



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

Highlights and Insights

February 2012



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 to observe trends. Special topics are introduced for each survey.
- The February 2012 survey was the eighth administration of The CMO Survey.

Sponsoring Organizations



Founder and Director

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

Survey Sample

- 3401 Top U.S. Marketers at *Fortune* 1000, *Forbes* Top 200, CMO Club companies, and Top Marketers who are AMA Members or Duke University Alumni and Friends
- 269 responded for a 7.9% response rate

Survey Administration

- Email contact with four follow-up reminders
- Survey in field from January 31-February 16, 2012
- 91.2% 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

Overview of Results

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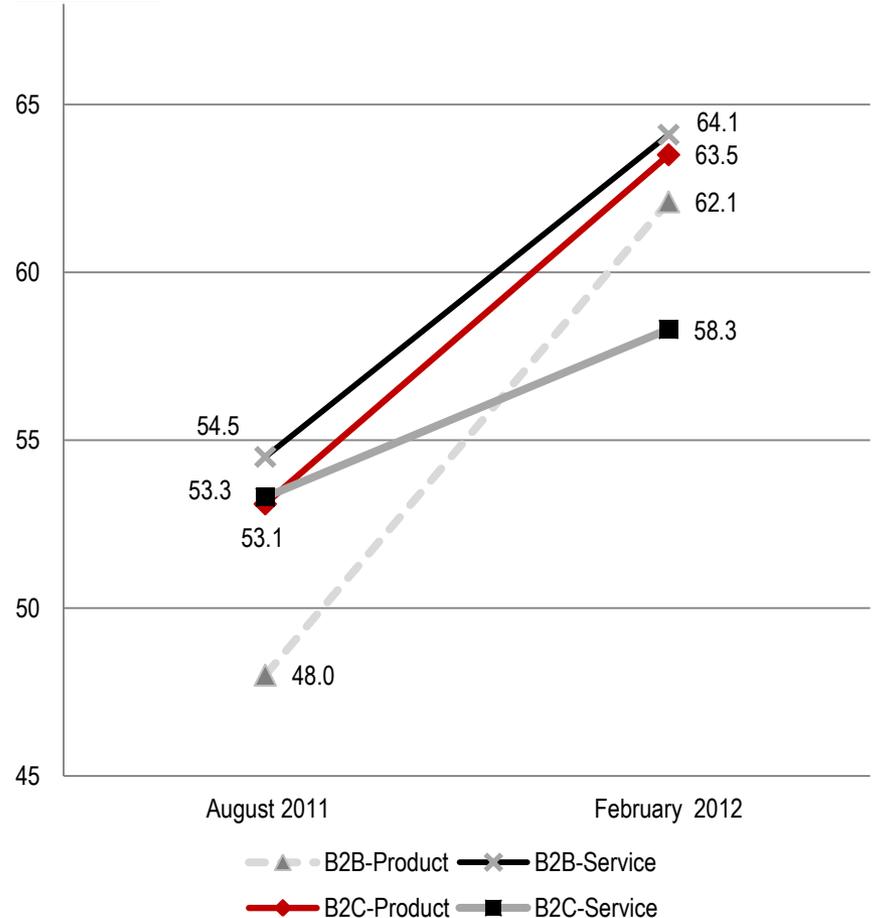
Topic 1: Marketplace Dynamics

Marketer optimism for overall U.S. economy rebounds to highest level in 3 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?

