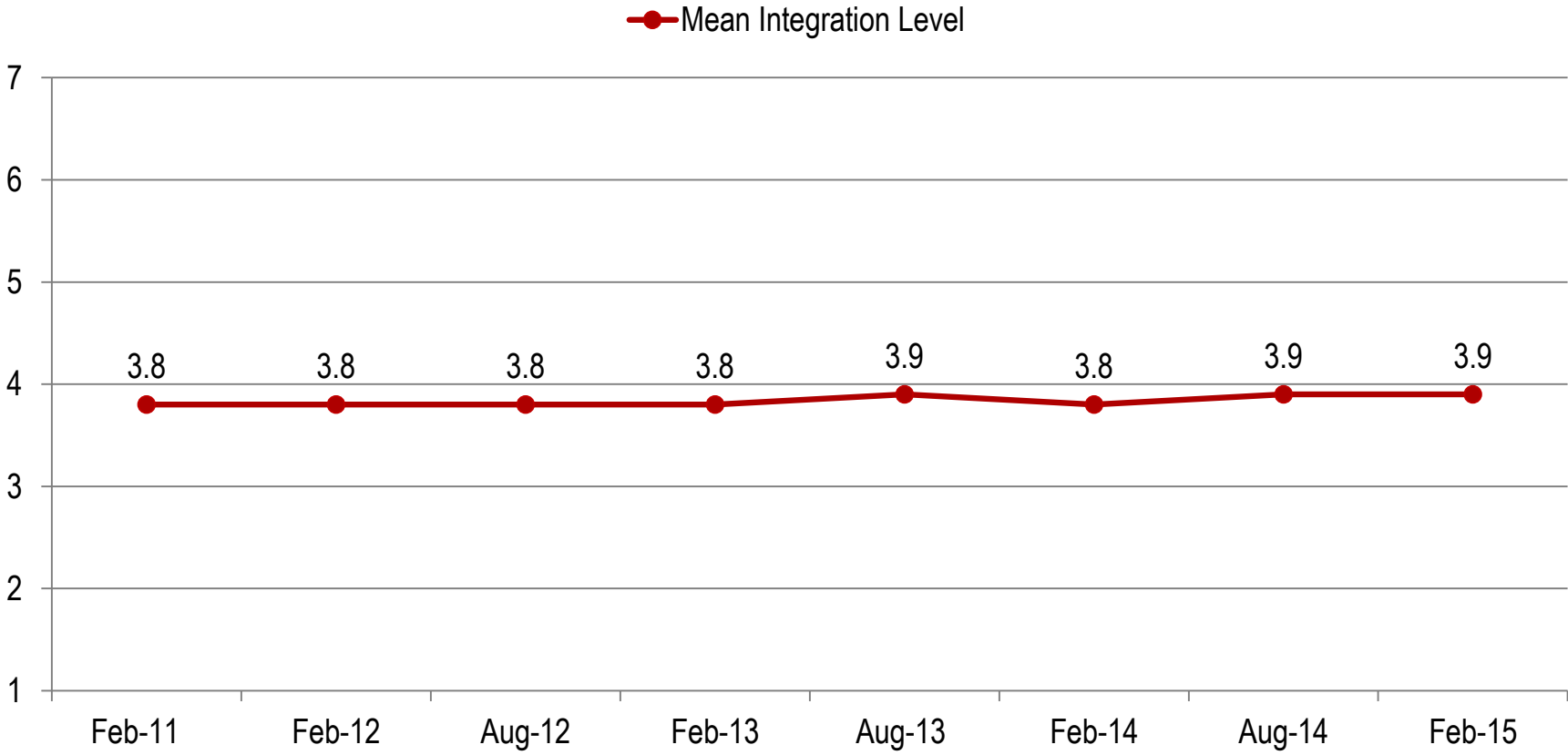
Table 5.1. Changes in social media spending across sectors

	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Current Social Media Spending	9.9%	9.3%	9.6%	9.5%	12.9%
Social Media Spending in the next 12 months	13.5%	12.6%	14.3%	11.7%	16.3%
Social Media Spending in the next 5 years	22.4%	20.9%	23.1%	20.5%	27.7%

Social media remains poorly integrated with marketing strategy

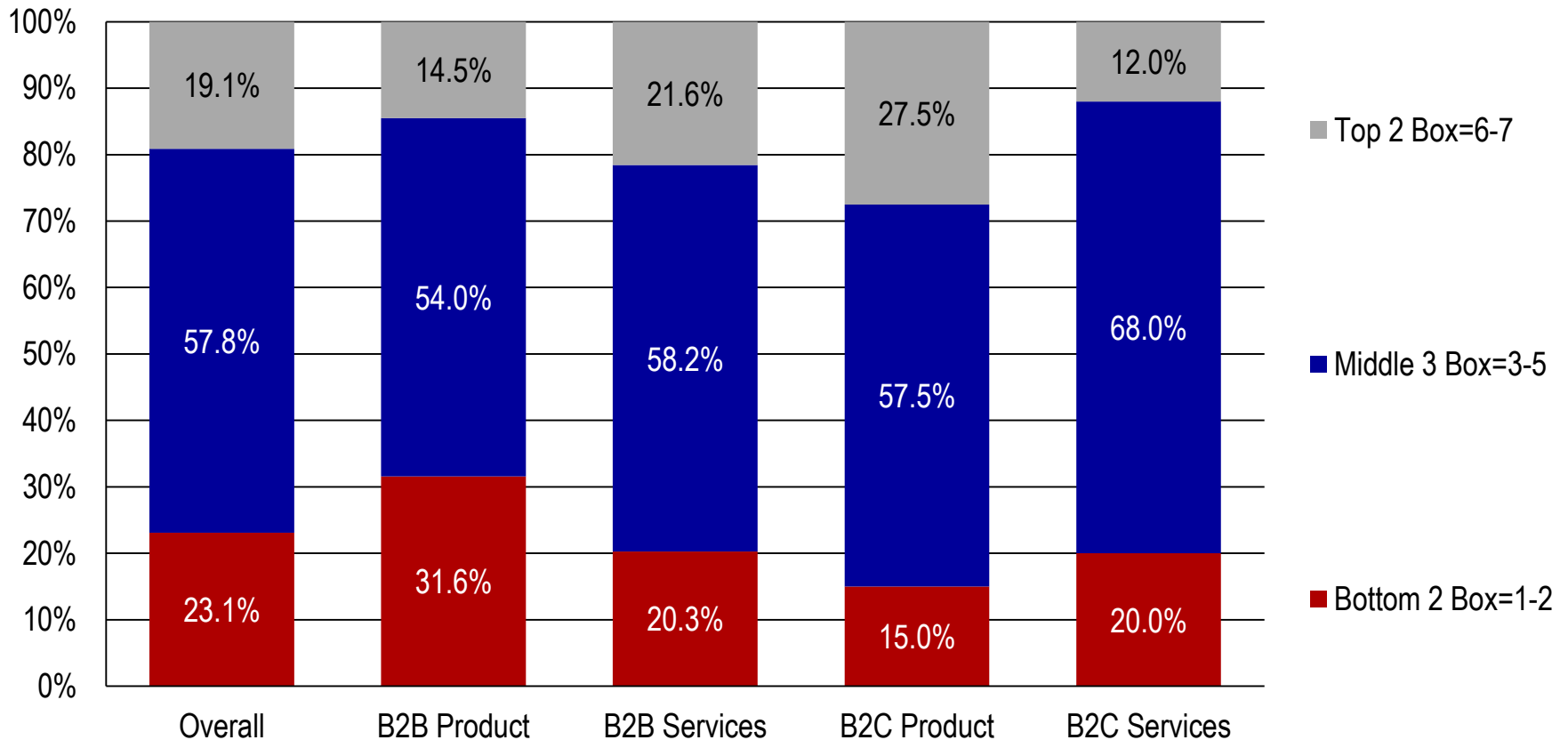


Figure 5.2. How effectively is social media linked to your firm’s marketing strategy? (1=Not integrated, 7=Very integrated)



B2C Product companies have the highest social media integration

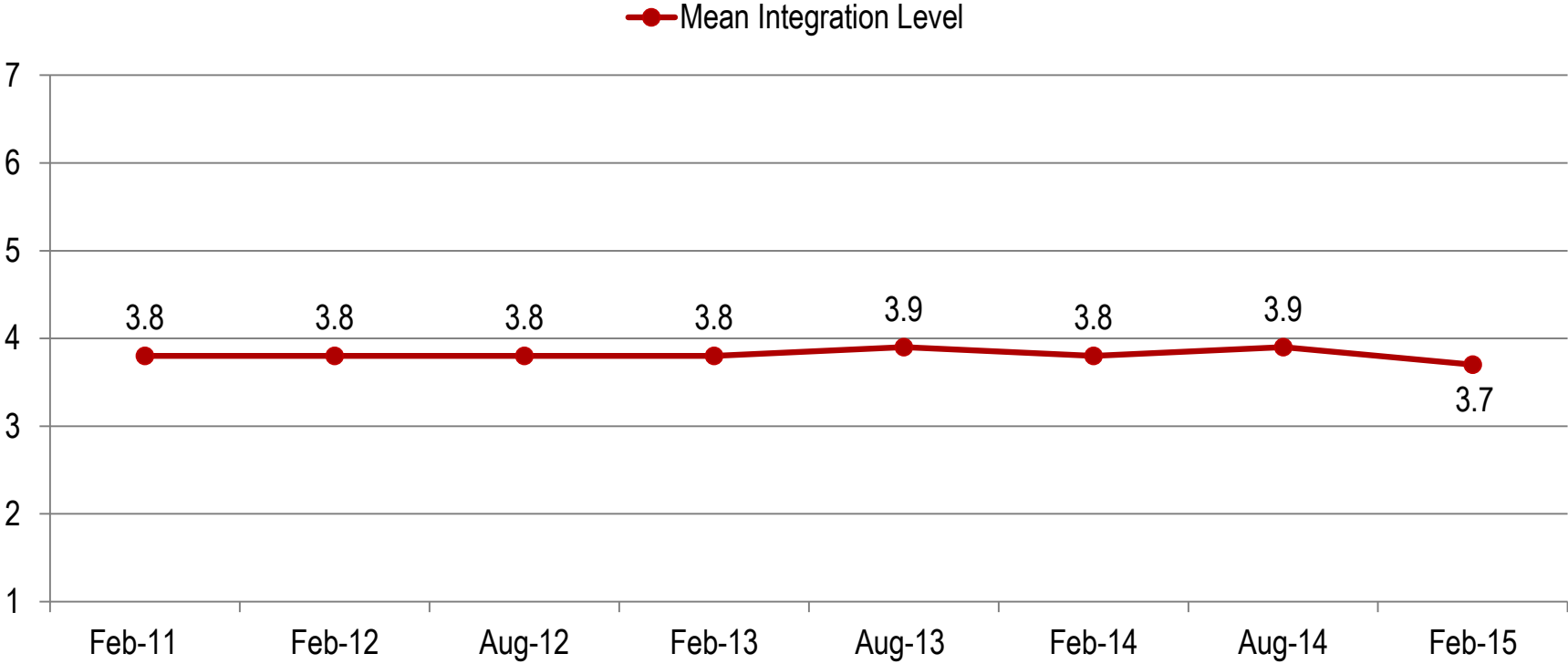
Figure 5.3. How well is social media integrated with marketing strategy?
(1=Not At All Effectively, 7=Very Effectively)



