



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

CMO Survey Report:

Highlights and Insights

Feb. 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 February 2014 survey was the eleventh administration of The CMO Survey.

Sponsoring Organizations

McKinsey & Company



Survey Methodology



Survey Sample

- 4582 top U.S. marketers at Fortune 1000, Forbes Top 200, and top marketers who are AMA Members or Duke University Alumni and Friends
- 408 responded for a 8.9% response rate

Survey Administration

- Email contact with four follow-up reminders
- Survey in field from January 14, 2014 - February 4, 2014
- 88% 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..... | 5-11 |
| Topic 2: Firm Growth Strategies..... | 12-16 |
| Topic 3: Marketing Spending..... | 17-28 |
| Topic 4: Financial and Marketing Performance..... | 29-34 |
| Topic 5: Social Media..... | 35-42 |
| Topic 6: Marketing Jobs..... | 43-46 |
| Topic 7: Marketing Organization..... | 47-49 |
| Topic 8: Marketing Leadership..... | 50-54 |
| Topic 9: Marketing Analytics..... | 55-63 |
| Topic 10: The CMO Survey Award for Marketing Excellence..... | 64-66 |





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Topic 1:

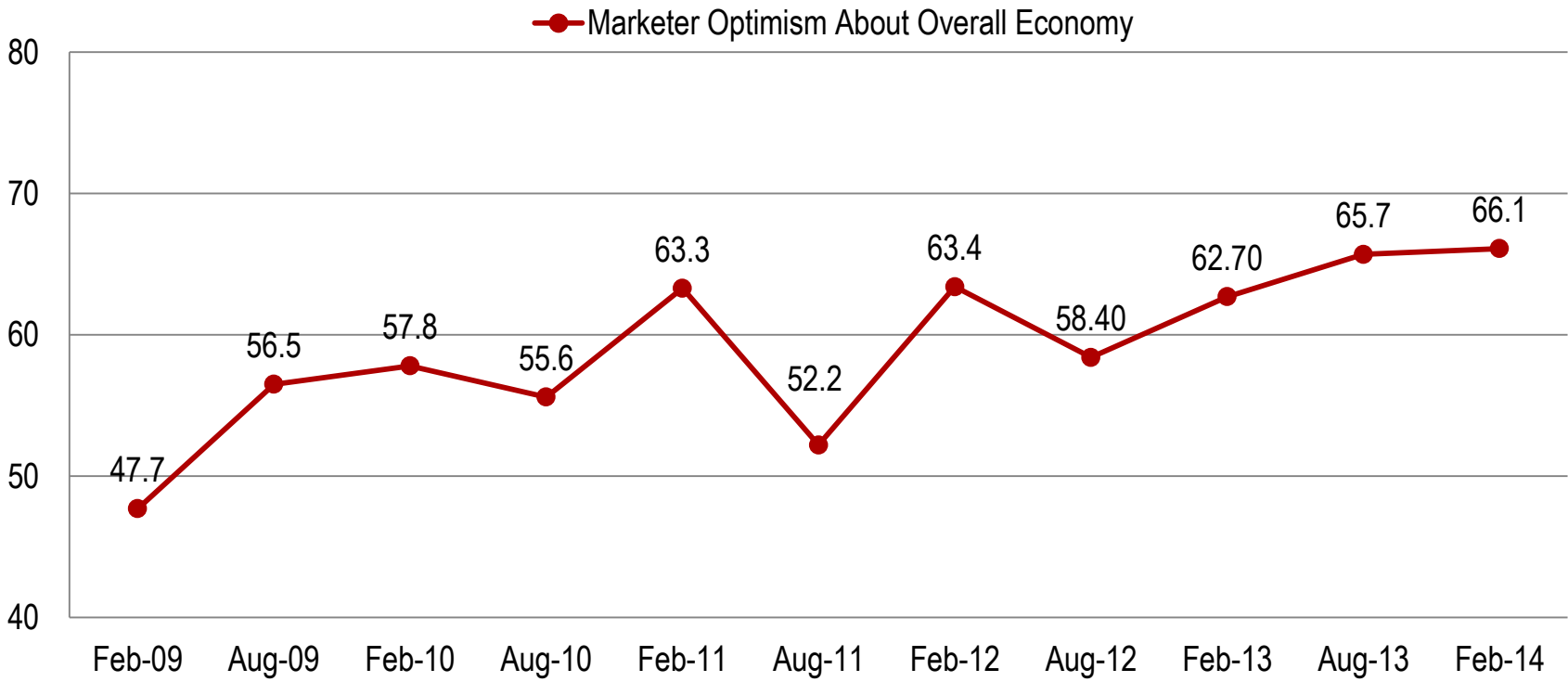
Marketplace Dynamics



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



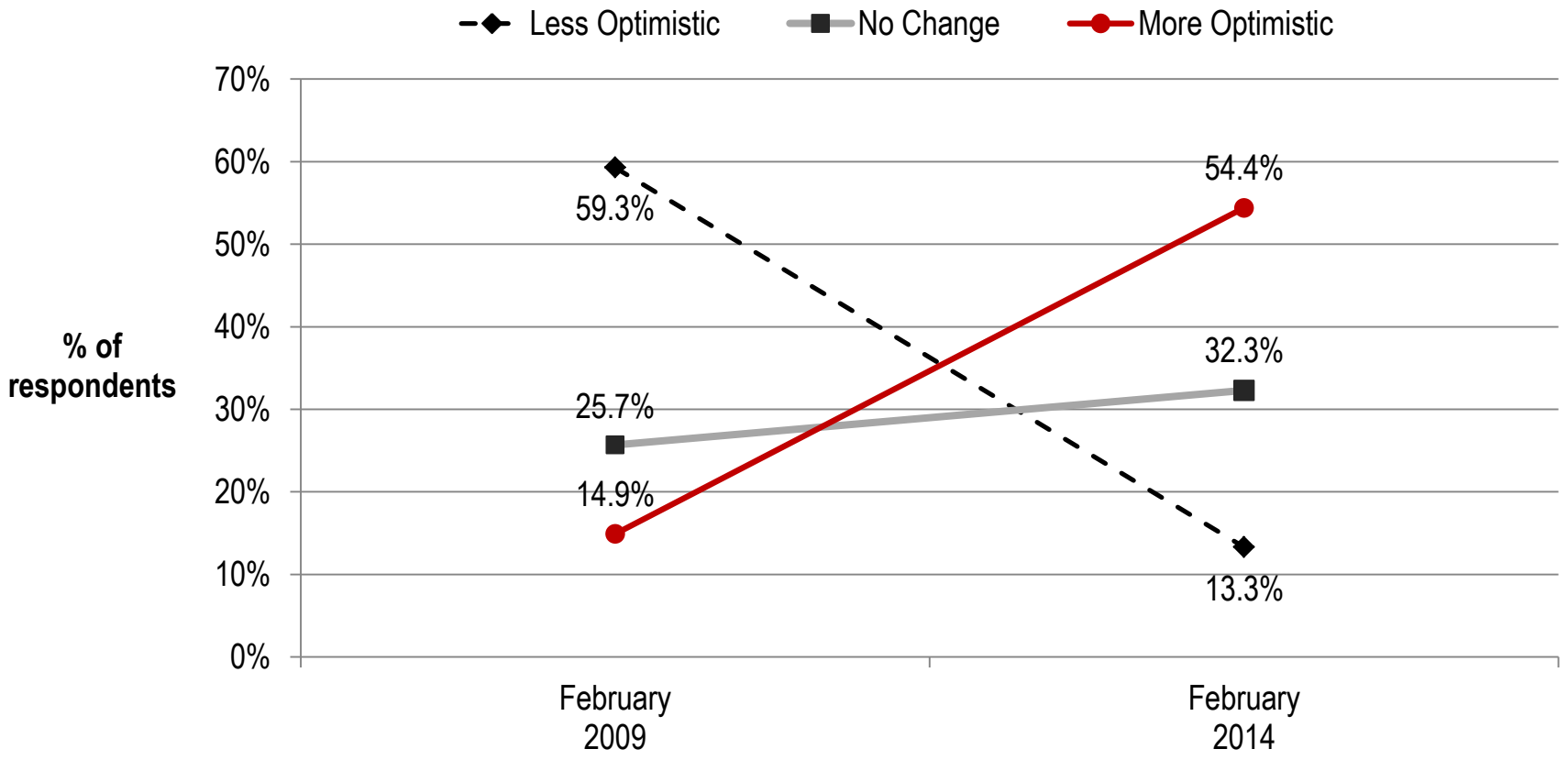
Figure 1.1. How optimistic are you about the overall U.S. economy on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