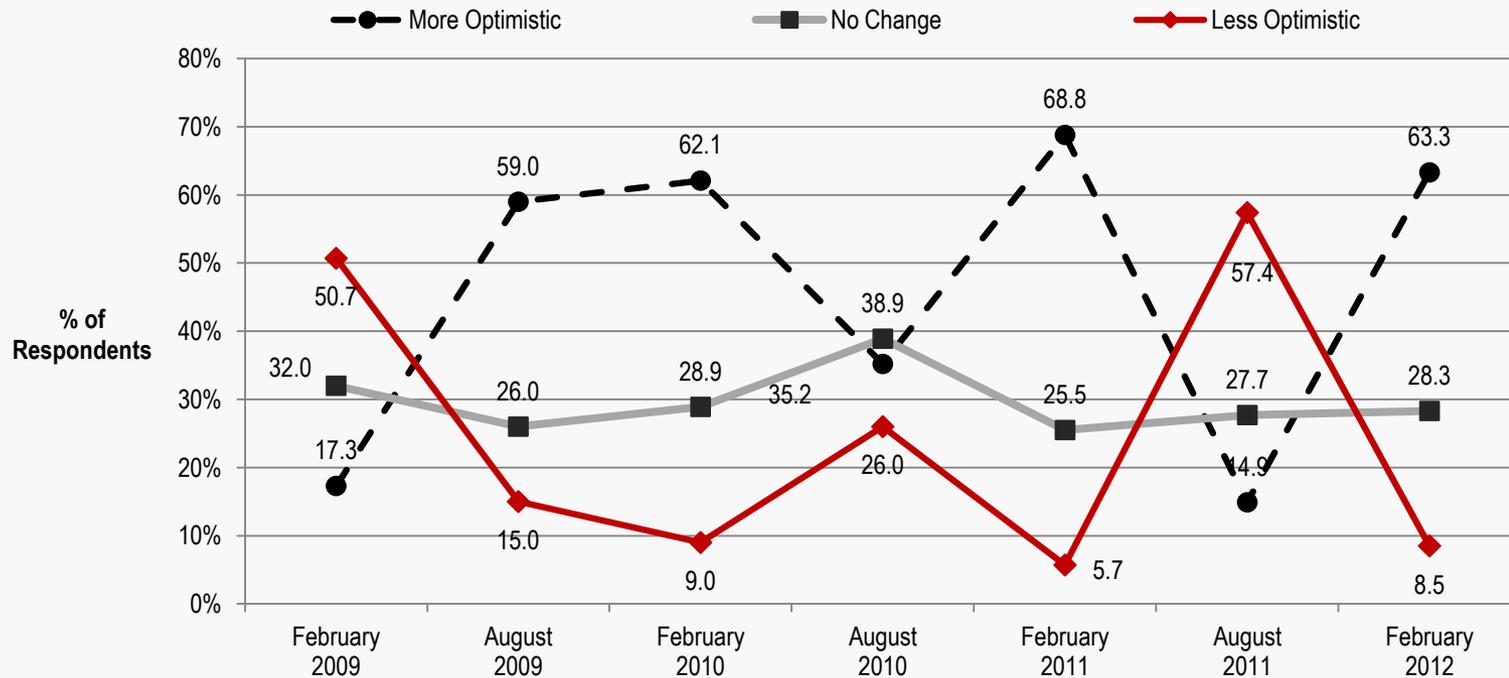


Figure 1.2. Optimism for U.S. economy by sector



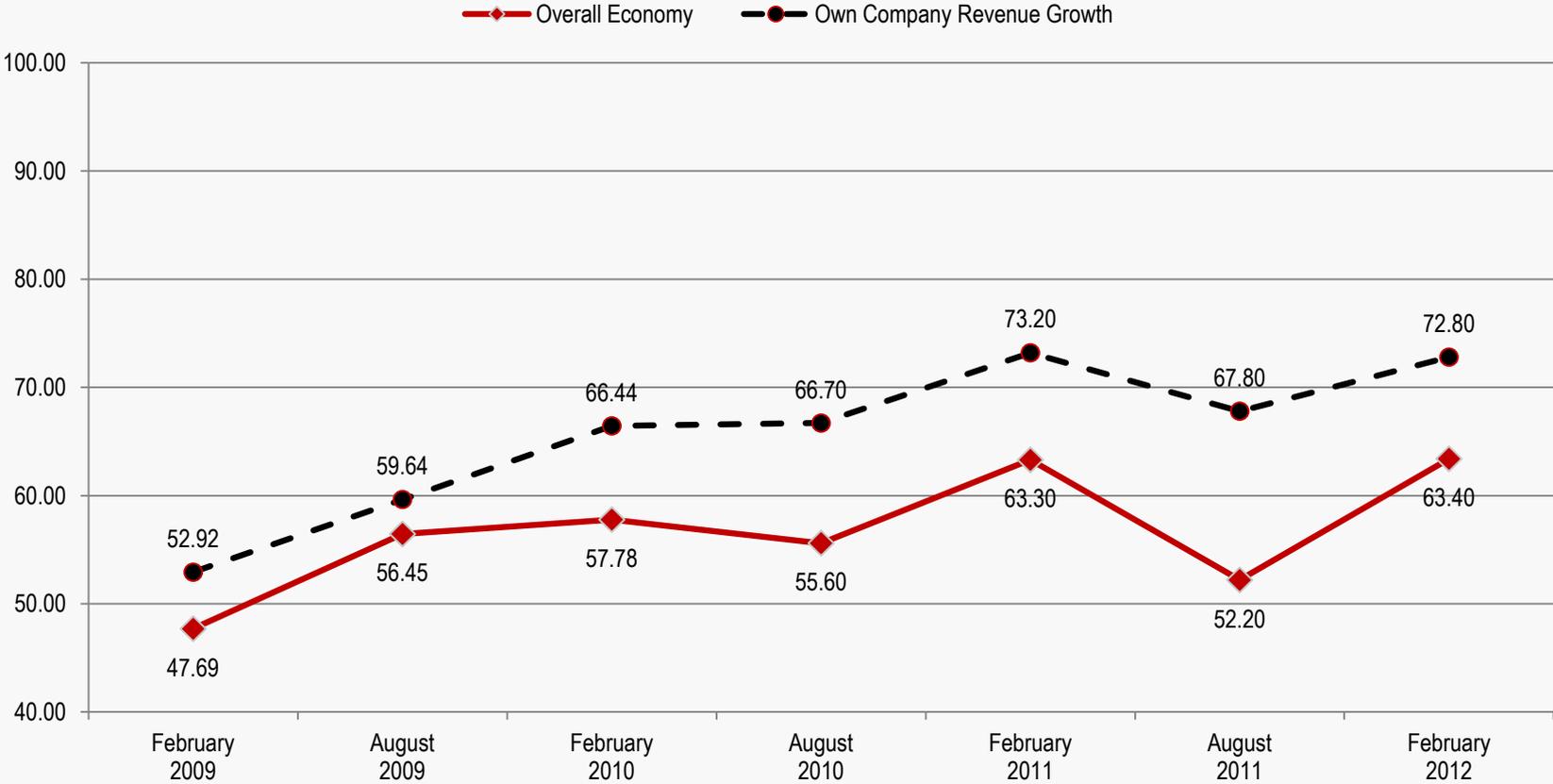
Optimists outweigh pessimists 8 to 1

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



Marketer optimism for own companies exceeds expectations for overall economy

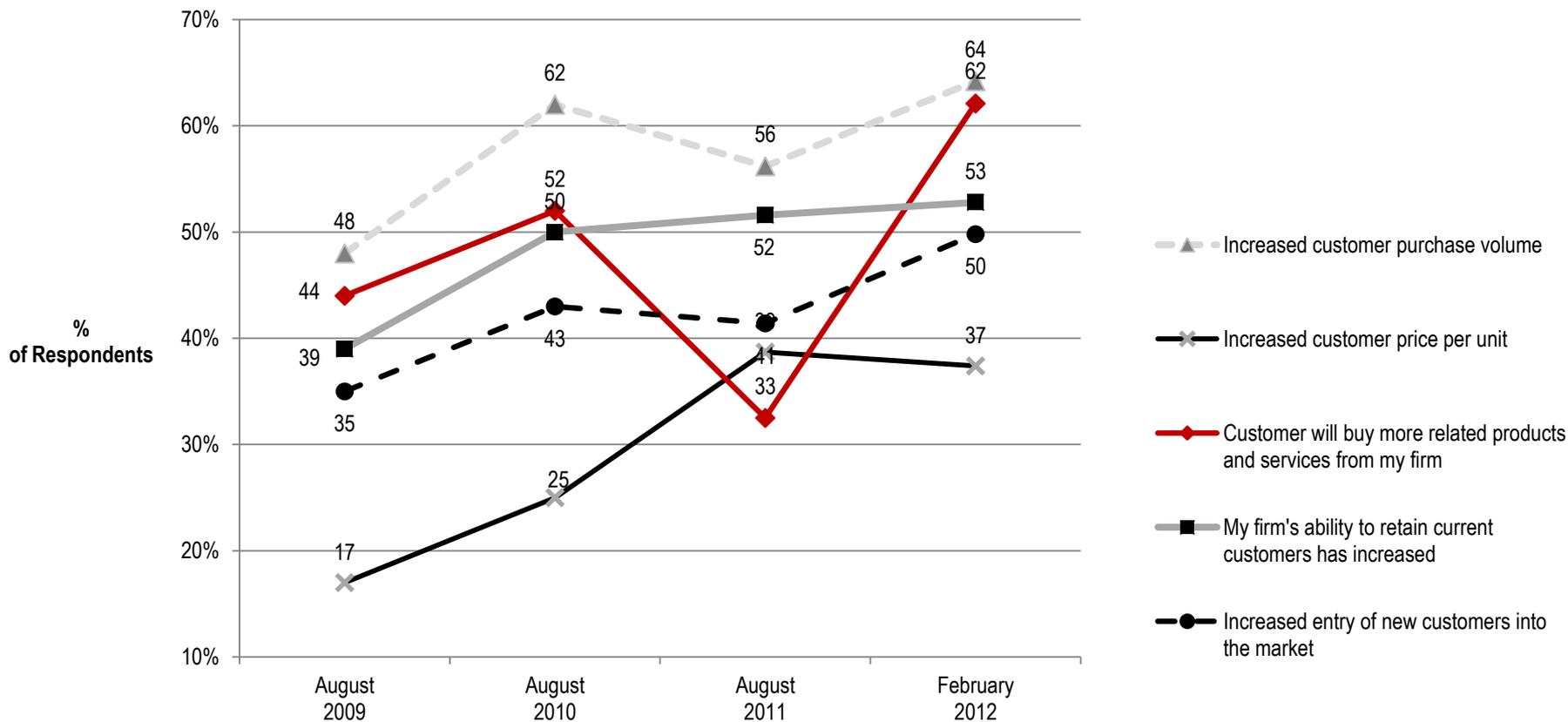
Figure 1.4. How optimistic are you on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



Customer metrics forecast strong rebound:

Increase in number of customers entering markets, purchase volume and likelihood of buying related offerings

Figure 1.5. Customer Metrics – Forecasted Customer Outcomes in Next 12 Months



Customer priorities to shift from low price to service

Table 1.1. Rank order your Customer's Top Priority in Next 12 Months

	Aug-11	Feb-12	% Change
Low Price	24.1%	16.4%	-32.0%
Quality	24.1%	26.3%	+9.1%
Innovation	13.7%	10.0%	-27.0%
Service	13.7%	21.4%	+56.2%
Trust	19.3%	18.9%	-2.1%
Brand	6.8%	7.5%	+10.3%

Topic 2: Firm Growth Strategies

Growth strategies expected to shift to product/service development & diversification

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

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*

Strategy	Actual Spending in Past 12 Months	Expected Spending in Next 12 Months	Percent Change Expected
Market Penetration Strategy	56.7%	50.2%	-11%
Market Development Strategy	15.5%	15.6%	+1%
Product/Service Development Strategy	19%	23.8%	+25%
Diversification Strategy	8.2%	10.5%	+28%

* % of spending across growth strategies

Growth strategies vary by sector

Table 2.2. Expected Change in Sector Growth Spending in Next 12 Months Relative to Prior Year

	B2B Products	B2B Services	B2C Products	B2C Services
Market Penetration Strategy	-16.9%	-11.5%	-6.2%	-7.2%
Market Development Strategy	+17.0%	+22.9%	+21.6%	+12.1%
Product/Service Development Strategy	+17.7%	-32.4%	-2.0%	+27.5%
Diversification Strategy	+28.2%	+125.6%	+81.6%	-28.2%

Notable shifts

- Less market penetration: B2B-Product (-17%)
- Greater focus on new markets/new products: B2B-Services (+126%) and B2C-Products (+82%)
- Greater focus on new services: B2C-Services (+27.5%)
- Greater focus on new markets: B2B-Services (+23%) and B2C-Products (+22%)

Stable patterns of growth strategies overall; sector differences significant

Table 2.3. How Firms Will Grow in the Next 12 Months*

Strategy	Aug-10	Feb-11	Aug-11	Feb-12
Organic Growth	69.5%	72.0%	70.2%	70.6%
Growth from Acquisitions	10.8%	10.6%	11.4%	11.6%
Growth from Partnerships	13.9%	11.8%	13.5%	12.6%
Growth from licensing	5.8%	5.6%	5.1%	5.2%

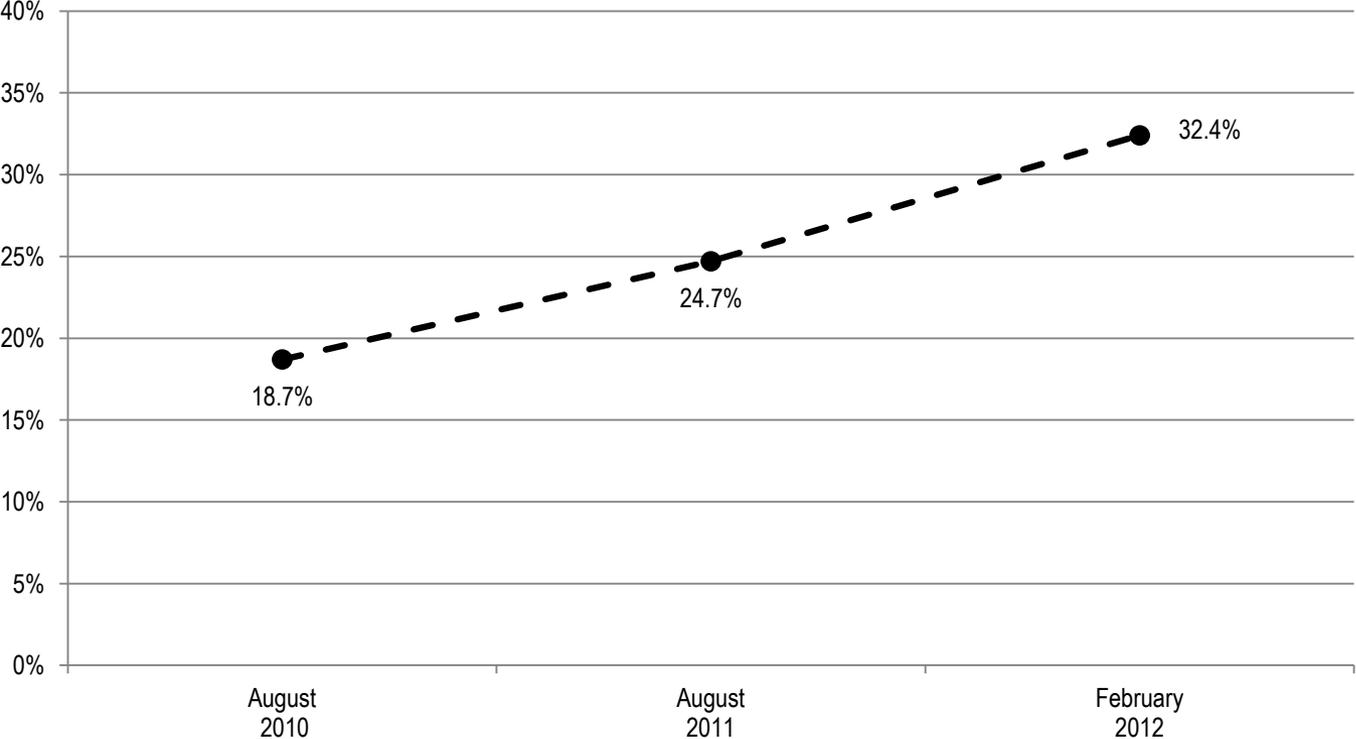
* Percentage of spending across growth strategies

Table 2.4. Sector Use of Growth Strategies – February 2012

	Organic Growth	Growth via Acquisition	Growth from Partnerships	Growth from Licensing
B2B Product	67.4%	13.9%	12.9%	5.8%
B2B-Service	74.4%	10.8%	10.9%	3.9%
B2C-Product	71.6%	7.5%	13.6%	7.3%
B2C-Service	78.9%	8.6%	10.7%	1.8%

International sales to continue upward trajectory in next 12 months

Figure 2.1. Percentage of Company Sales Expected to be International in Next 12 Months



Which international market is your highest revenue growth market?

Figure 2.2. Which International Market is Your Highest Revenue Growth Market?

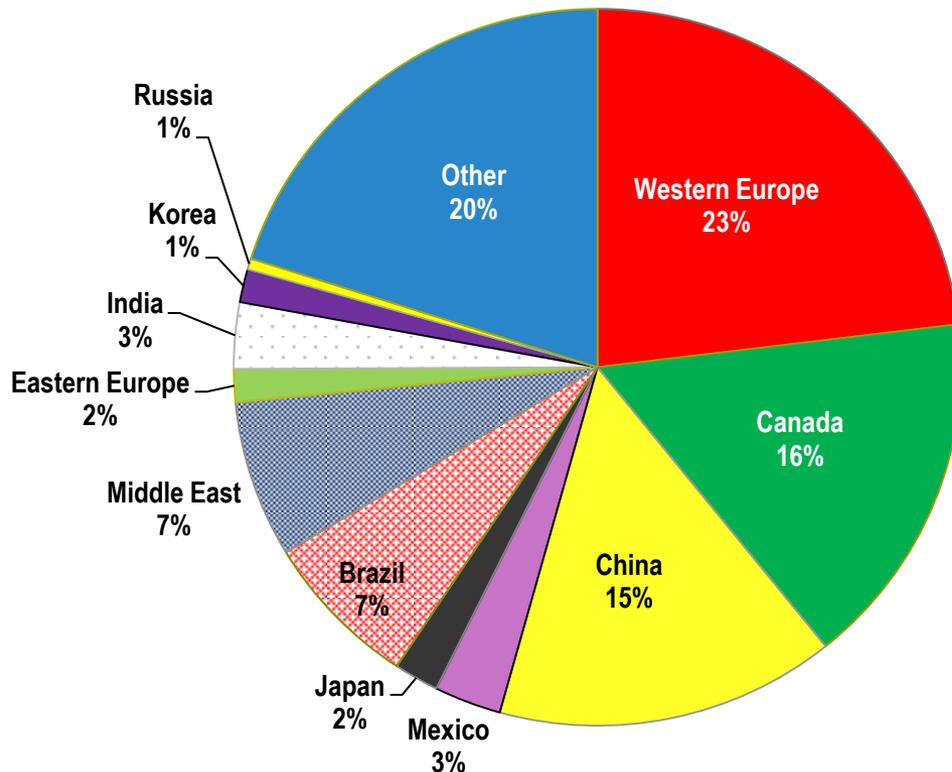


Table 2.5. Sector Differences in Key Emerging Markets

	Brazil	Russia	India	China
B2B Product	6.8%	1.4%	2.7%	24.7%
B2B-Service	5.3%	0%	5.3%	10.5%
B2C-Product	10.3%	0%	3.4%	10.3%
B2C-Service	12.5%	0%	0%	6.3%