Persistent poor integration of customer information across channels



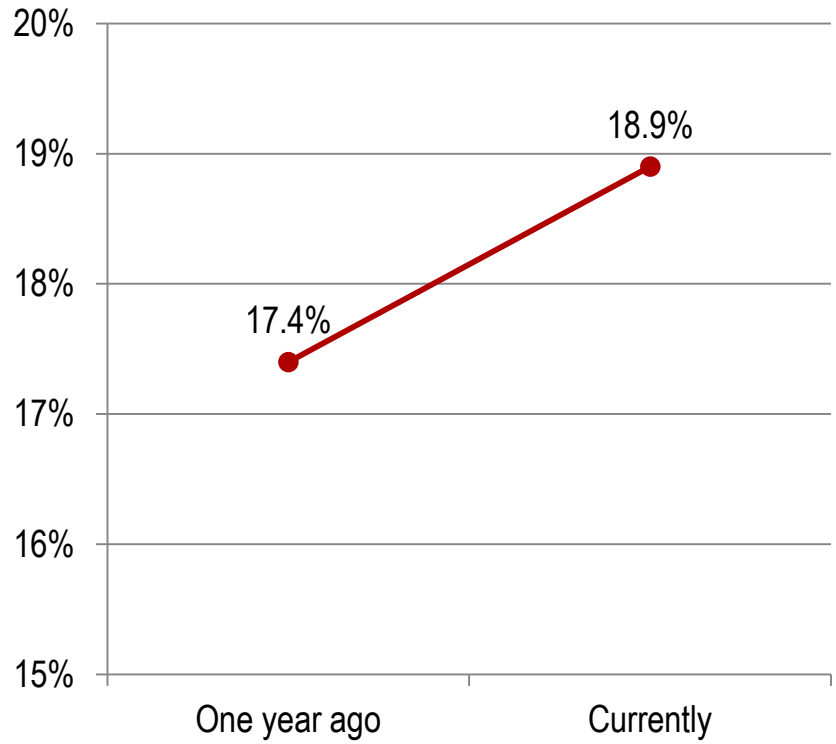
Figure 5.4. How effectively does your company integrate customer information across purchasing, communication, and social media channels (1=Not At All Effectively, 7=Very Effectively)?



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

Social media activities increasingly performed by outside agencies

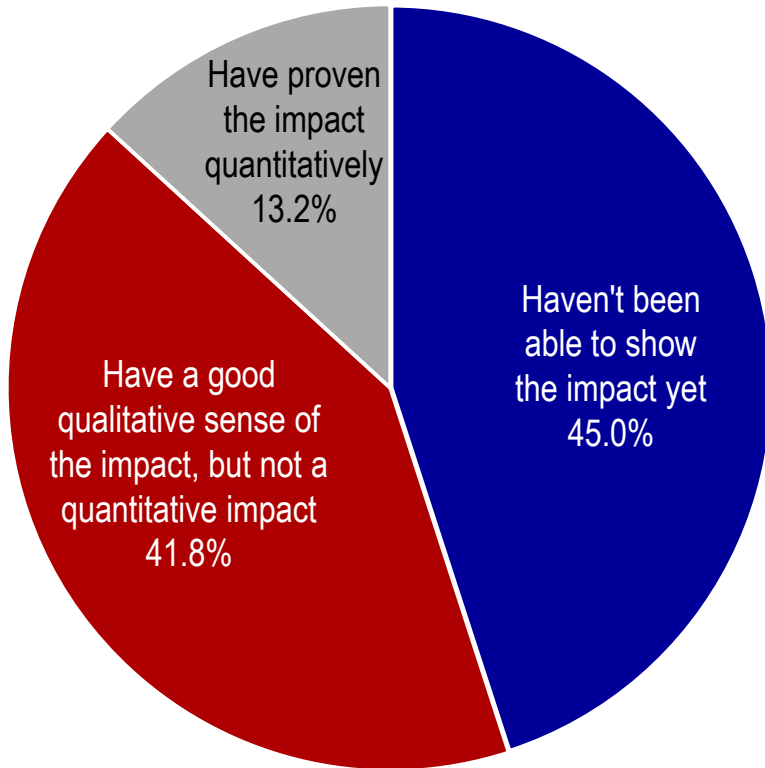
Figure 5.5. Percent of company’s social media activities performed by outside agencies



	B2B Product	B2B Services	B2C Product	B2C Services
1 year ago	17.6%	11.1%	29.8%	17.2%
Currently	17.5%	11.8%	36.0%	18.1%

Only 13% of firms able to prove the impact of social media quantitatively

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	44.7%	46.8%	42.5%	44.0%
We have a good qualitative sense of the impact, but not a quantitative impact	40.8%	41.8%	42.5%	44.0%
We have proven the impact quantitatively	14.5%	11.4%	15.0%	12.0%

Use of online customer behavior data expected to increase over time

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

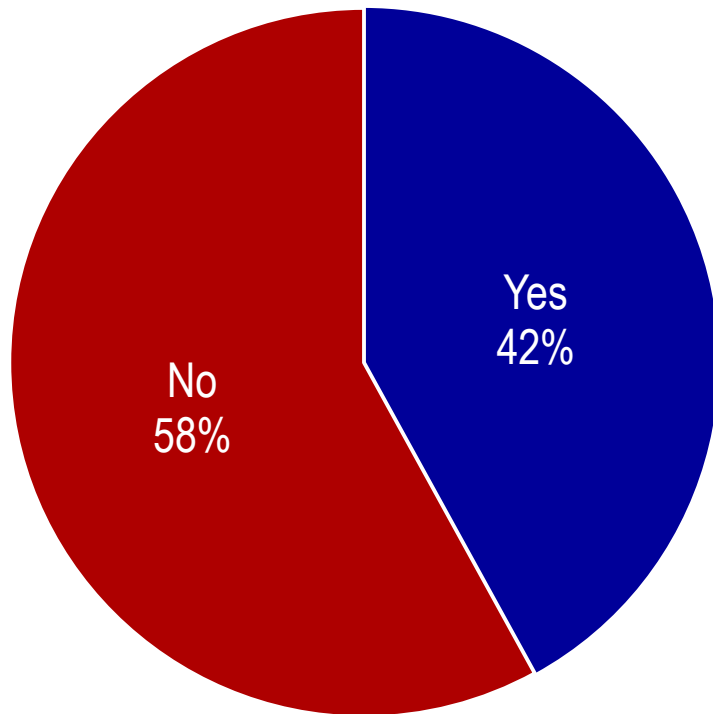
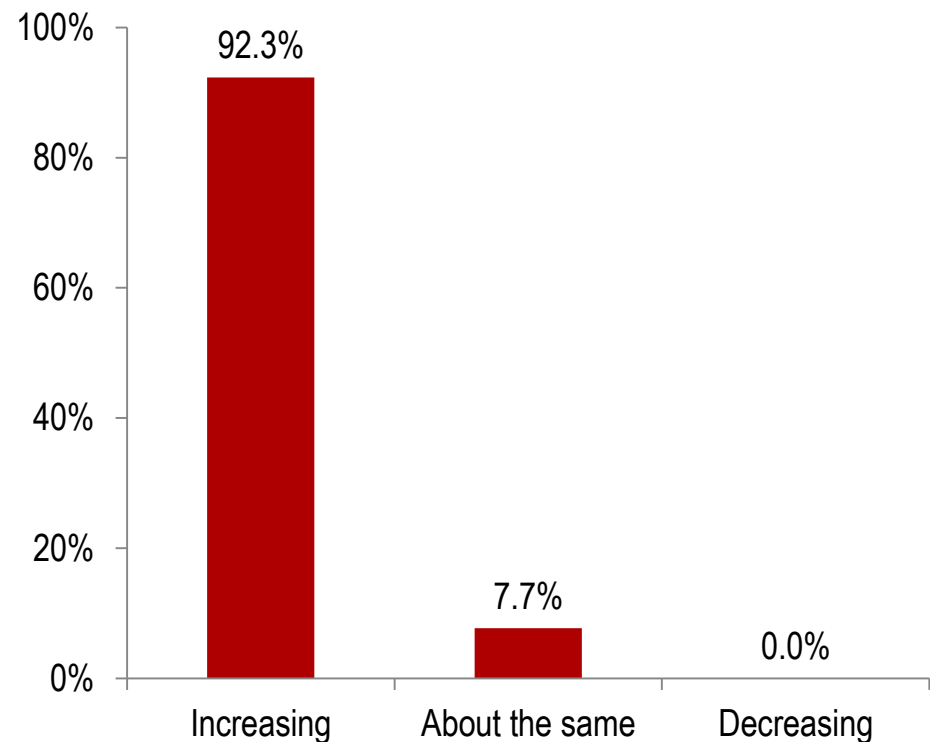
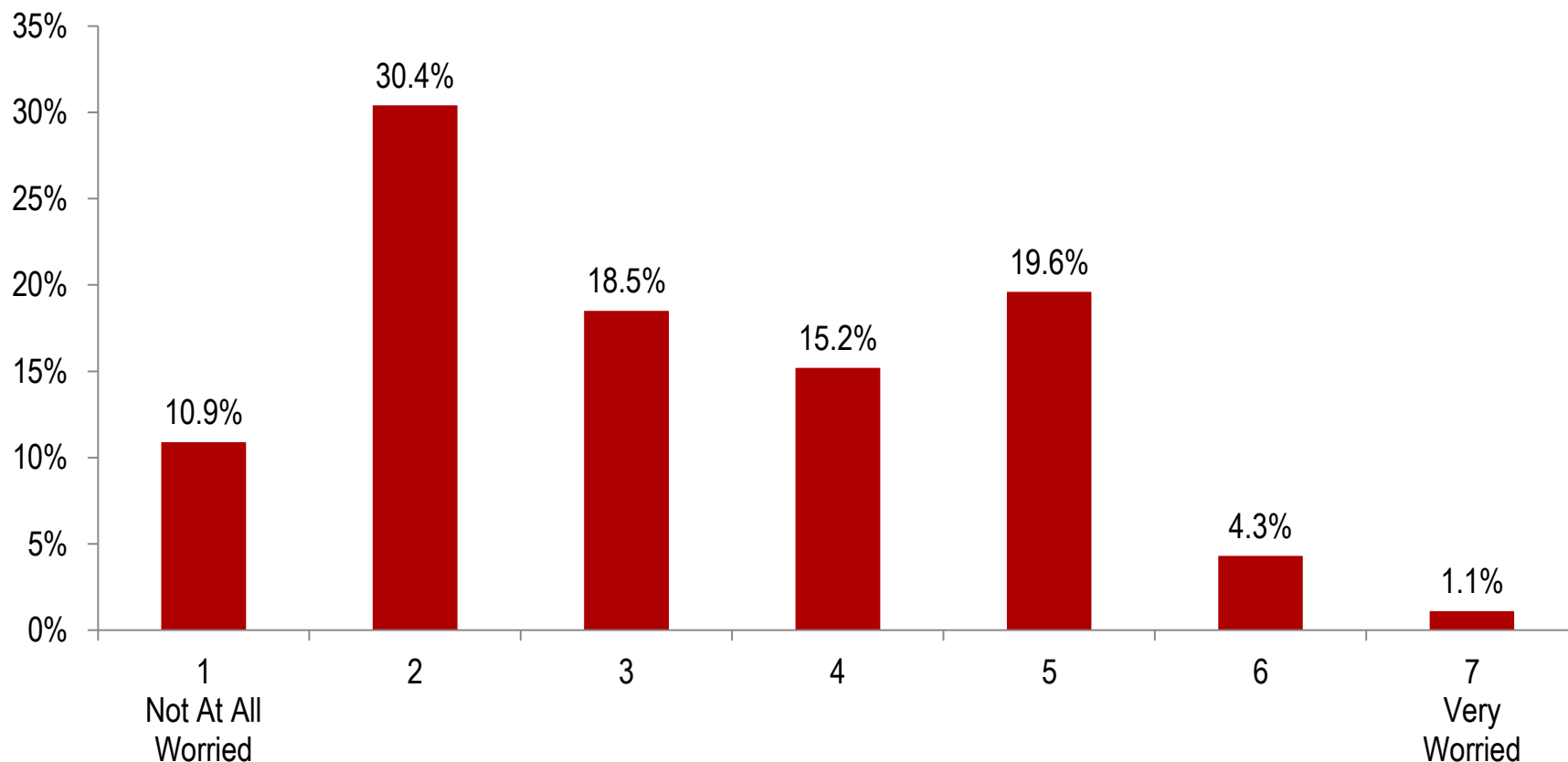