Optimists almost quadruple since 2009



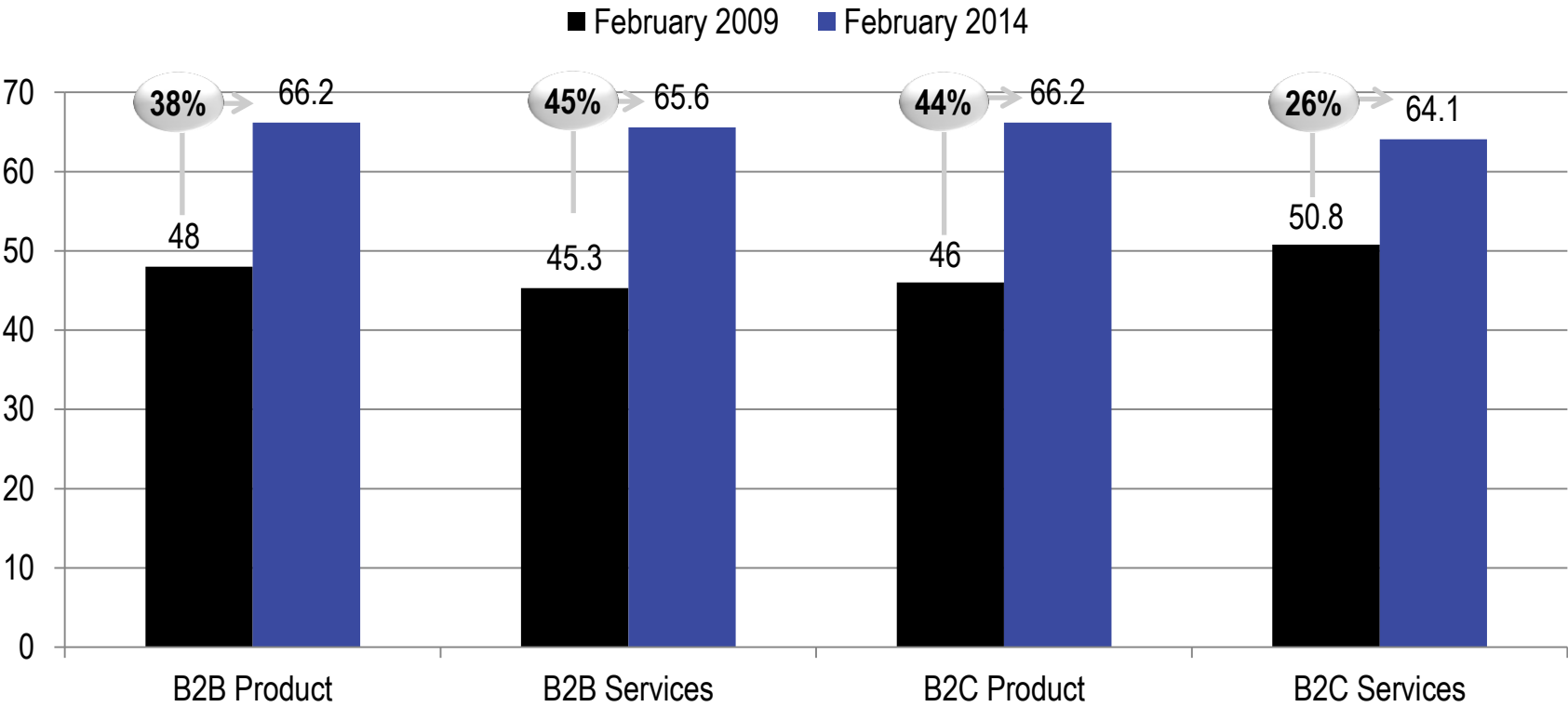
Figure 1.2. Are you more or less optimistic about the overall U.S. economy compared to last quarter?