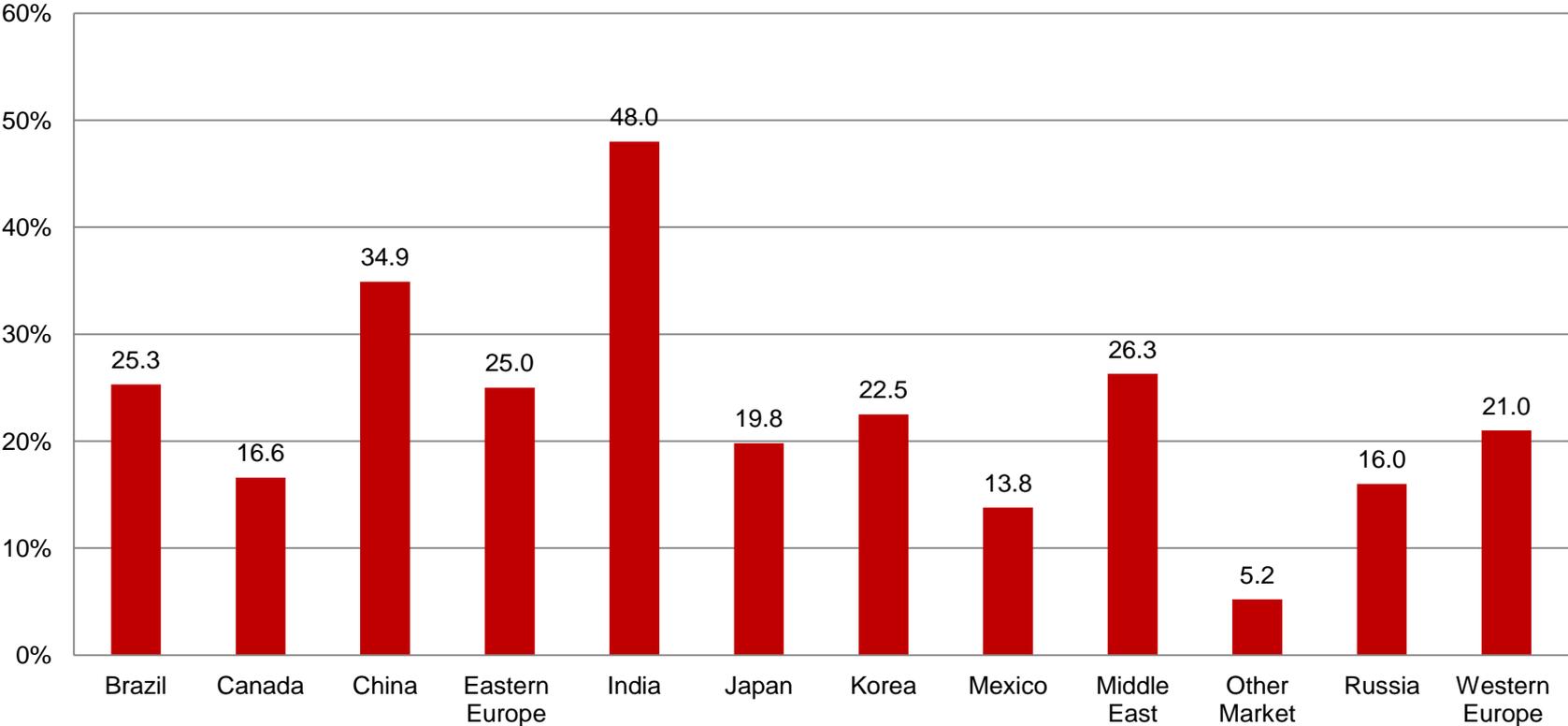
**New question
in The CMO Survey**

20% sales revenue increase in top international market in last year

Average increase across all top international markets: 19.7% (SD = 32.1)

New question in The CMO Survey

Figure 2.3. Average Percent Increase in Sales Revenue from Top International Market



Topic 3: Marketing Spending

Growth in marketing budgets remains high: B2B-Product companies expect 2x-4x growth of other industries

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

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

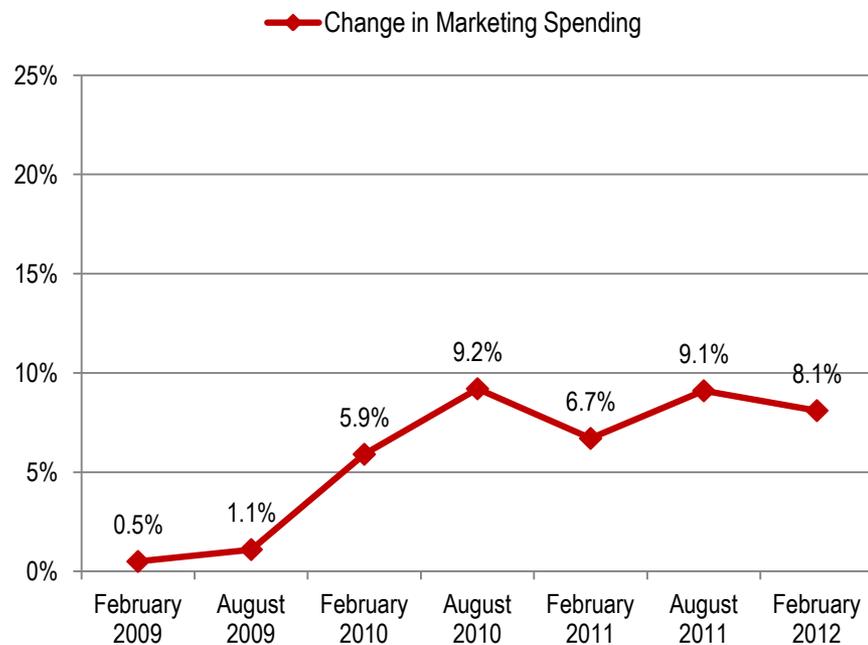


Table 3.1. Sector Differences in Marketing Budgets

	% Change in Marketing Spending
B2B Product	13.2%
B2B-Service	6.2%
B2C-Product	3.3%
B2C-Service	4.6%

Marketing spending on traditional advertising expected to plummet further (-161%)

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

	Aug-11	Feb-12	% Change
Traditional advertising* spending	1.3%	-0.8%	-161.5%
Internet marketing spending	11.2%	12.8%	+14.3%
New product introductions	10.4%	8.5%	-18.3%
New service introductions	6.6%	4.2%	-36.4%
Customer relationship management	6.5%	7.1%	+9.2%
Brand building	5.7%	7.2%	+26.3%

*Refers to media advertising not using the web.

Investments in building marketing knowledge remain strong

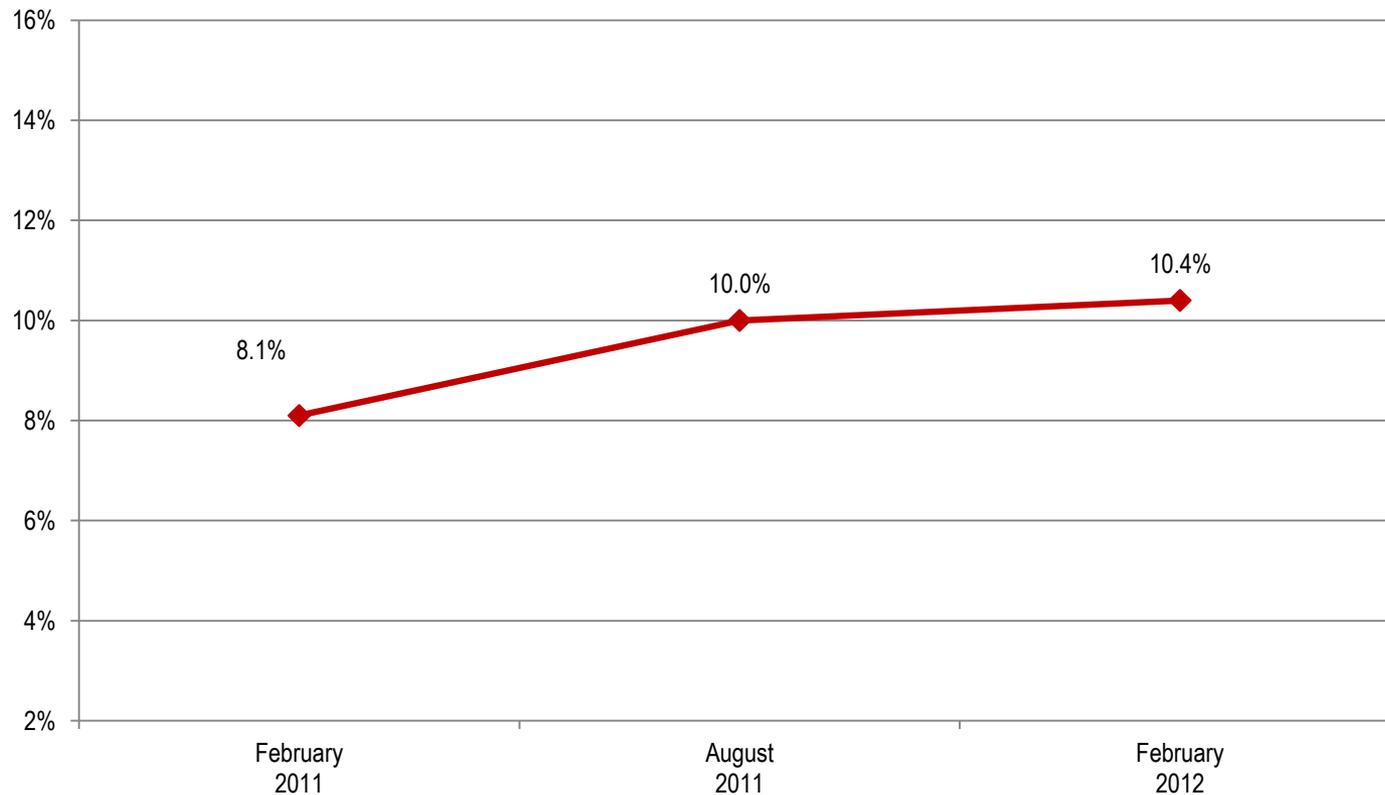
Table 3.3. Changes in Firm Spending on Marketing Knowledge in Next 12 Months

	Feb-09	Aug-09	Feb-10	Aug-10	Feb-11	Aug-11	Feb-12
Marketing research and intelligence	1.8%	3.2%	7.3%	5.6%	8.0%	6.2%	6.2%
Marketing consulting services	-4.5%	1.3%	2.9%	4.6%	4.7%	3.5%	1.7%
Developing knowledge about how to do marketing	3.4%	3.0%	6.4%	6.6%	8.8%	6.4%	4.6%
Integrating what we know about marketing	5.1%	4.1%	7.4%	8.9%	8.1%	6.0%	6.6%
Marketing training	1.2%	0.7%	4.3%	3.6%	5.6%	3.1%	3.7%