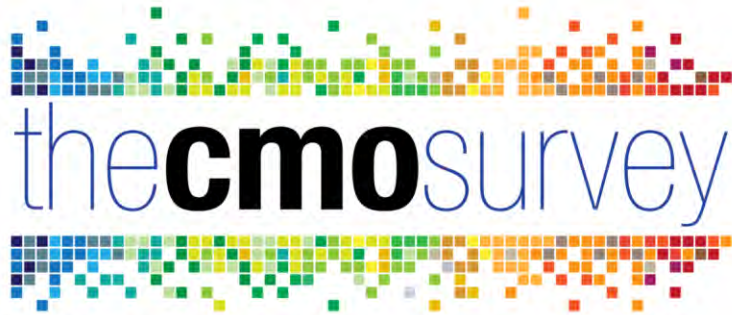
Figure 5.7b. Is your company's use of such data increasing, decreasing, or staying the same over time?



Most marketers have low levels of concern about 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 = 3.2 (SD = 1.5)





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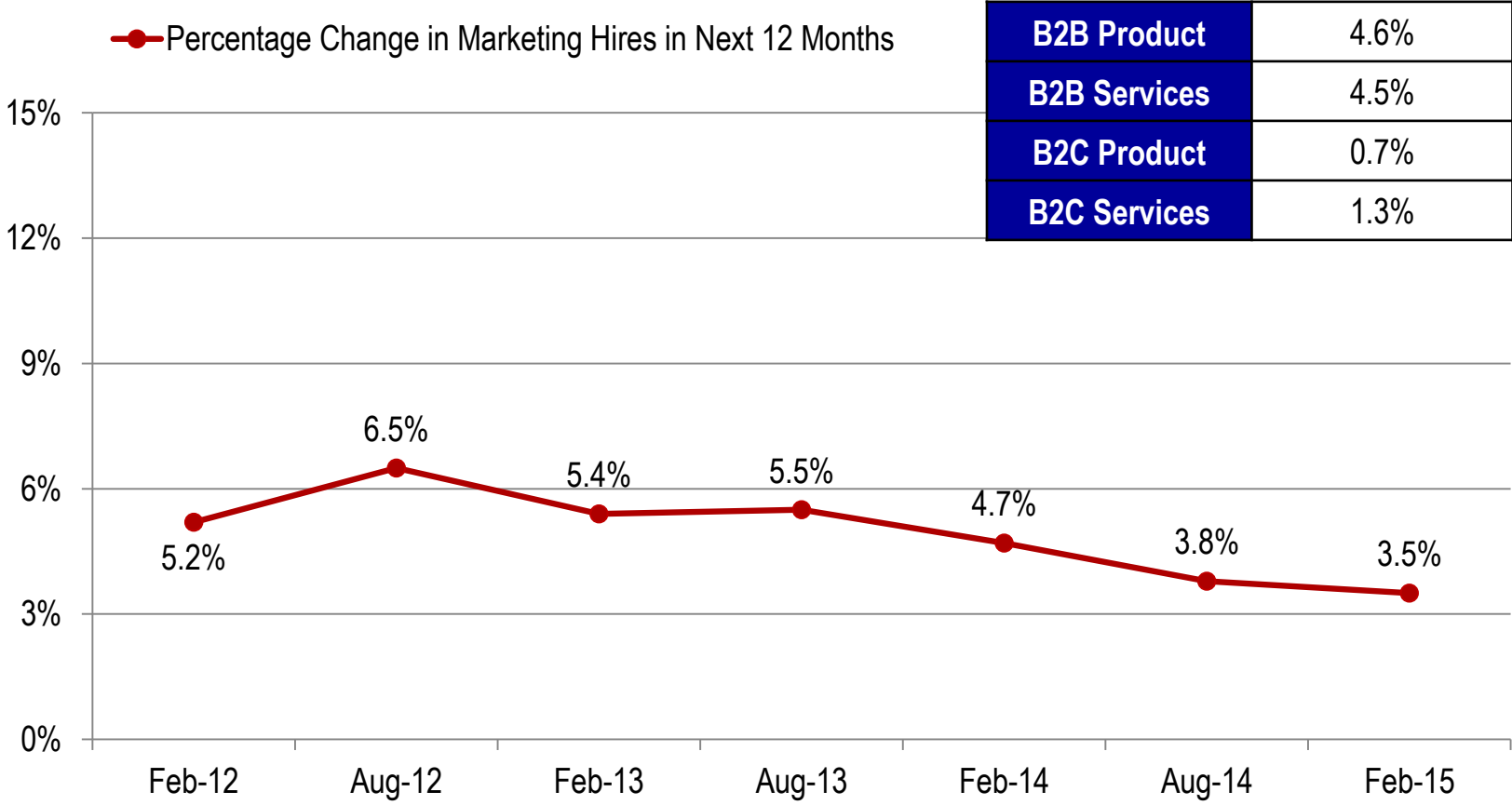
Topic 6: Marketing Jobs



Marketing hiring positive but continues downward trend



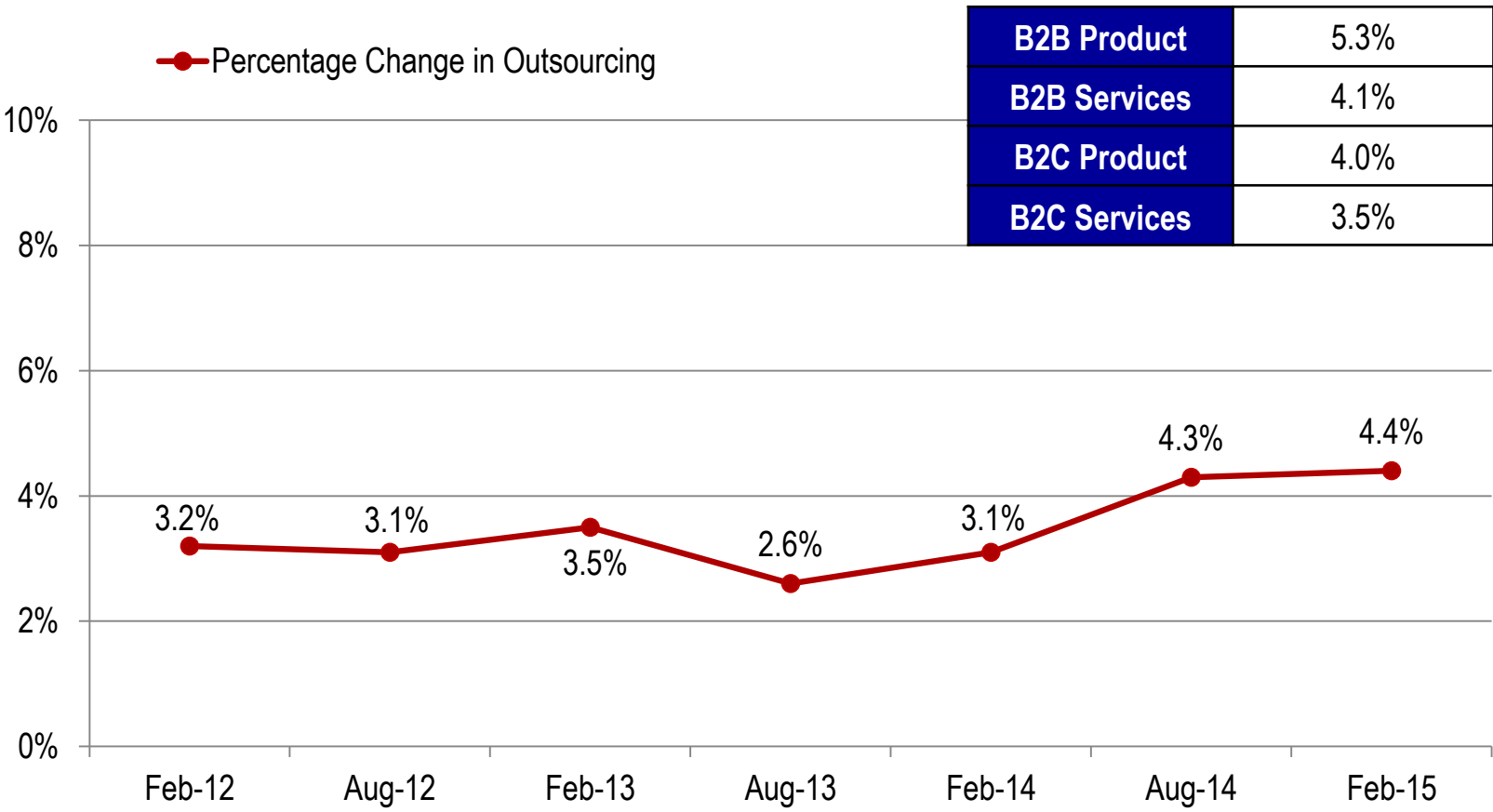
Figure 6.1. Percentage change in marketing hires planned in next 12 months