Optimism for US economy grows across all sectors



Figure 1.3. Optimism for U.S. economy by sector

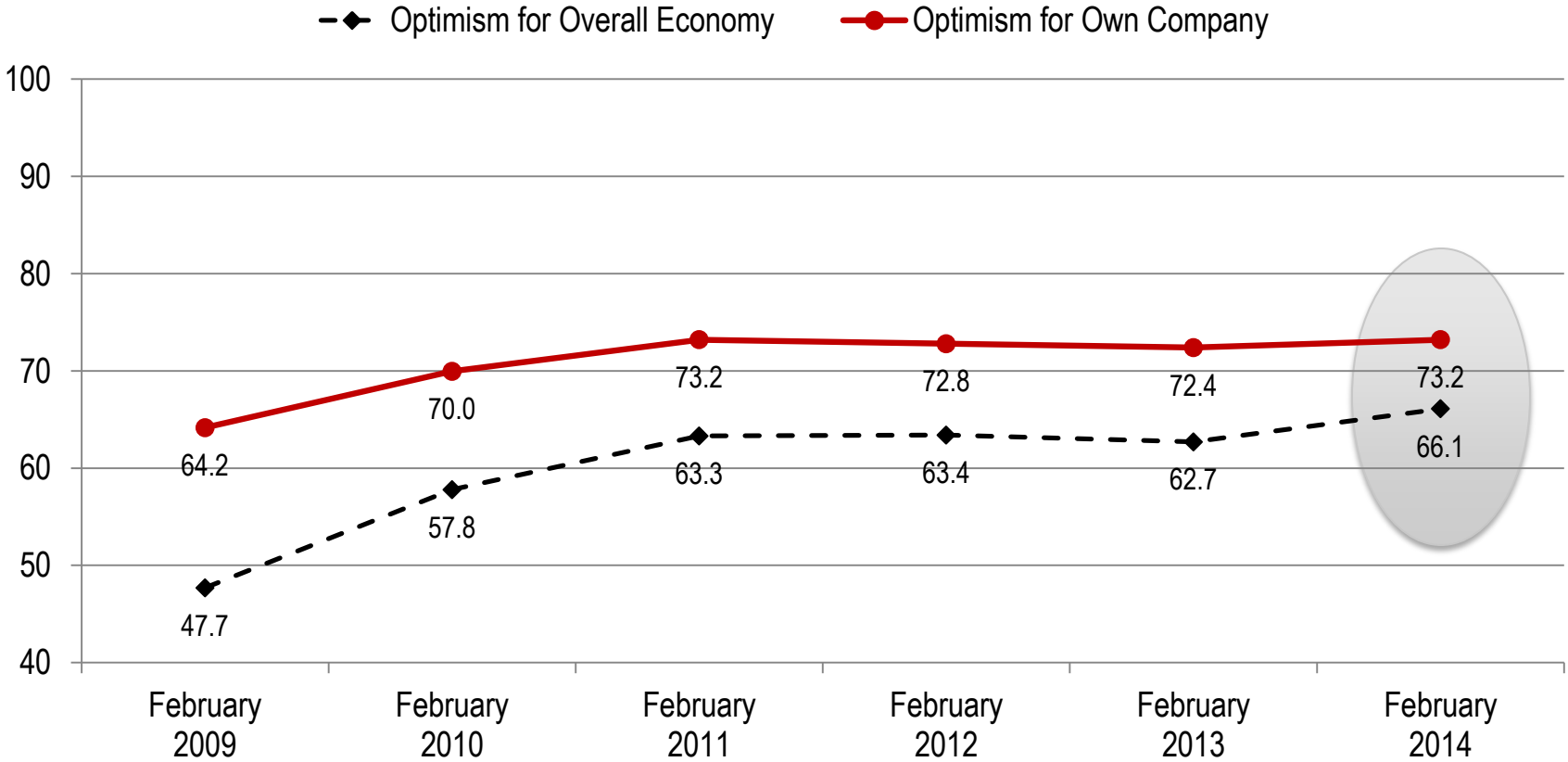


XX% Change between February 2009 and February 2014