Marketing spending increases further to account for 10.4% of overall firm budgets

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

Figure 3.2. How Marketing Budgets Are Changing Over Time*



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

Size of marketing budget varies by company sector, sales, and internet sales

Table 3.4. Marketing Percentage of Firm Budget by Economic Sector

	B2B Product	B2B Services	B2C Product	B2C Services
August 2011	7.0%	11.1%	11.6%	12.1%
February 2012	8.7%	8.2%	16.1%	16.8%

Table 3.5. 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 2011	11.3%	14.6%	10%	7.8%	3.1%	6.6%
February 2012	10.7%	12.3%	13.5%	4.7%	6.7%	8.8%

Table 3.6. Marketing Percentage of Firm Budget by Company Internet Sales

	0% Internet Sales	1-10% Internet Sales	>10% Internet Sales
August 2011	8.7%	7.9%	16.8%
February 2012	8.4%	9.5%	18.0%

Marketing spending as a percent of firm revenues

- Mean percentage: 8.5%
- 95 percent confidence Interval around mean: 5.6%-11.5%

**New question
in The CMO Survey**

Table 3.7. Marketing Spending as a Percentage of Firm Revenues by Economic Sector

	B2B Product	B2B Services	B2C Product	B2C Services
February 2012	7.3%	4.8%	13.8%	16.6

Table 3.8. 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
February 2012	11.8%	9.0%	14.7%	1.7%	2.8%	5.2%

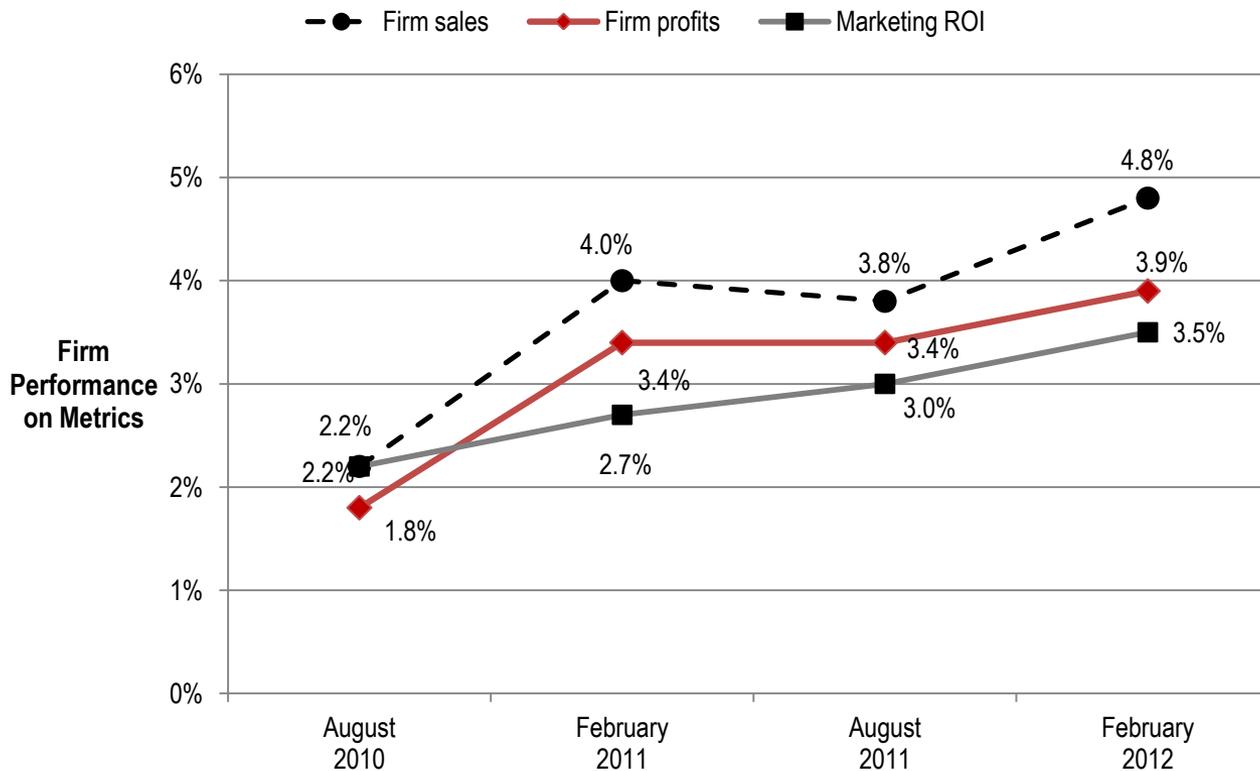
Table 3.9. Marketing Percentage of Firm Budget by Company Internet Sales

	0% Internet Sales	1-10% Internet Sales	>10% Internet Sales
February 2012	6.3%	9.0%	14.4%

Topic 4: Financial and Marketing Performance

Company performance on financial metrics shows significant improvement

Figure 4.1. Firm Performance in Prior 12 Months

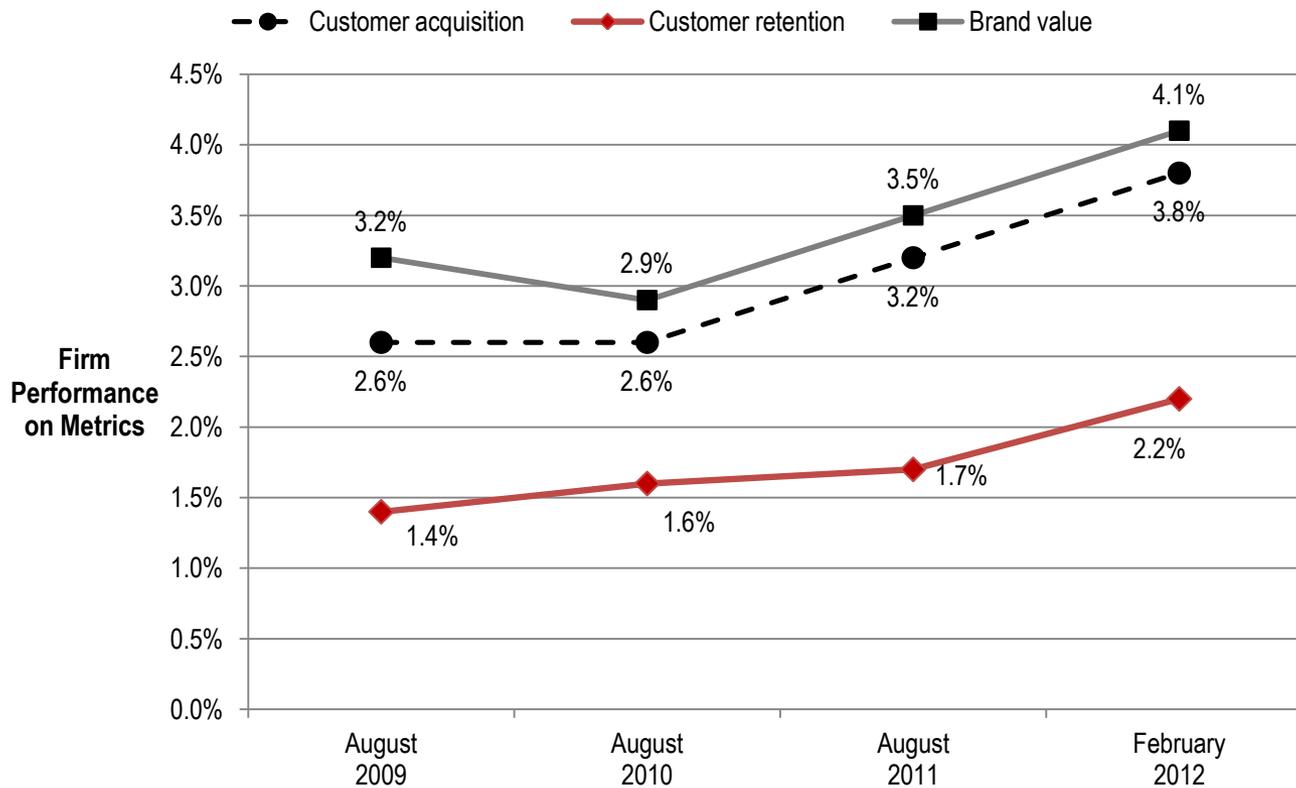


	% Change Feb-2011 to Feb-2012
Firm Sales	20%
Firm Profits	14.7%
Marketing ROI	29.6%

Companies build key customer and brand assets

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

Figure 4.2. Company Performance on Customer and Brand Metrics



	% Change Feb-2011 to Feb-2012
Customer Acquisition	41.3%
Customer Retention	31.5%
Brand Value	37.5%

Firm performance goals skyrocket: 40%-110% increases over current performance

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

Table 4.1. Company Performance and Goals

	Actual firm performance in prior 12 months	Goal in the next 12 months	% Increase in goal over performance
Firm sales	4.8%	6.8%	42%
Marketing return on investment	3.5%	5.1%	46%
Firm profits	3.9%	6.2%	59%
Customer acquisition	3.8%	5.7%	45%
Customer retention	2.2%	4.6%	110%
Brand value	4.1%	5.8%	41%

B2B-Service companies top most metrics

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

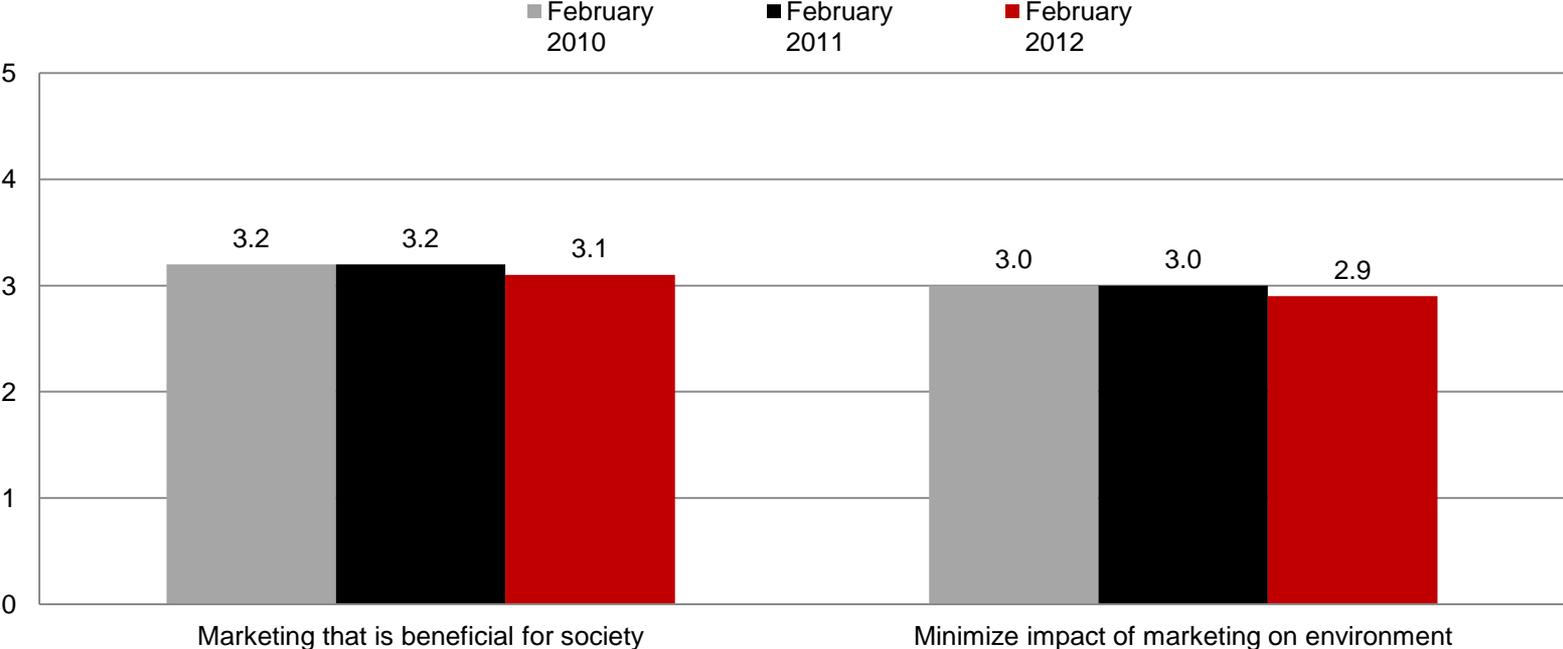
Table 4.2. Sector Performance Metrics for Prior 12 Months