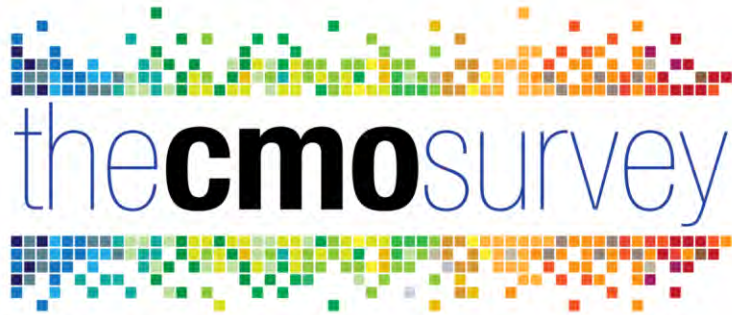


Outsourcing of marketing jobs continues to increase



Figure 6.2. Expected change in outsourcing of marketing activities in next 12 months





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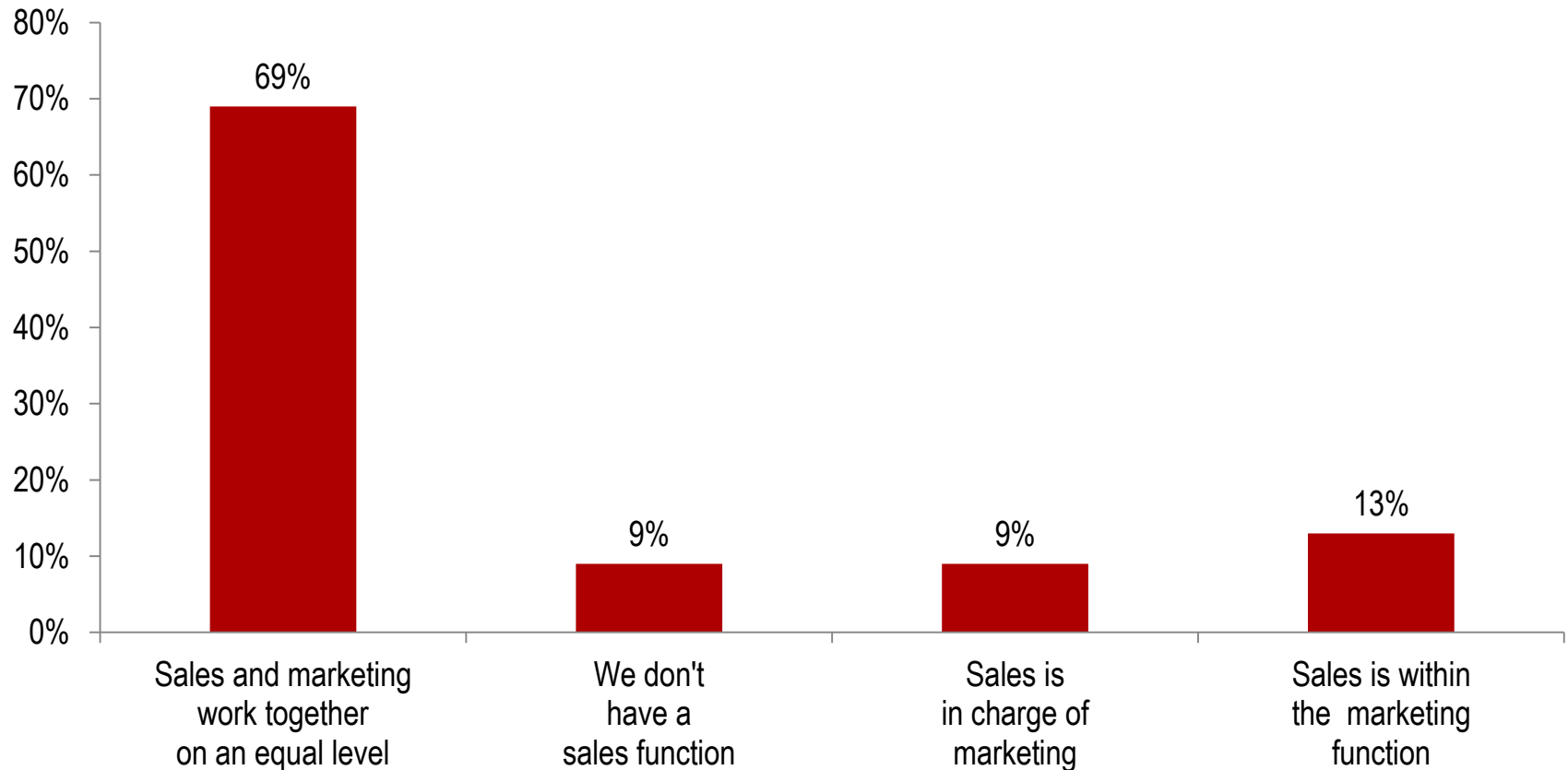
Topic 7:

Marketing Organization



Marketing and sales are equal partners in most companies

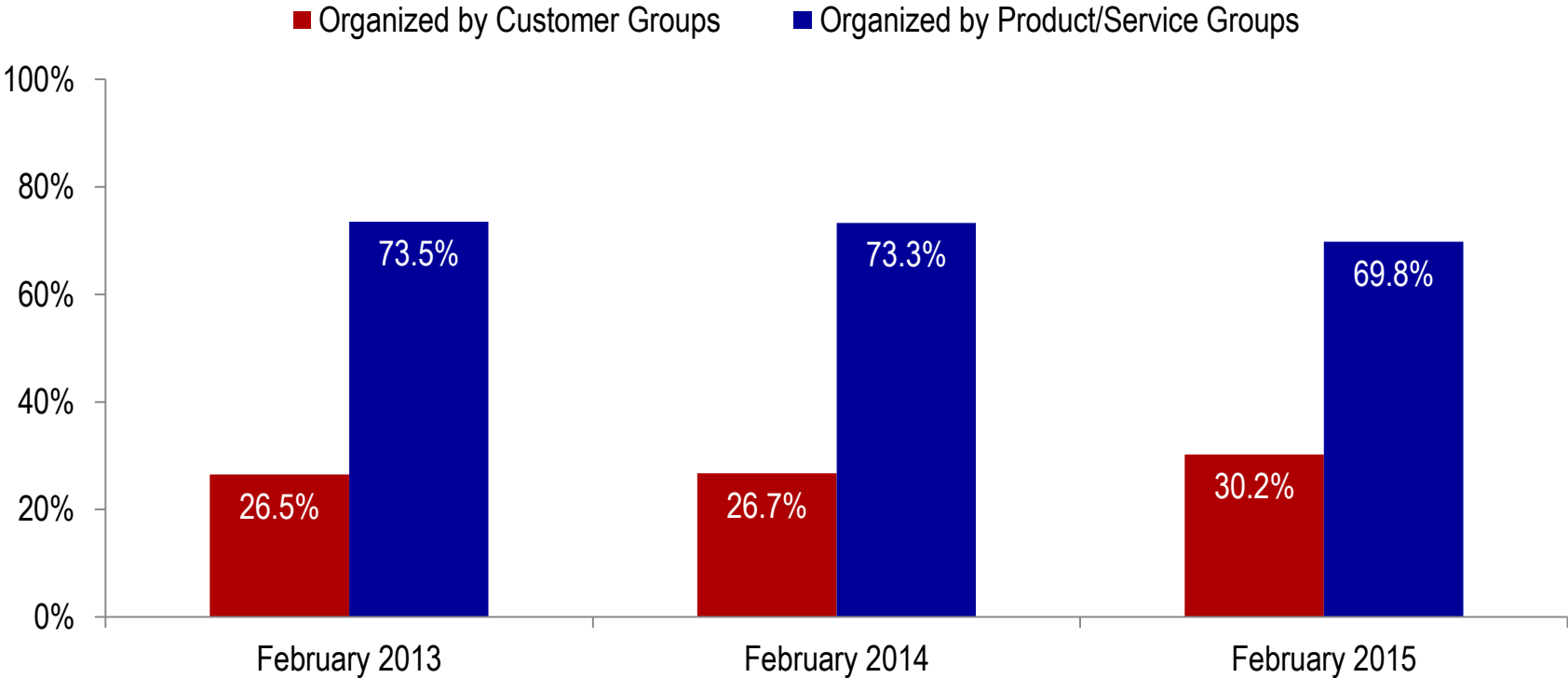
Figure 7.1. The marketing-sales relationship (% of respondents)