Marketer optimism for own companies and overall economy closest in five years

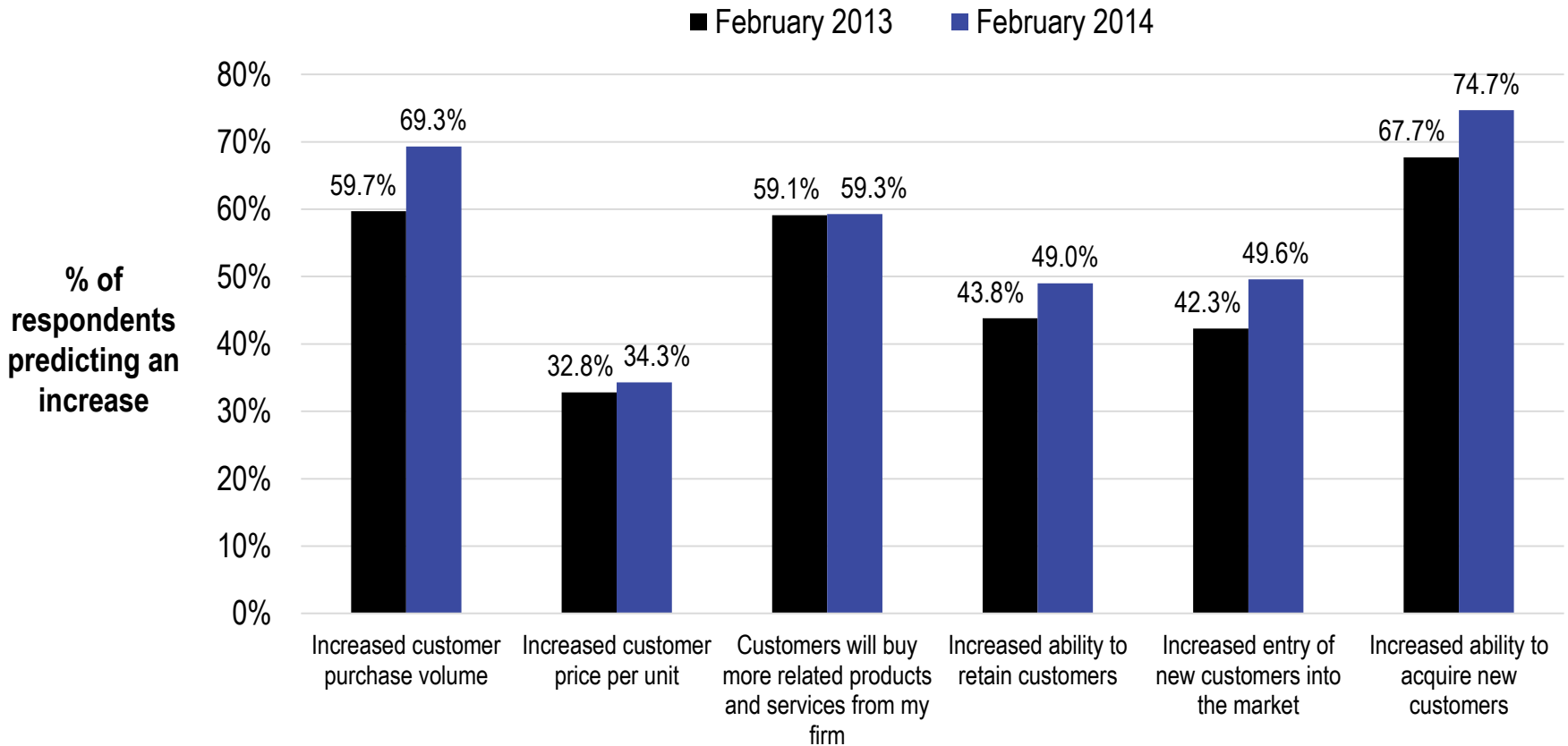


Figure 1.4. How optimistic are you on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?