	B2B-Product	B2B-Services	B2C-Product	B2C-Services
Firm sales	7.0%	7.5%	6.6%	5.2%
Marketing return on investment	4.9%	5.8%	4.3%	5.3%
Firm profits	6.1%	6.7%	5.7%	5.6%
Customer acquisition	5.8%	6.1%	5.2%	5.1%
Customer retention	4.7%	5.2%	4.1%	3.6%
Brand value	5.9%	5.8%	5.5%	6.0%

Flat company performance on social and environmental indicators



Figure 4.3. Firm Performance on Social and Environmental Metrics in Past 12 Months



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

Topic 5: Marketing and Social Media

Google groups



twitter

LinkedIn



facebook

amazon.com

You Tube

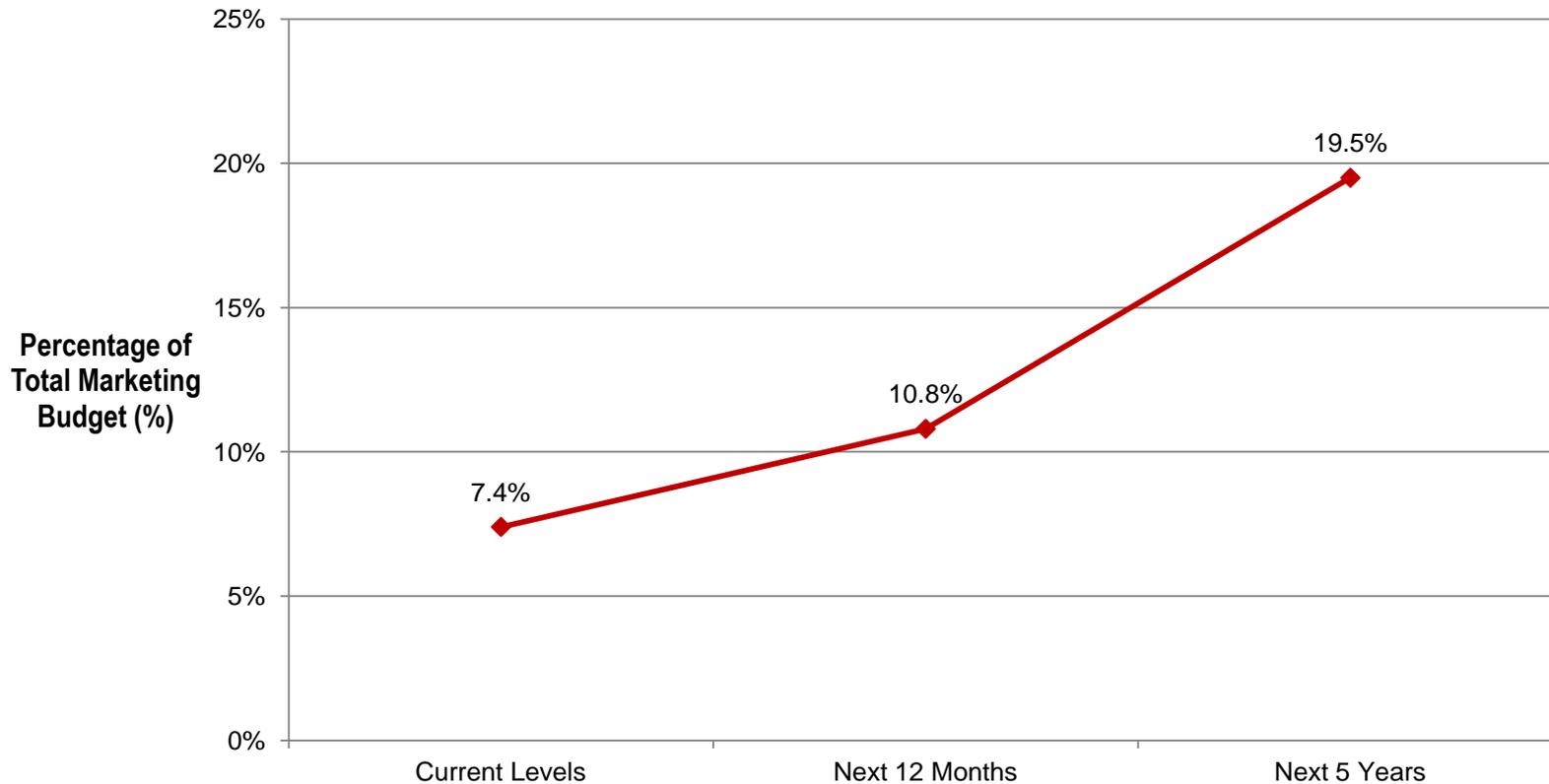
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Social media spending growth continues: Expected to be 19.5% of marketing budgets in five years

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

Figure 5.1. Social Media Spending as a Percentage of Marketing Budgets Over Time



Sector differences in social media spending; B2C-Product companies lead all industry sectors

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

		August 2011	February 2012
Current Social Media Spending	B2B - Product	4.2%	6.2%
	B2B - Services	8.6%	7.4%
	B2C - Product	10.5%	9.6%
	B2C - Services	5.9%	8.4%
	Overall	7.1%	7.4%
Social Media Spending in the next 12 months	B2B - Product	7.0%	9.4%
	B2B - Services	11.5%	10.1%
	B2C - Product	13.6%	15.3%
	B2C - Services	9.4%	11.7%
	Overall	10.1%	10.8%
Social Media Spending in the next 5 years	B2B - Product	13.4%	18.5%
	B2B - Services	18.3%	19.1%
	B2C - Product	24.0%	23.0%
	B2C - Services	17.3%	19.0%
	Overall	17.5%	19.5%

Social media integration gap not closing

Question: How effectively is social media integrated with your firm's marketing strategy?
7-point scale (1=not integrated, 7=very integrated)

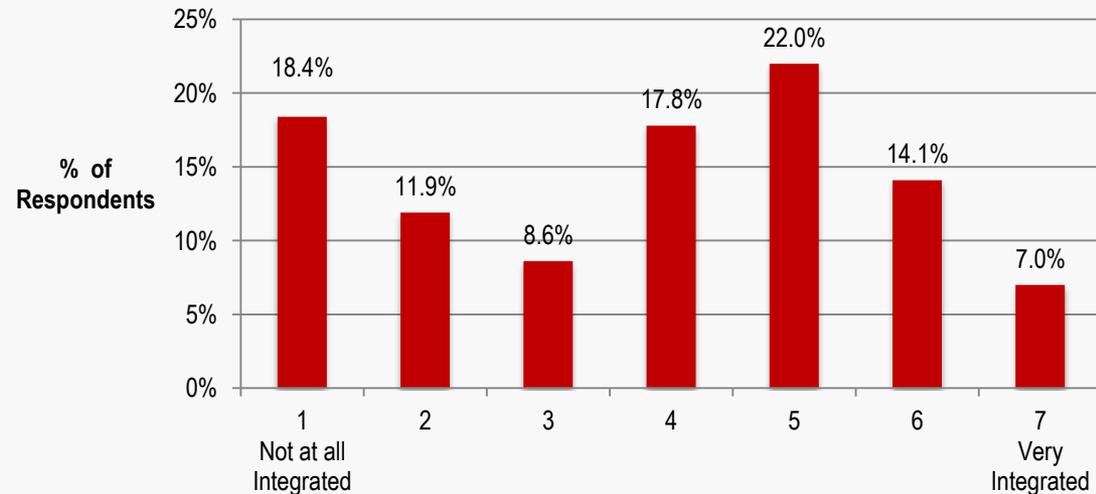
Results: Social media remains poorly integrated with marketing strategy:

- Feb, 2012: Mean = 3.8, SD = 1.9
- Feb, 2011: Mean = 3.8, SD = 2.0

Table 5.2. Integration Scores by Sector

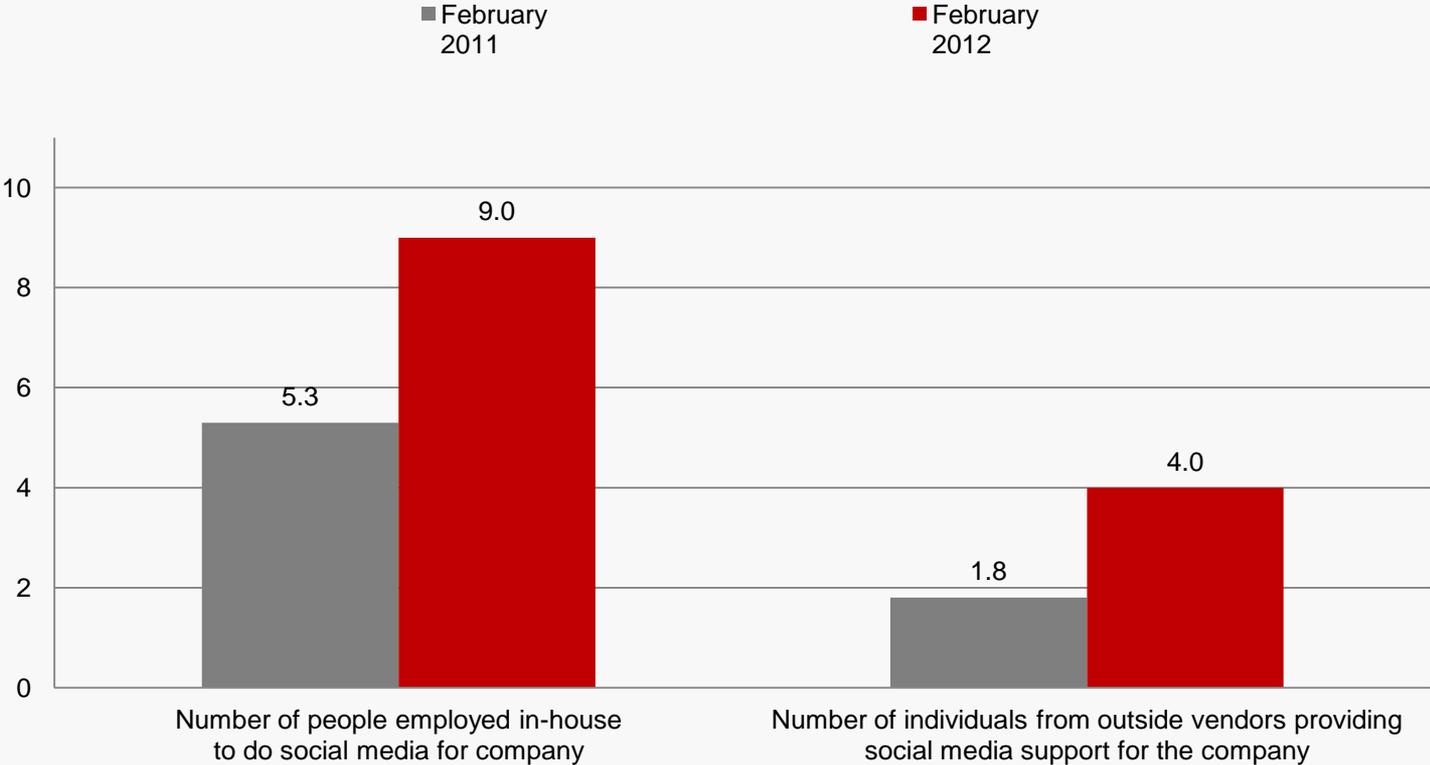
	Mean (SD) Feb-2012
B2B-Product	3.6 (2.1)
B2B-Services	3.6 (1.9)
B2C-Product	4.4 (1.5)
B2C-Services	4.5 (1.6)