Product/service structure dominates but customer groups show growth



Figure 7.2. Organizational structure in companies



Service companies more likely to adopt customer structure



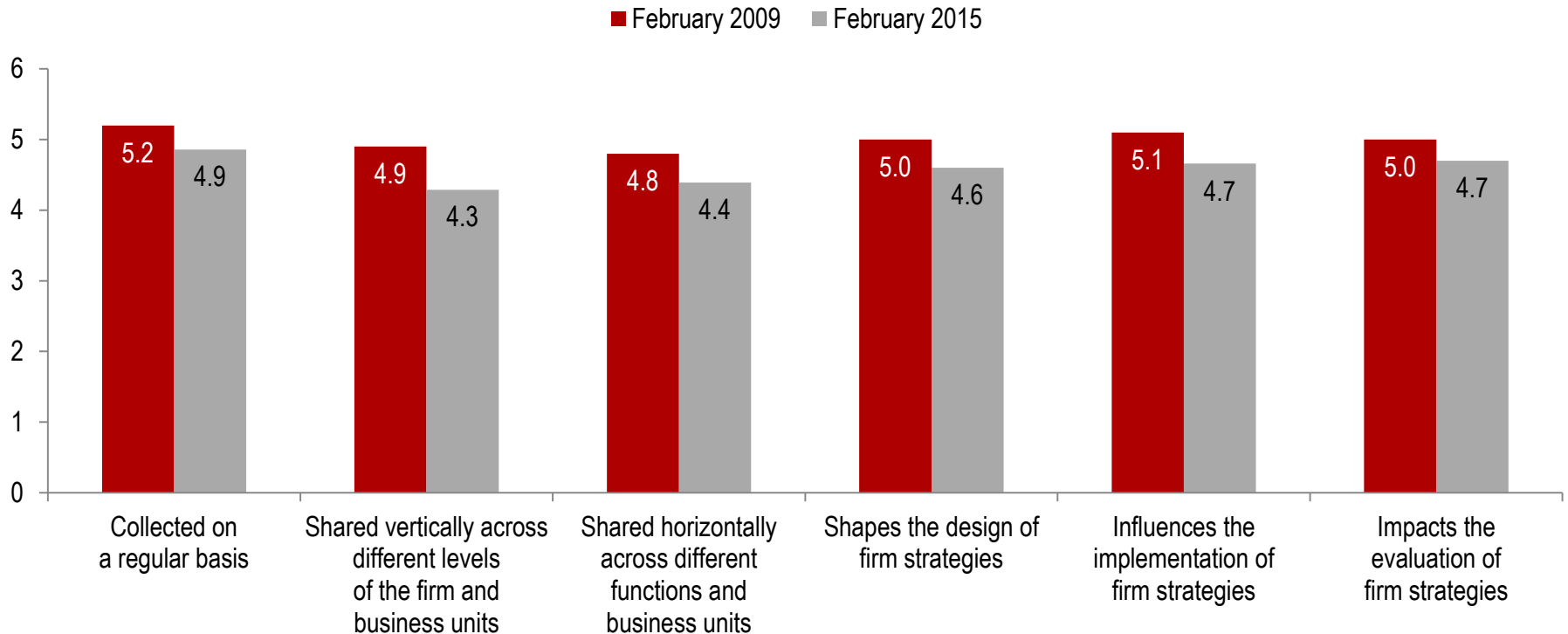
Table 7.1. Percent of companies using customer group vs. product/service structure

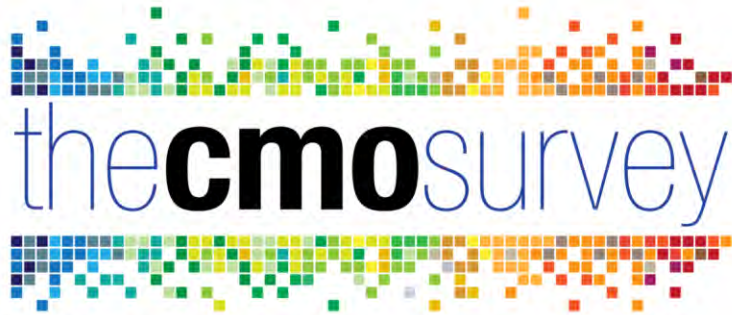
	Overall	B2B Product	B2B Services	B2C Product	B2C Services
Customer structure	30.2%	26.7%	39.3%	15.2%	38.9%
Product/service structure	69.8%	73.3%	60.7%	84.8%	61.1%

External focus drops off as recovery strengthens

Figure 7.3. Company outside-in approach to strategy
(7-point scale where 1 = “not at all” and 7 = “very frequently”)

Information about customers and competitors is ...





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Topic 8:

Marketing Leadership



Marketing leadership gains and losses

Table 8.1. Percentage of companies in which marketing leads activity

Activity	Feb-11	Feb-15
Advertising	85%	77.1%
Positioning	79%	77.1%
Promotion	81%	77.1%
Brand	81%	74.9%
Marketing analytics*	-	75.4%
Marketing research	73%	68.6%
Social media	71%	61.7%
Competitive intelligence	58%	59.4%
Public relations	65%	50.9%
Lead generation	53%	58.3%
Market entry strategies	50%	46.9%
New products	44%	45.7%
CRM	38%	38.3%
Targeting/Market selection	31%	27.4%
Sales	32%	33.1%
Pricing	30%	29.7%
Innovation	33%	36.0%
Customer service	22%	25.7%
Stock market performance	0.4%	2.3%

*Marketing analytics added in Feb-13.

Weaker marketing leadership:

- Advertising
- Promotion
- Brand
- Marketing research
- Social media
- Public relations
- Market entry
- Target/Market selection

Stronger marketing leadership:

- Competitive intelligence
- Lead generation
- New products
- Innovation
- Customer service
- Stock market performance

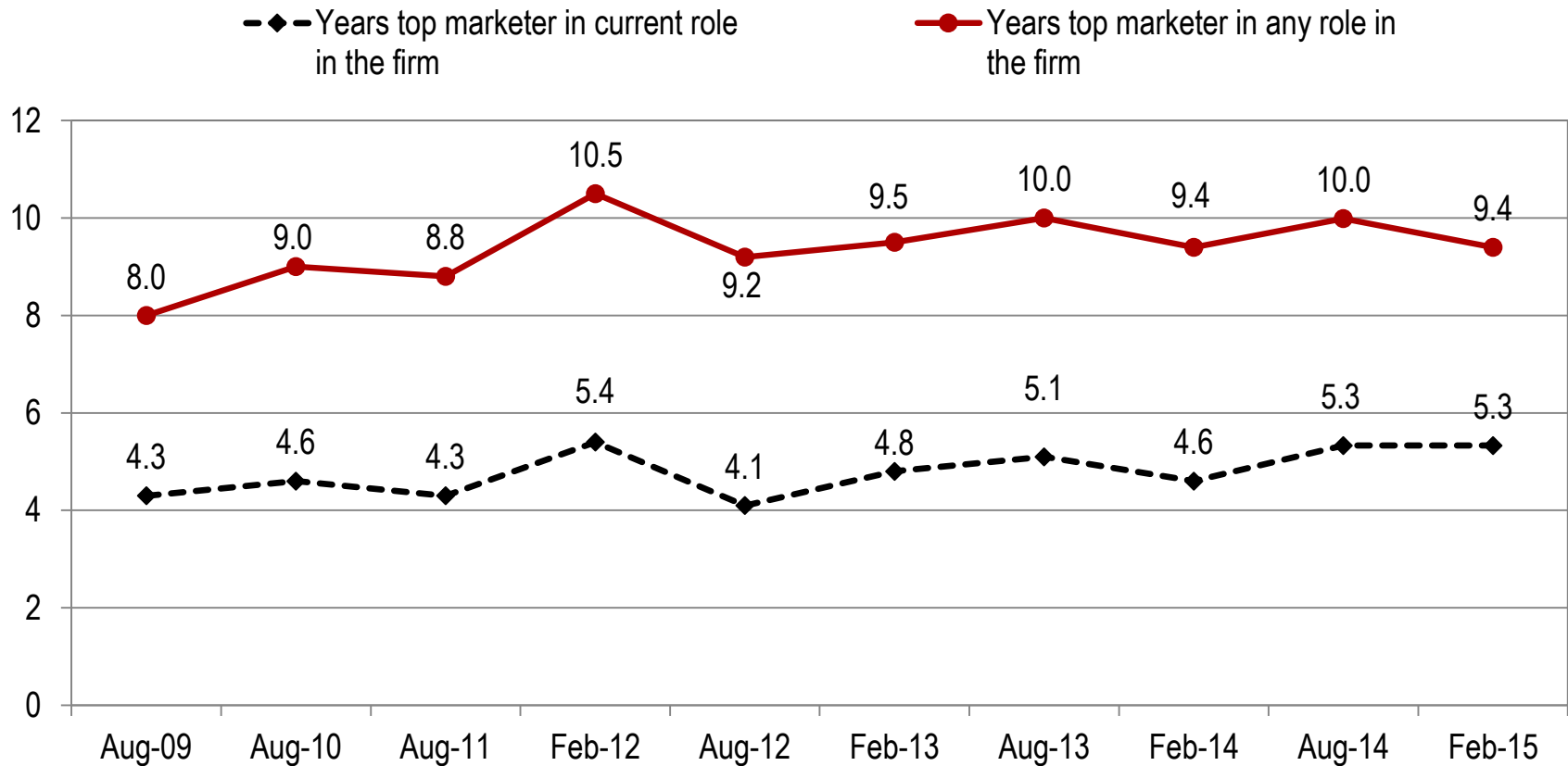
Maintaining marketing leadership:

- Customer relationship management
- Sales
- Pricing

Marketing leaders retained for an average of 5.3 years

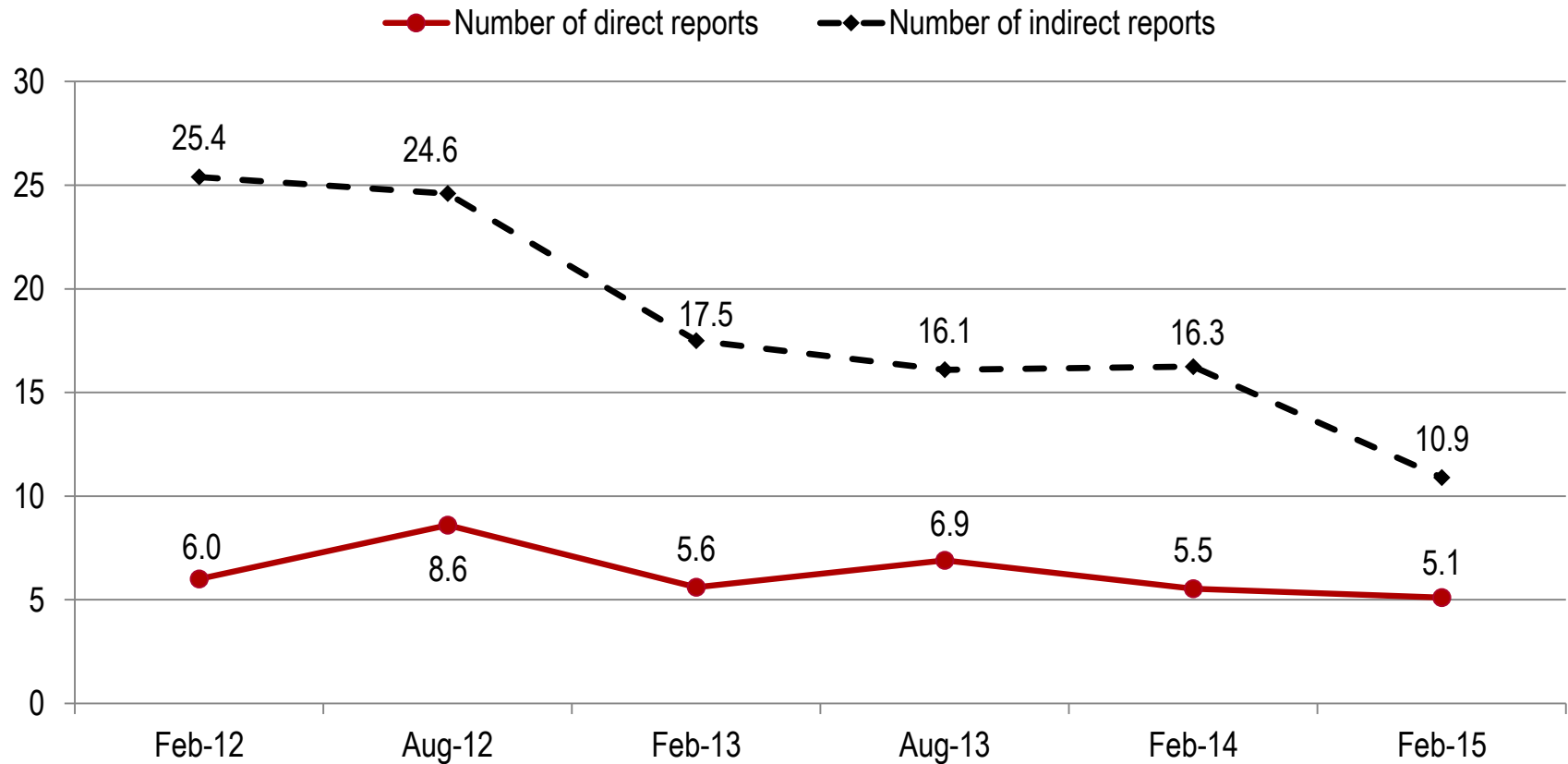


Figure 8.1. Marketing leader retention



But marketers lose reports

Figure 8.2. Number of people reporting to top marketer



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?

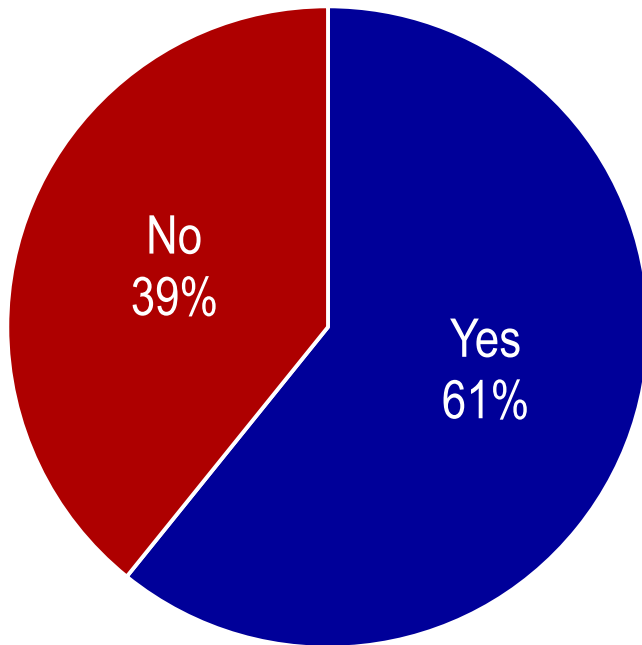
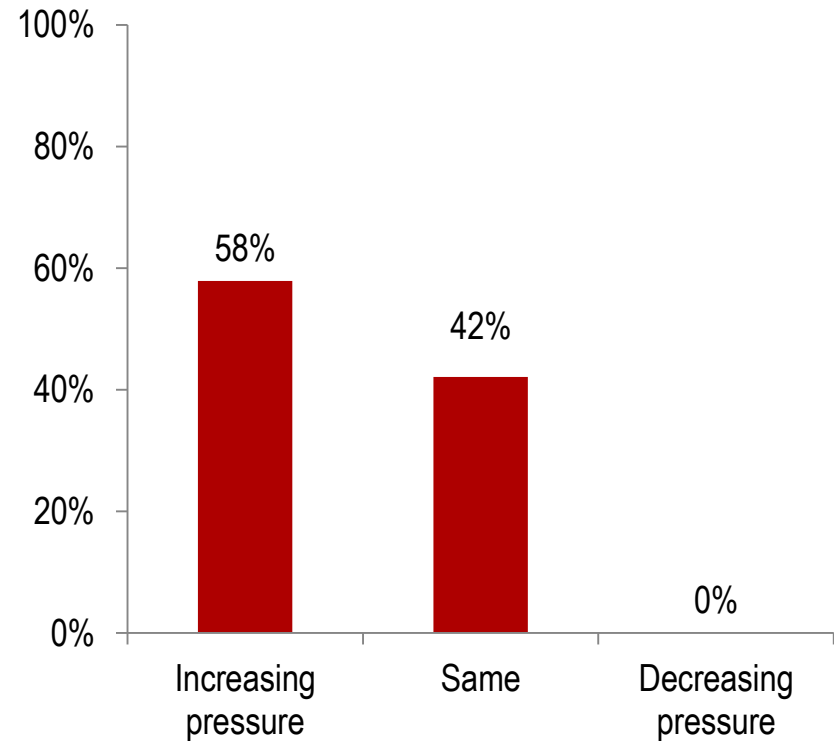


Figure 8.4. Is this pressure increasing, decreasing, or about the same?



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.

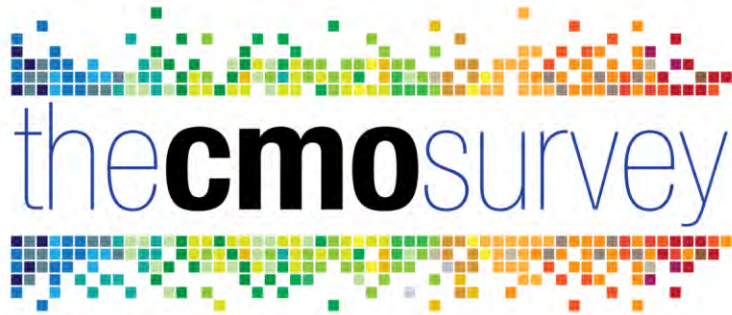


Executive Vice President and Chief Marketing Officer Stephen Quinn describes how Walmart rebuilt its customer focus. Key steps involved harnessing internal support, generating market insight, using customer-focused metrics, living the brand internally, and building marketing talent.



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

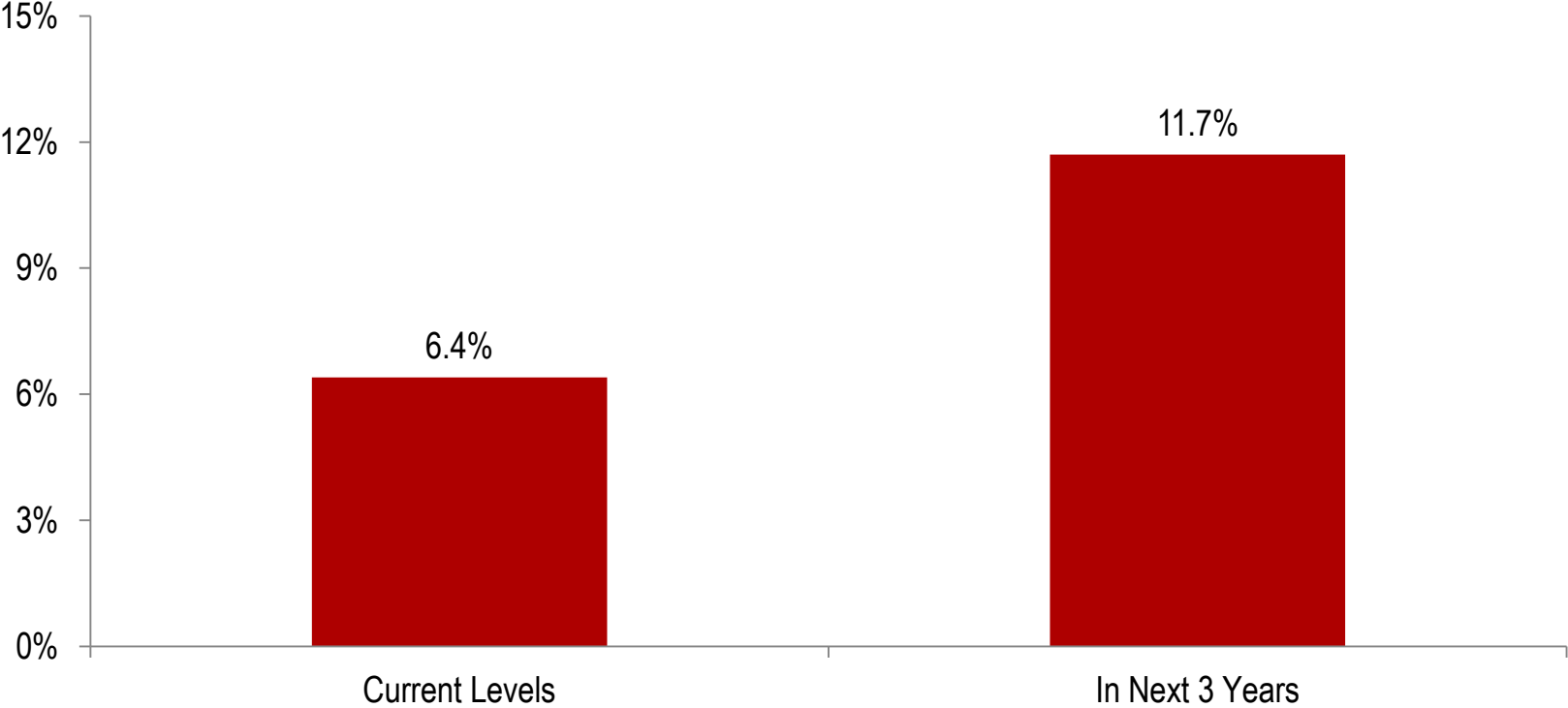
Topic 9: Marketing Analytics



Spending on marketing analytics expected to increase 83% 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	7.0%	11.8%
B2B Services	5.6%	12.1%
B2C Product	6.8%	11.0%
B2C Services	6.6%	11.0%