Positive customer metrics forecasted

Figure 1.5. Forecasted customer outcomes in next 12 months



Customer priorities to shift to superior product quality

Marketplace

Growth

Spending

Performance

Social Media

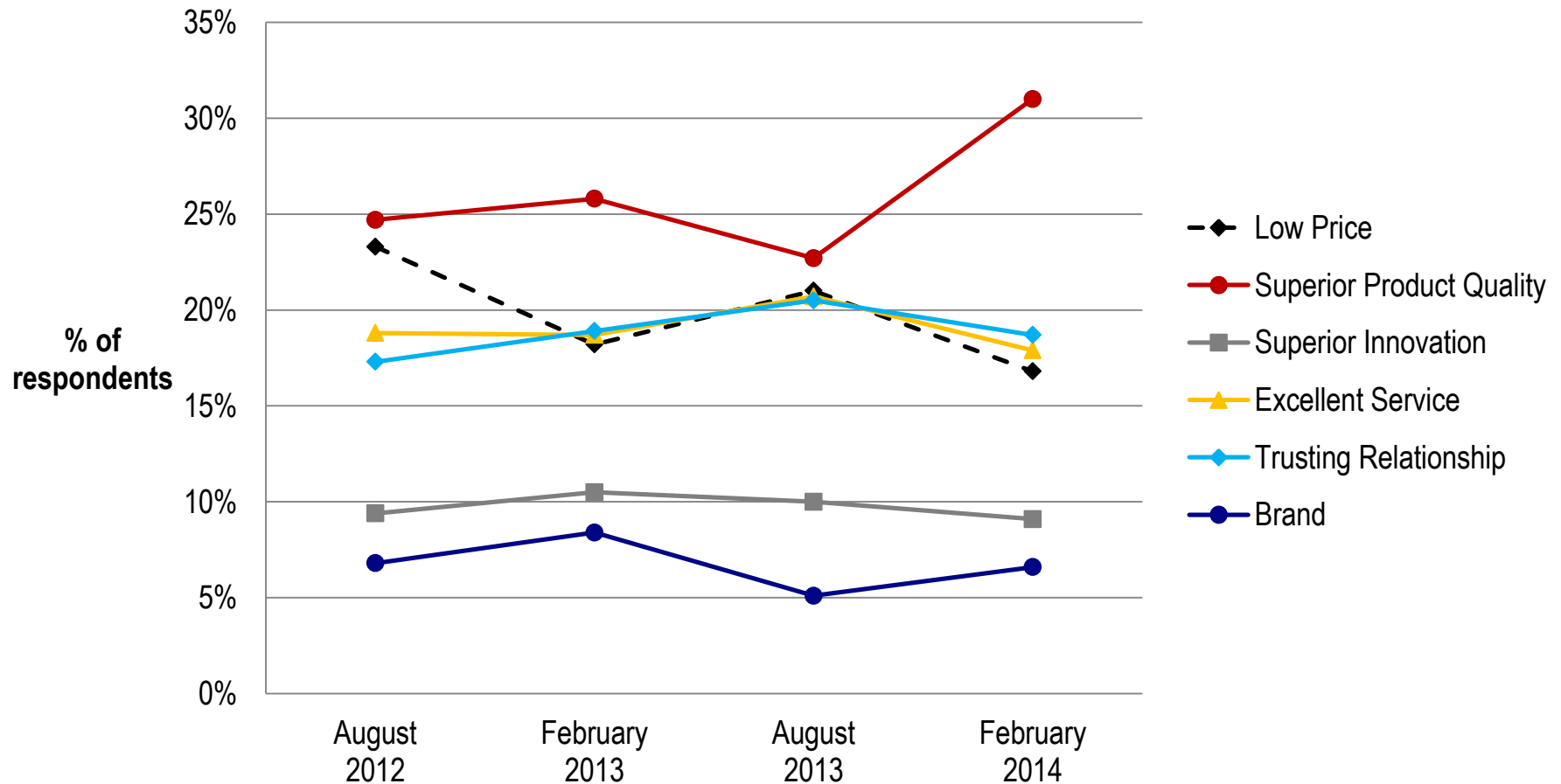
Jobs

Organization

Leadership

Analytics

Figure 1.6. Customers' top priority in next 12 months

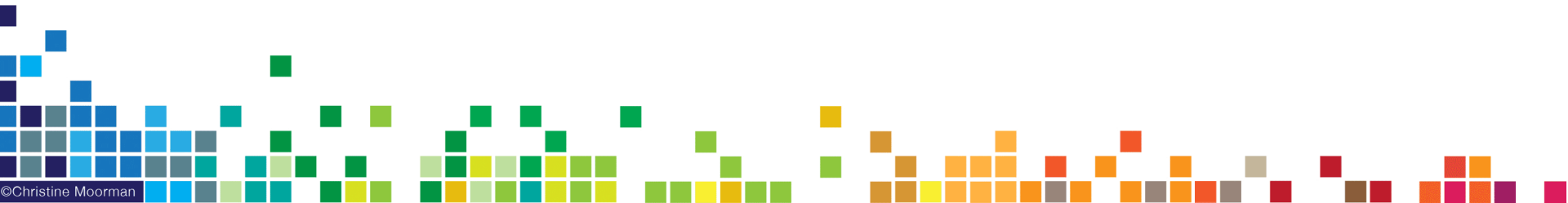




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Topic 2:

Firm Growth Strategies



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

Types of growth strategies

Table 2.1. How growth spending is expected to change*

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

| Growth Strategy | Actual Spending in Past 12 Months | Expected Spending in Next 12 Months | Percent Change Expected |
|--------------------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Market Penetration Strategy | 52.9% | 47.1% | -11.0% |
| Market Development Strategy | 15.3% | 17.0% | +11.1% |
| Product/Service Development Strategy | 21.8% | 24.3% | +11.5% |
| Diversification Strategy | 10.0% | 11.5% | +15% |

* % of spending across growth strategies

Companies to increase organic growth and partnership strategies in next year



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

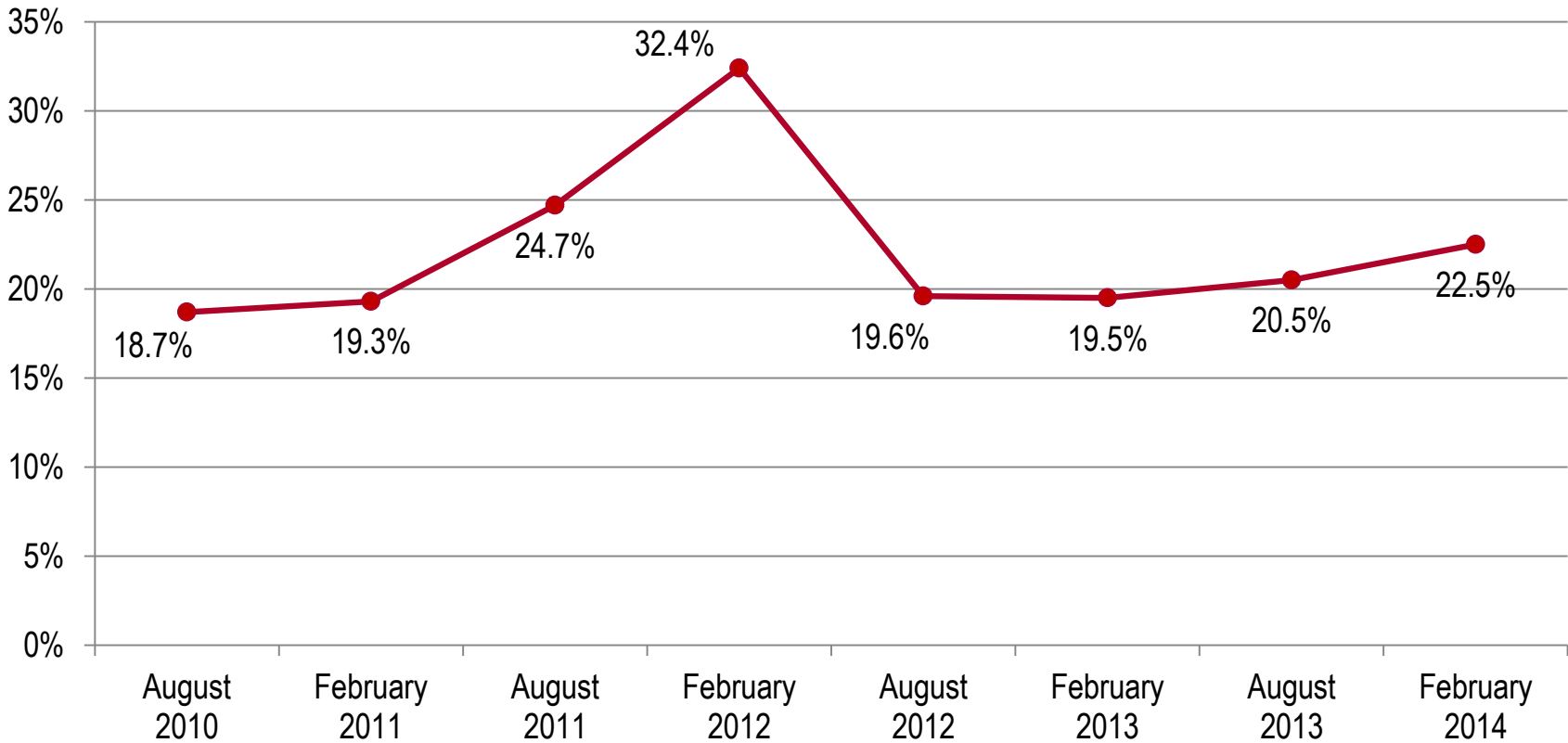
| Strategy | February 2014 Average | B2B Product | B2B Services | B2C Product | B2C Services |
|---------------------------------|-----------------------|-------------|--------------|-------------|--------------|
| Organic Growth | 71.8% | 70.4% | 69.9% | 79.5% | 70.5% |
| Growth via Acquisitions | 10.2% | 9.1% | 12.3% | 7.6% | 11.8% |
| Growth from Partnerships | 12.8% | 13.9% | 13.9% | 8.0% | 12.2% |
| Growth from Licensing | 5.2% | 6.6% | 3.8% | 4.8% | 5.5% |