Figure 5.2. How Effectively Social Media is Integrated with Strategy



Social media employment doubles inside and outside the company

Figure 5.3. Number of Employees In-House and Outsourced Performing Social Media for Company



Topic 6: Marketing Jobs

Marketing employment remains positive but growth slows

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

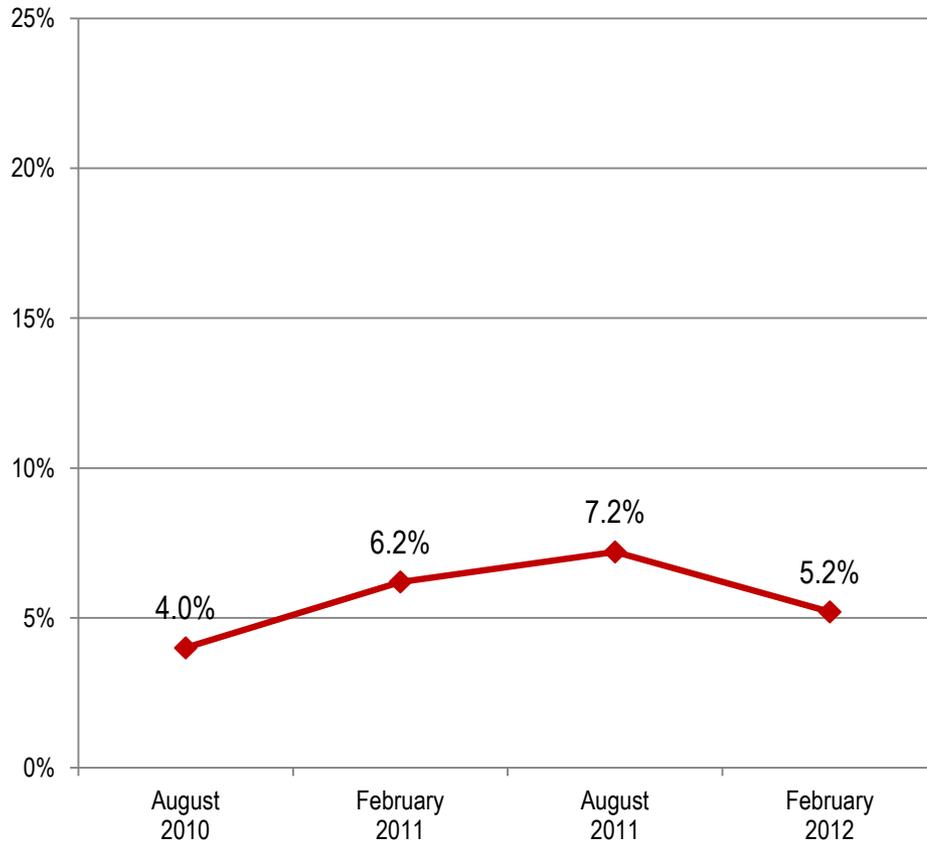


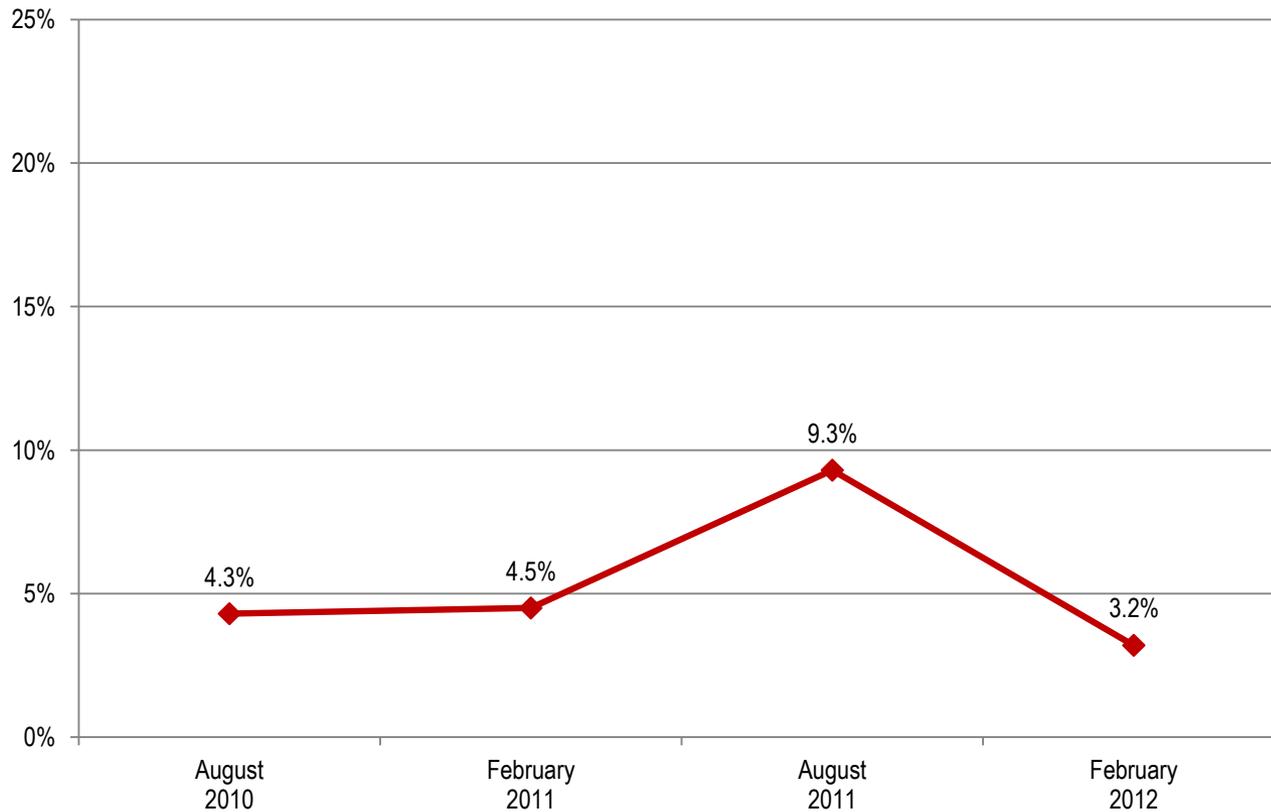
Table 6.1. Percentage Increase in Marketing Hires by Sector

	B2B Product	B2B Services	B2C Product	B2C Services
August 2010	6.6%	3.7%	2.4%	0.1%
February 2011	3.7%	4.6%	5.1%	6.3%
August 2011	13.9%	11.3%	6.7%	2.3%
February 2012	2.1%	4.5%	1.9%	4.5%

Outsourcing of marketing flattens with recovery

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

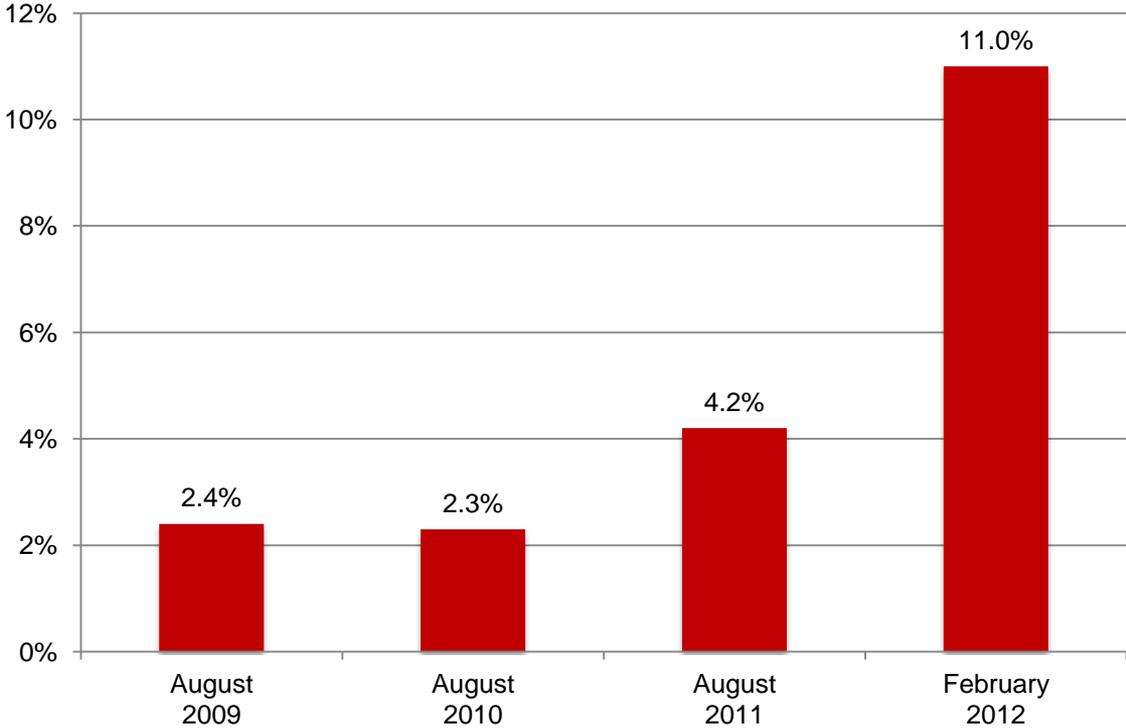
Figure 6.2. Percentage of Company Marketing Expected to be Outsourced in Next 12 Months