Table 9.1c. Firm size differences

	Current	In Next 3 years
<\$25M	5.9%	12.4%
\$26-99M	5.5%	9.0%
\$100-499M	6.3%	11.2%
\$500-999M	6.4%	11.2%
\$1-9.9B	7.6%	12.2%
\$10+B	9.0%	13.9%

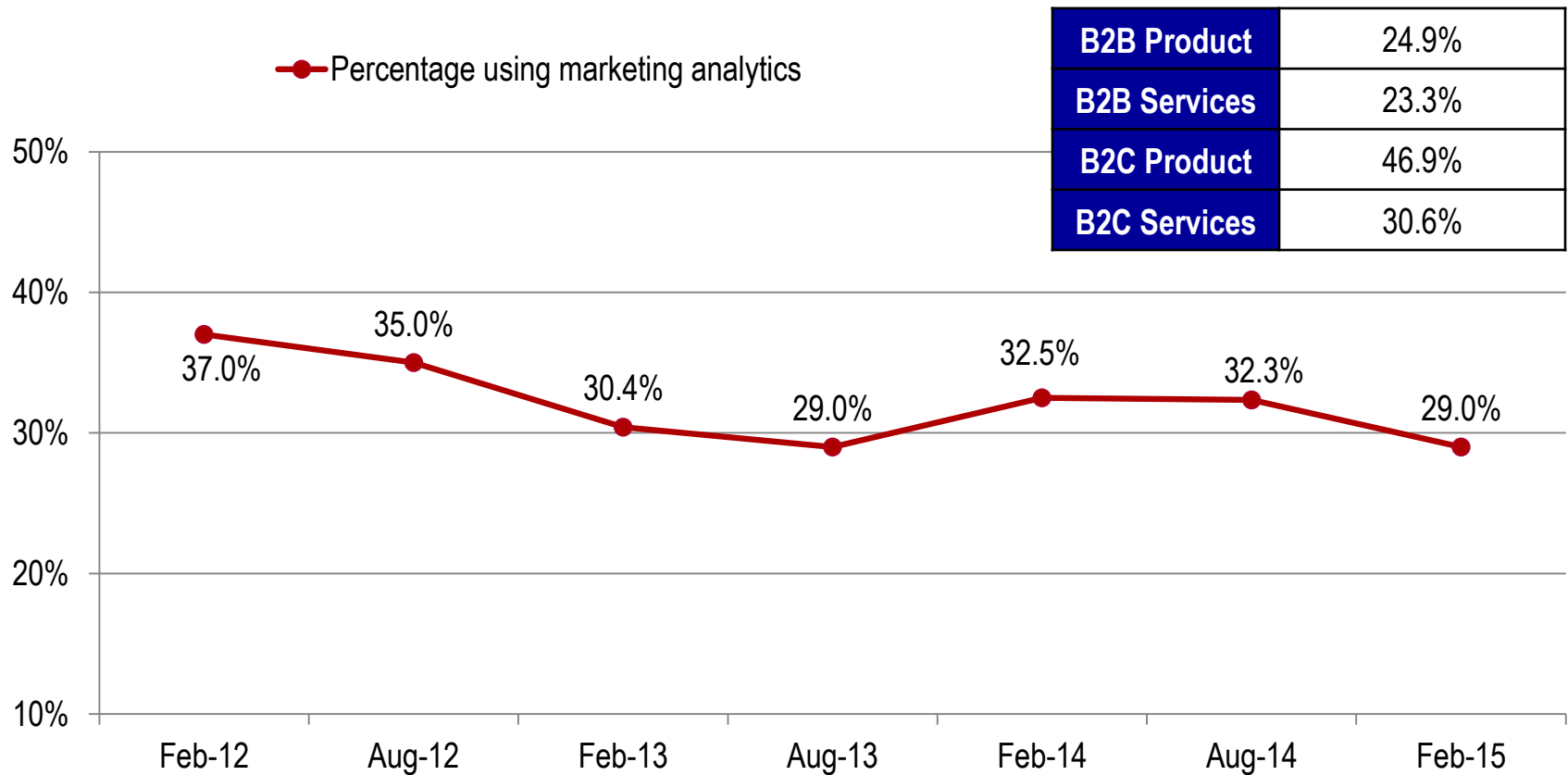
Table 9.1b. Firm internet sales differences

	Current	In Next 3 years
0%	5.6%	10.9%
1-10%	6.3%	11.0%
>10%	7.9%	13.6%



Less than a third of projects use marketing analytics; no improvement despite spending increases

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

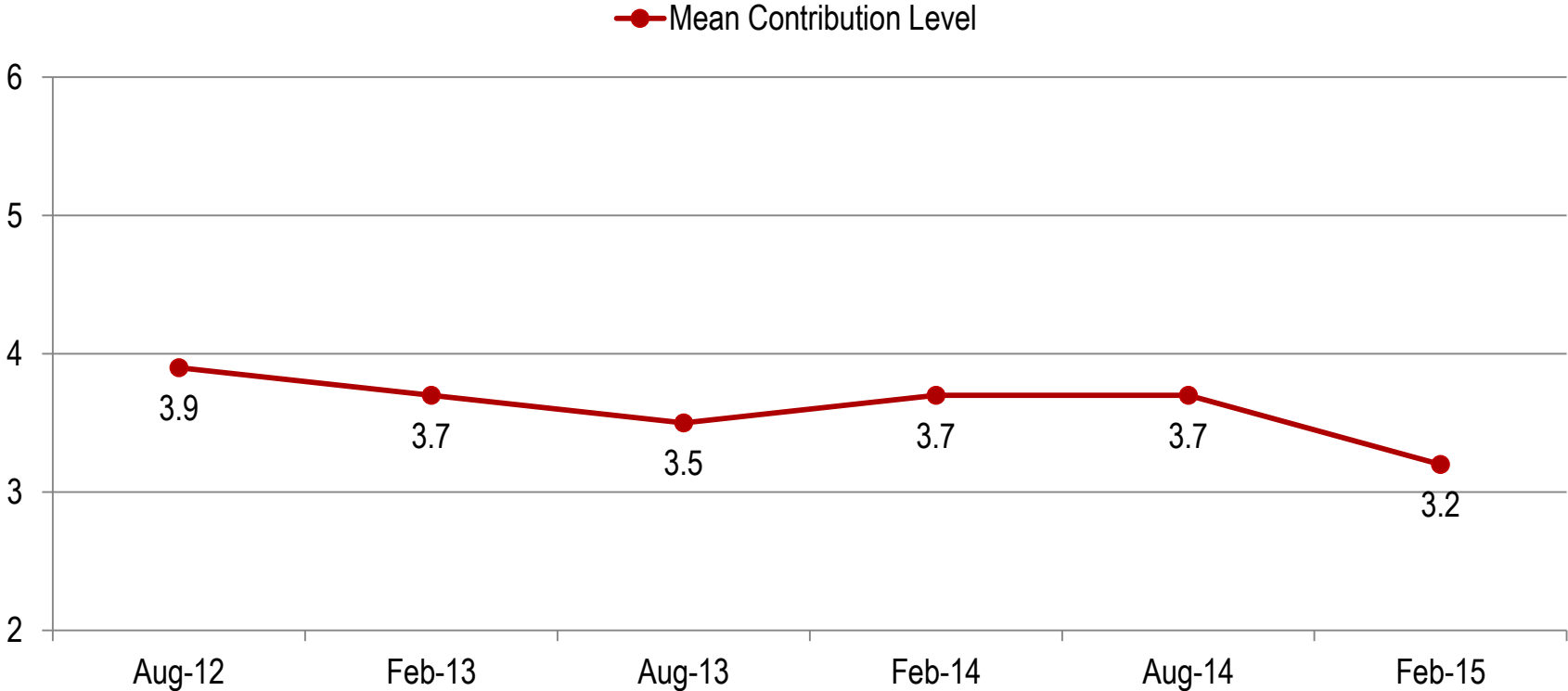


*This question was asked in Feb-12 for the first time.

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 Aug-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	2.7 (1.5)
Communications/Media	3.6 (2.3)
Consumer Packaged Goods	4.5 (2.0)
Energy	2.7 (2.1)
Healthcare/Pharma.	2.9 (1.7)
Manufacturing	2.7 (1.4)
Mining/Construction	3.3 (2.5)
Retail/Wholesale	3.5 (2.0)
Service/Consulting	2.6 (1.6)
Tech Software Biotech	3.7 (2.1)
Transportation	3.7 (1.4)

Table 9.2b. Economic sector differences

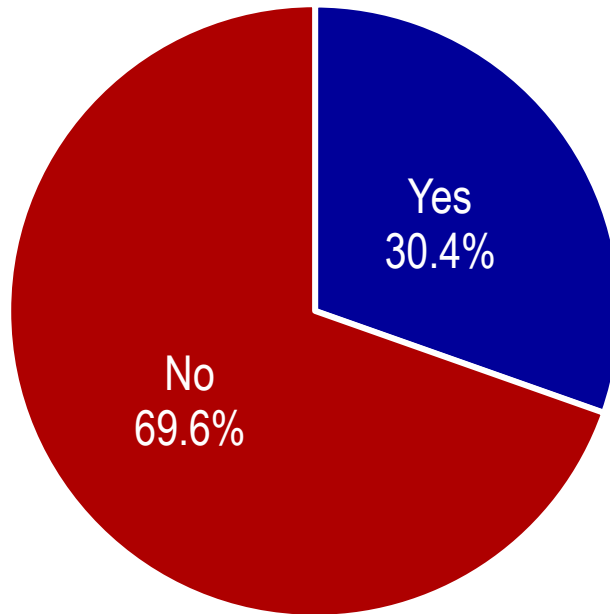
Sector	Mean (SD)
B2B Product	2.9 (1.7)
B2B Services	2.8 (1.7)
B2C Product	4.2 (1.8)
B2C Services	3.5 (2.1)