Topic 7: Marketing Organization

Size of marketing groups double during economic recovery

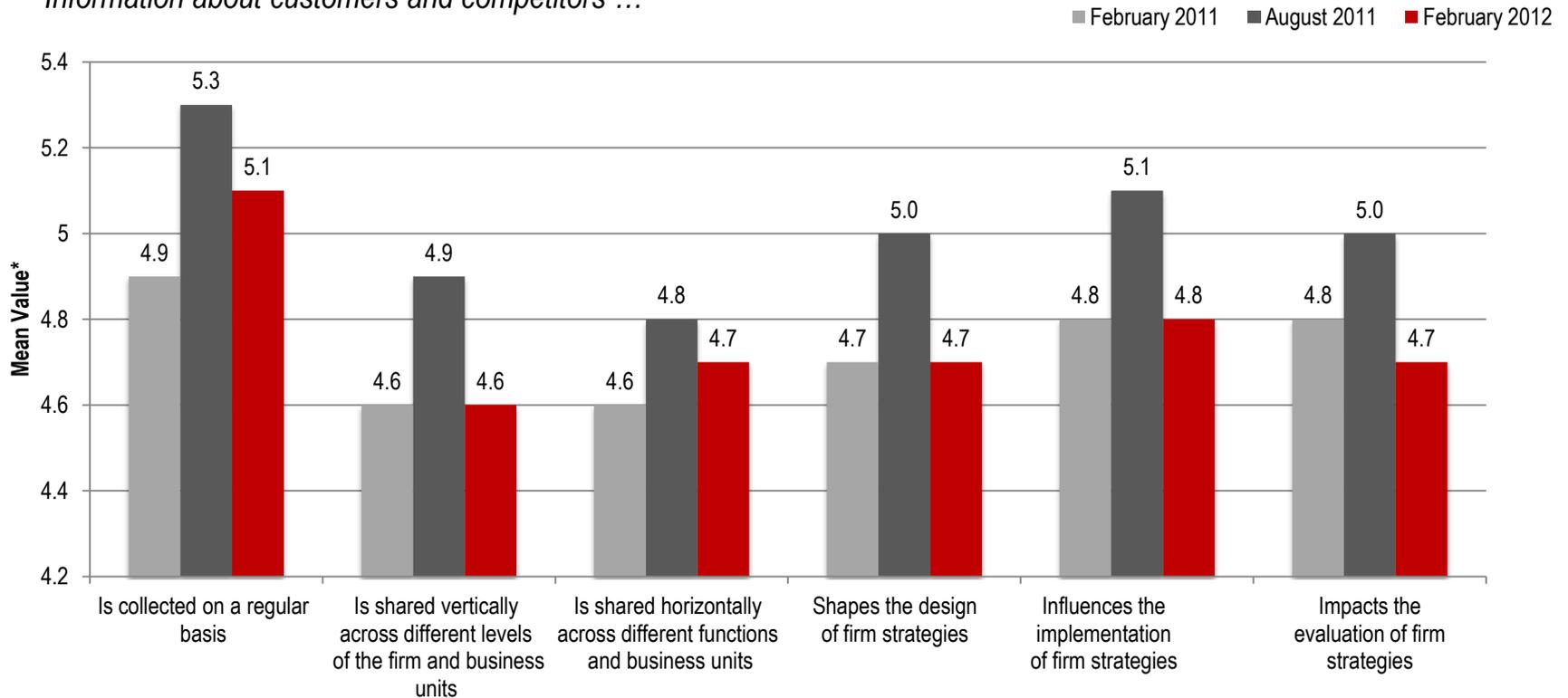
Figure 7.1. Marketing Employees as a Percentage of Total Number of Employees



External focus levels off as recovery strengthens

Figure 7.2. Firm Outside-In Activities:

*Information about customers and competitors ... **



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

Topic 8: Marketing Leadership

Marketing leaders retained through economic crisis; B2C-Product lowest retention levels

Figure 8.1. Marketing Leader Retention

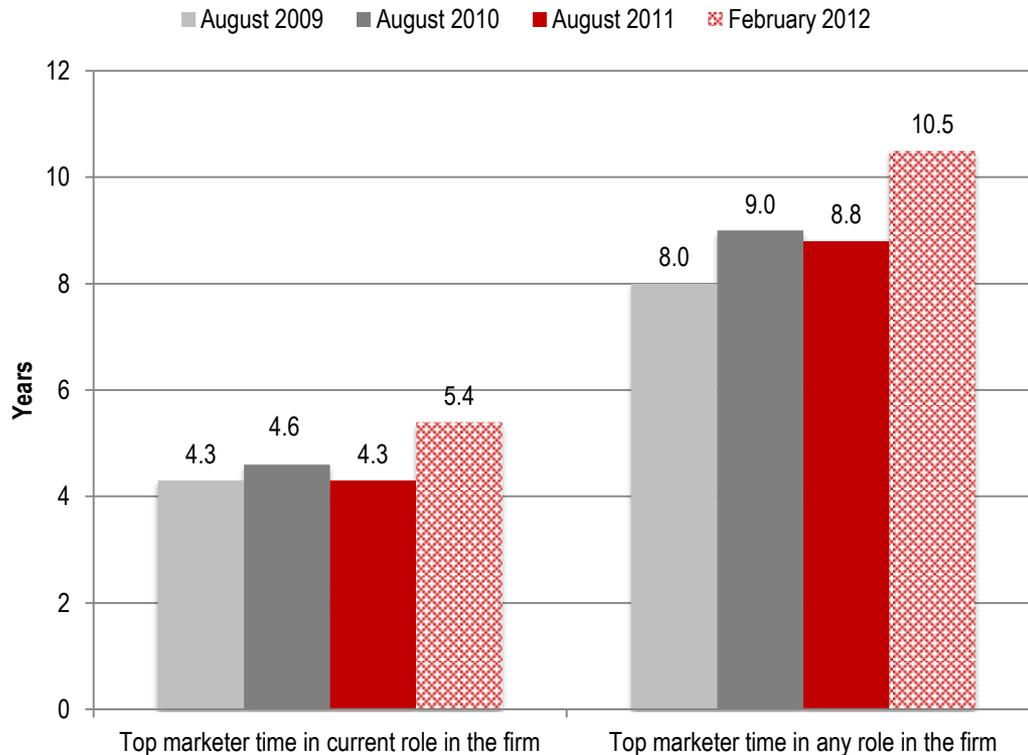
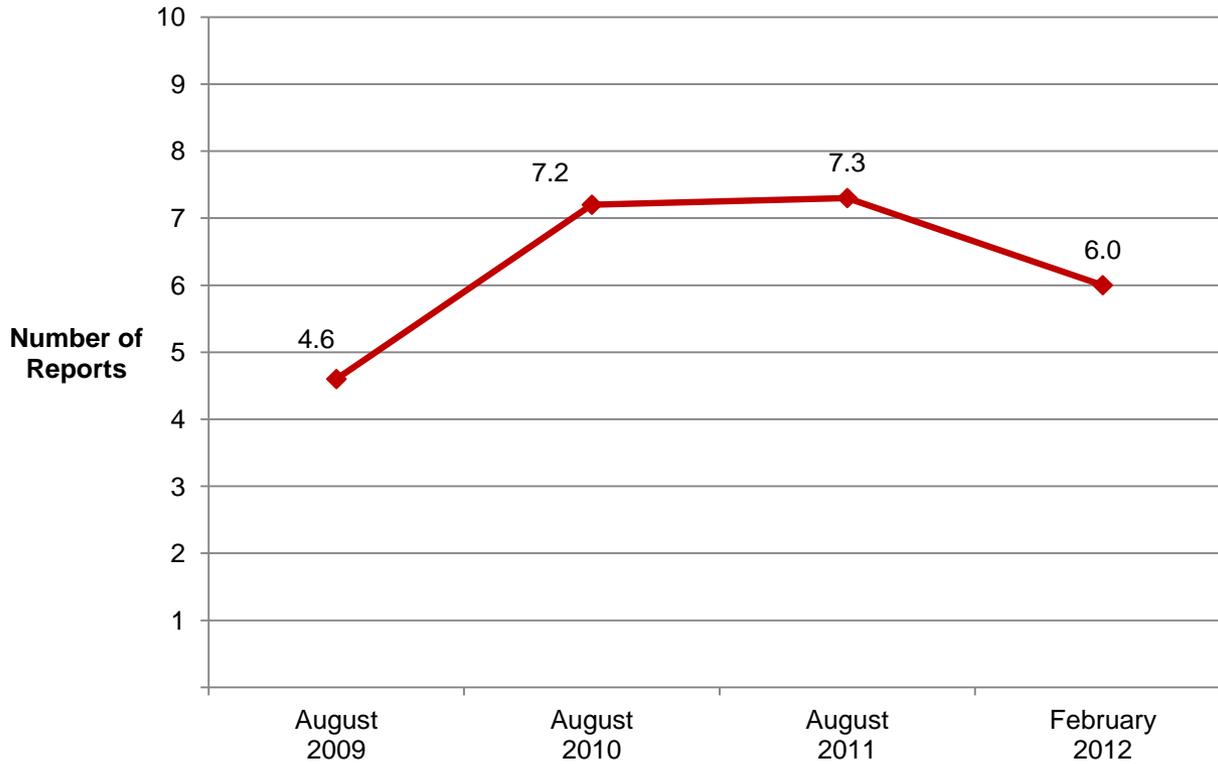


Table 8.1. Sector Differences in Retention

	Years in current role
B2B Product	5.5 years
B2B-Service	6.1 years
B2C-Product	3.9 years
B2C-Service	5.2 years

Marketer influence in firms holds during economic recovery

Figure 8.2. Number of Direct Reports to Top Marketer



Marketing leadership increases on key strategic activities

Table 8.2. What Marketing Does in Companies

Activity	Percentage of Companies Using Marketing for Activity	
	Feb-11	Feb-12
Positioning	79%	78%
Promotion	81%	79%
Brand	81%	84%
Marketing research	73%	71%
Social media	71%	73%
Competitive intelligence	58%	62%
Public relations	65%	53%
Lead generation	53%	53%
Market entry strategies	50%	46%
New products	44%	52%
CRM	38%	41%
Targeting/Market selection	31%	35%
Sales	32%	30%
Pricing	30%	34%
Innovation	33%	39%
Customer service	22%	21%
Stock market performance	0.4%	1.2%

Stronger marketing leadership :

- Brand
- Social media
- Competitive intelligence
- New Products
- CRM – Customer Relationship Management
- Targeting
- Pricing
- Innovation

Maintaining marketing leadership:

- Positioning
- Lead generation
- Customer service

Weaker marketing leadership:

- Promotion
- Marketing research
- Public relations
- Market entry
- Sales

Small but growing leadership on managing stock market performance



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. The results have been impressive for this world-class retailer.



Global Marketing Officer Marc Pritchard shares his viewpoints 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.

Topic 9: Marketing Analytics

Spending on marketing analytics to increase 60% in three years

Figure 9.1. Percent of Marketing Budget Spent on Marketing Analytics

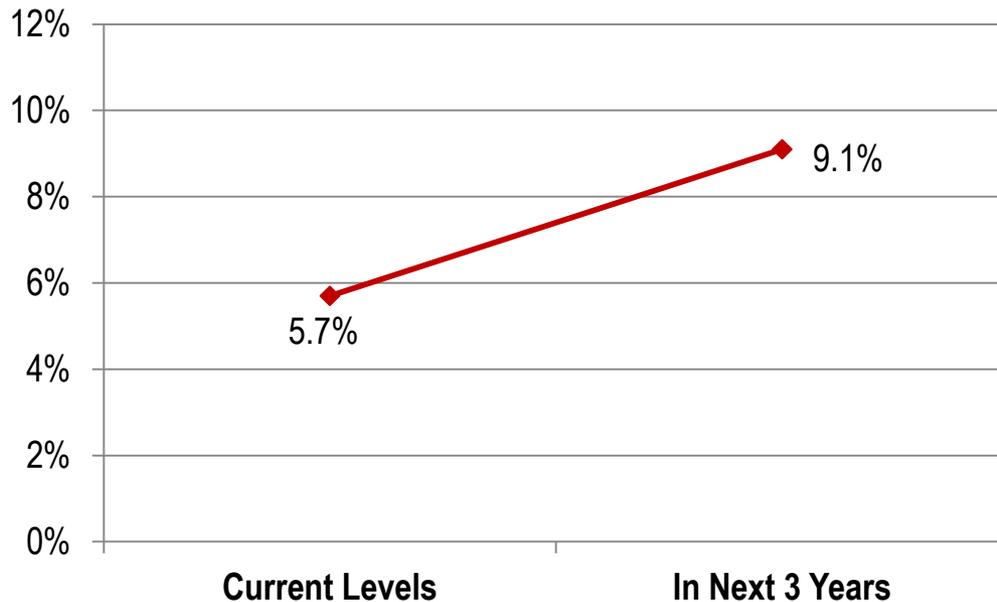


Table 9.1. Firm Size Differences

	Current	In Next 3 years
<\$25M	4.8%	7.3%
\$26-99M	4.2%	11.3%
\$100-499M	5.5%	7.6%
\$500-999M	2.8%	8.8%
\$1-9.9B	7.1%	10.2%
\$10+B	7.3%	10.8%

Size of marketing analytics groups to increase as well

Figure 9.2. Number of People Employed in Company in Marketing Analytics

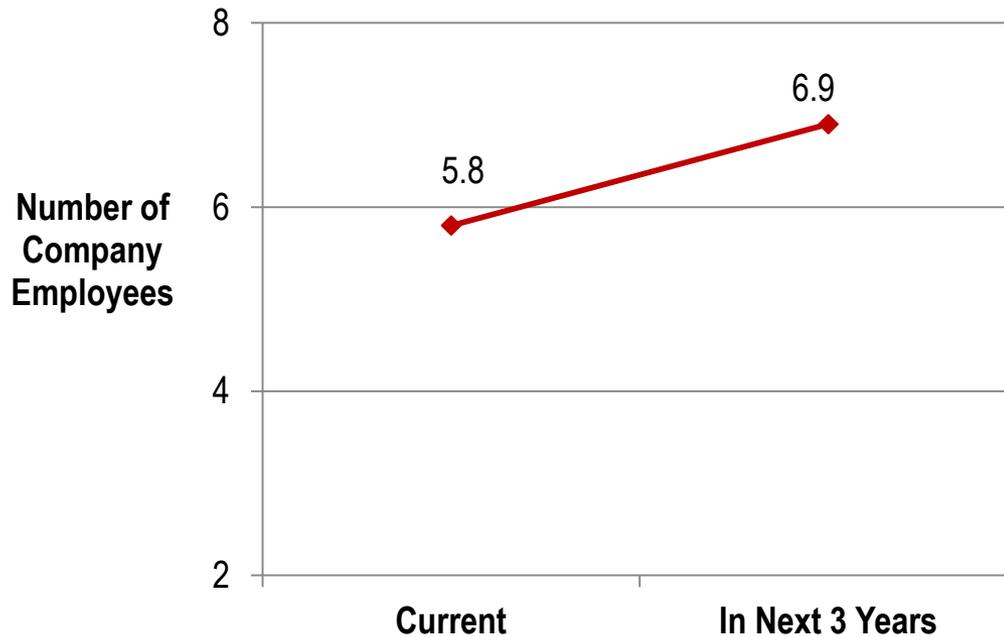


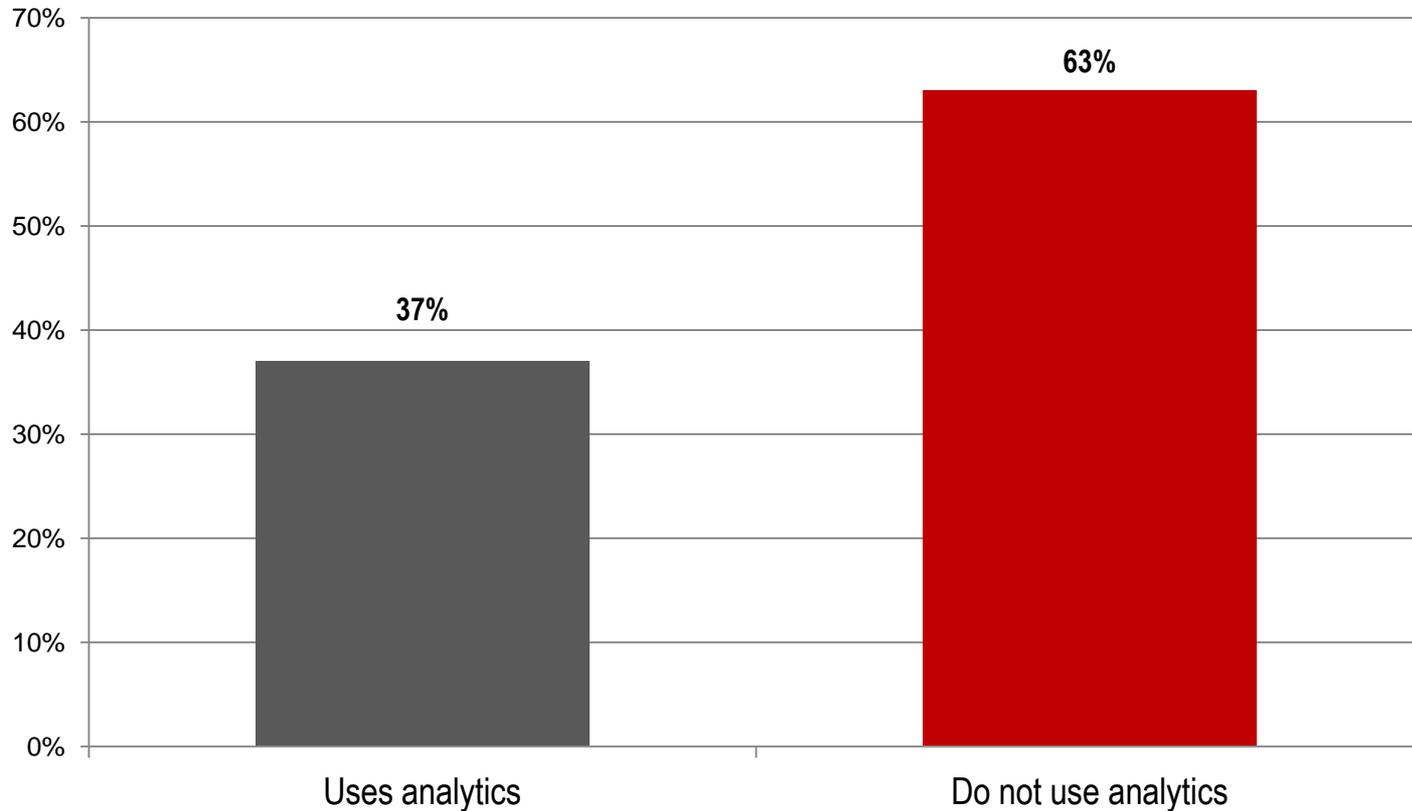
Table 9.2. Firm Size Differences

	Current	In Next 3 years
<\$25M	1.1	1.3
\$26-99M	1.1	1.4
\$100-499M	1.8	2.9
\$500-999M	1.4	2.5
\$1-9.9B	9.1	10.1
\$10+B	26.4	32.4

Most decisions fail to use marketing analytics

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

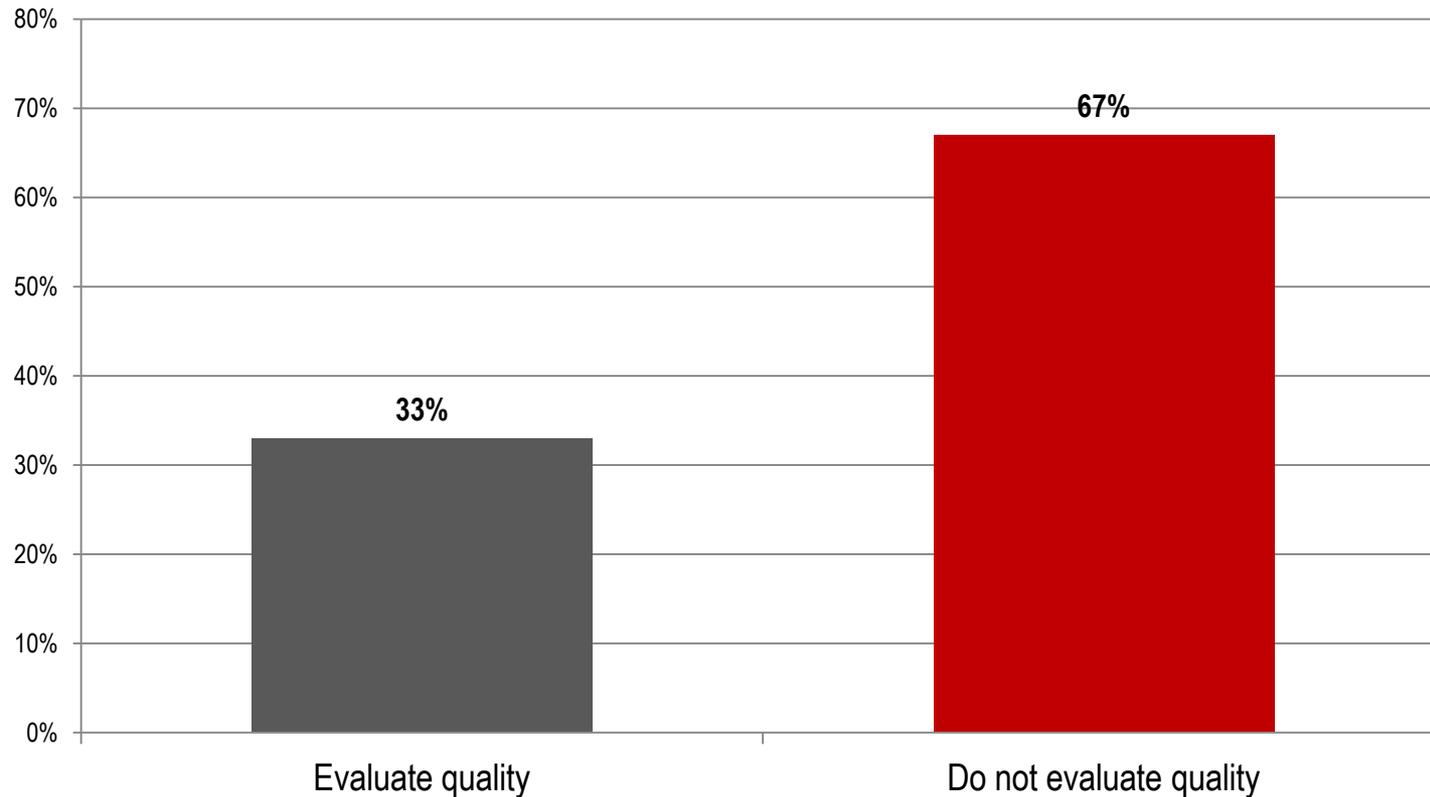
Figure 9.3. Percentage of Projects Company Using Marketing Analytics



Marketing analytics not formally evaluated in most companies

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

Figure 9.4. Does Your Company Formally Evaluate the Quality of Marketing Analytics?



The 2012 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 2012 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?



Procter & Gamble
(Consumer Packaged Goods)



Google
(Services)



General Electric
(Manufacturing)



Retail
(McDonald's)

Preview

Next survey: The CMO Survey will be administered again in July 2012

To participate: Sign up at <http://www.cmosurvey.org/participate/>

Media: Will be posted to <http://www.cmosurvey.org/category/news/>

Feedback: Send your thoughts to moorman@duke.edu