Table 9.2c. Firm internet sales differences

	Mean (SD)
0% of sales	2.7 (1.7)
1-10% of sales	3.2 (1.6)
>10% of sales	4.0 (2.0)

Majority of companies do not evaluate marketing analytics

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

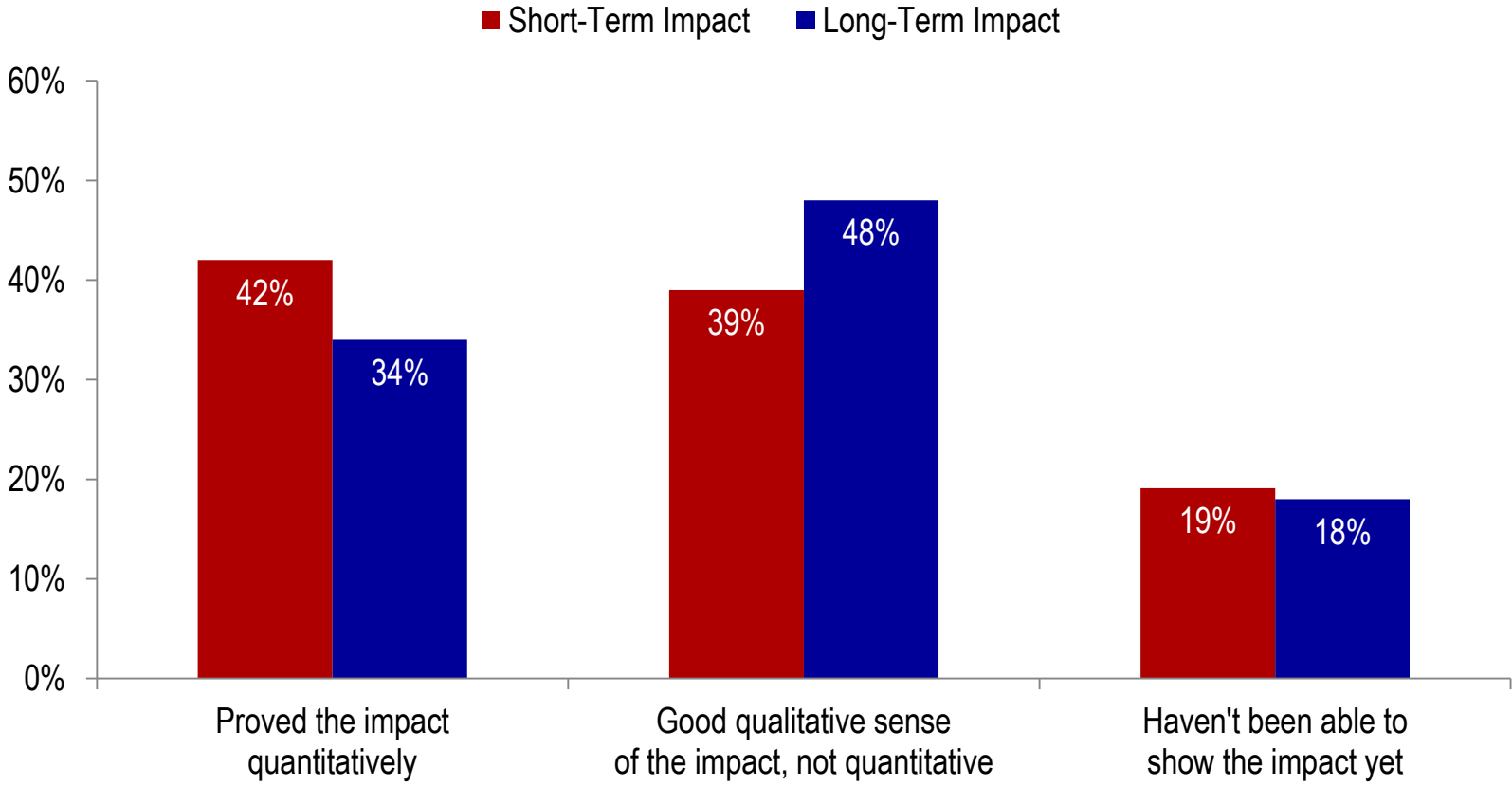


B2B Product	27.7%
B2B Services	32.4%
B2C Product	40.5%
B2C Services	16.7%

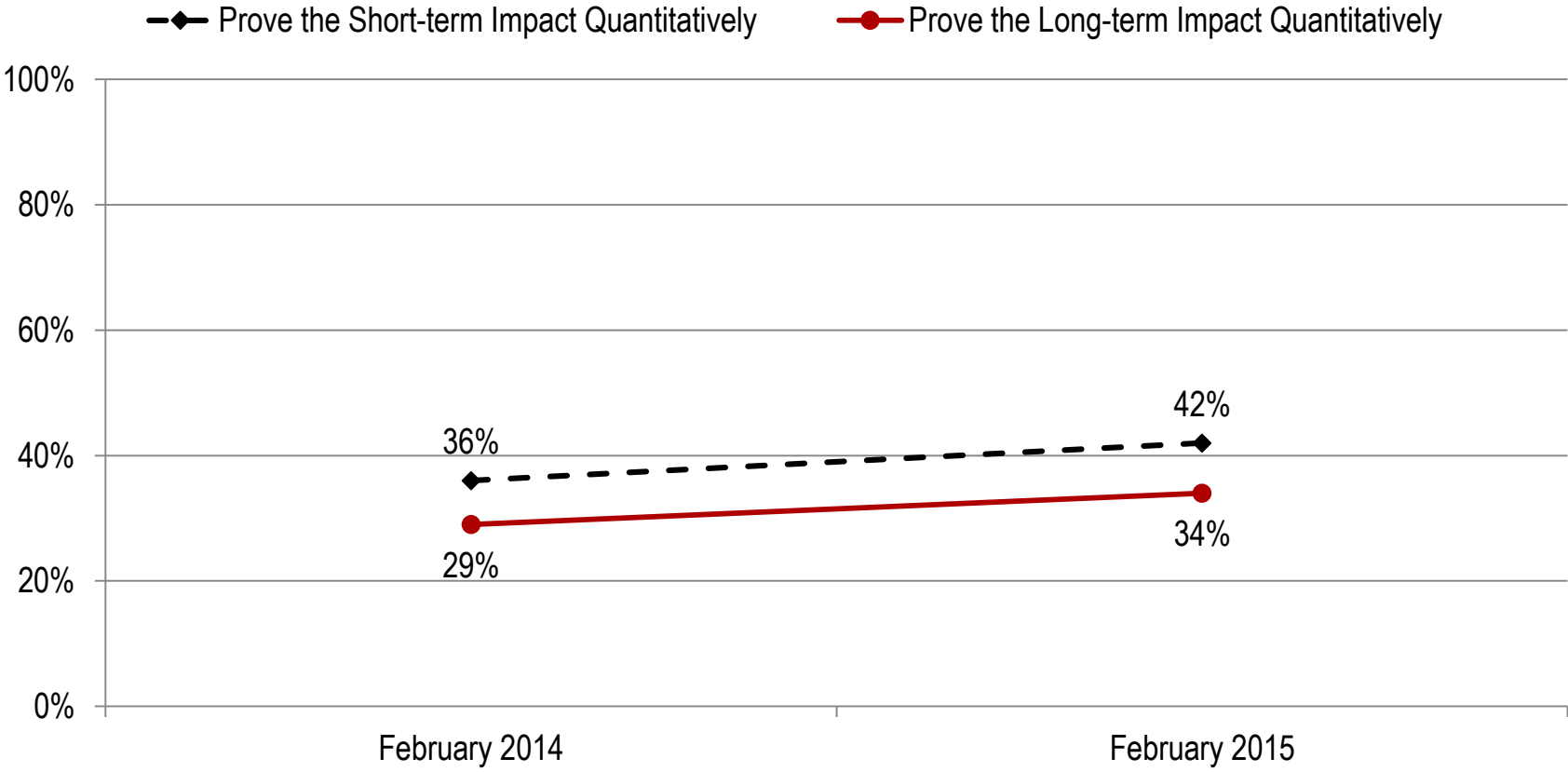
Companies lack quantitative metrics to demonstrate impact of marketing spending



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



Improvement in quantitative metrics over time



How companies use marketing analytics to drive decision making

Table 9.3. Percentage of companies using marketing analytics*

Activity	Aug-13	Feb-15
Customer acquisition	31.7%	37.8%
Customer retention	27.6%	30.2%
Social media	21.0%	27.4%
Product line/assortment optimization	18.8%	26.4%
Branding	22.0%	26.0%
Pricing strategy	23.7%	23.3%
Promotion strategy	23.7%	21.9%
Marketing mix	21.7%	19.8%
Multichannel marketing	13.4%	14.6%
Recommendation engine	7.3%	5.6%

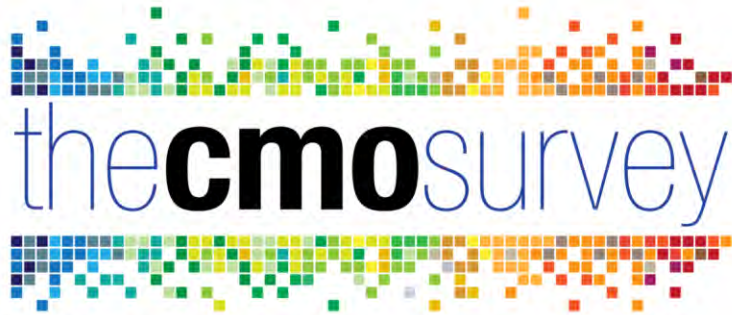
Greater use of marketing analytics:

- Customer acquisition
- Customer retention
- Social media
- Product line/assortment optimization
- Multichannel marketing

Weaker use of marketing analytics:

- Promotion strategy
- Marketing mix
- Recommendation engine

* Question has been asked two times: Aug-13 and Feb-15



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Topic 10:

The CMO Survey Award for Marketing Excellence



The 2015 CMO Survey Award for Marketing Excellence – Overall Winner



Participants were asked to nominate a company in response to the question:

Which company across all industries sets the standard for excellence in marketing?

Apple, Inc.



The 2015 CMO Survey Award for Marketing Excellence – Industry Winners



Participants were asked to nominate a company in response to the question:

Which company in your industry sets the standard for excellence in marketing?



Preview



Next survey: July 2015

Participate: Sign up [here](#)

Media: [Press releases and coverage](#)

Feedback: Send comments to moorman@duke.edu