* Percentage of spending across growth strategies

Sales from international markets as a percent of overall company sales



Figure 2.1. Percent of company sales expected to be international in next 12 months



Canada, Western Europe, and China remain U.S. firms' highest revenue growth markets

Figure 2.2. Highest international revenue growth markets (% respondents)

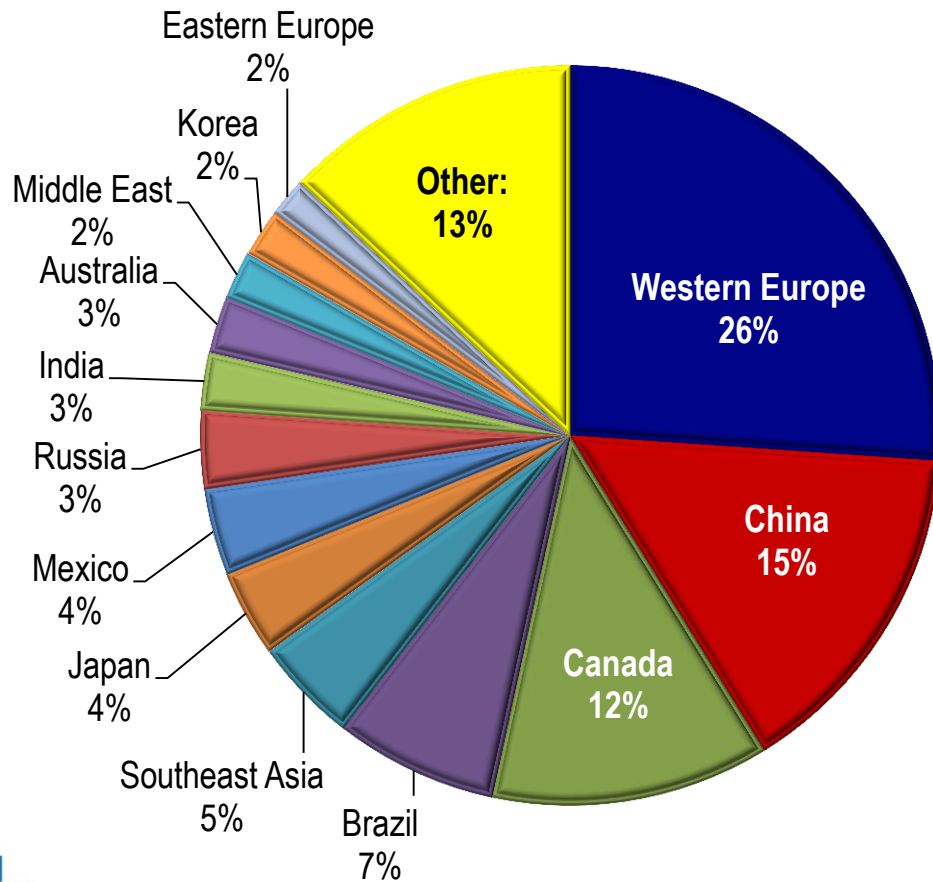
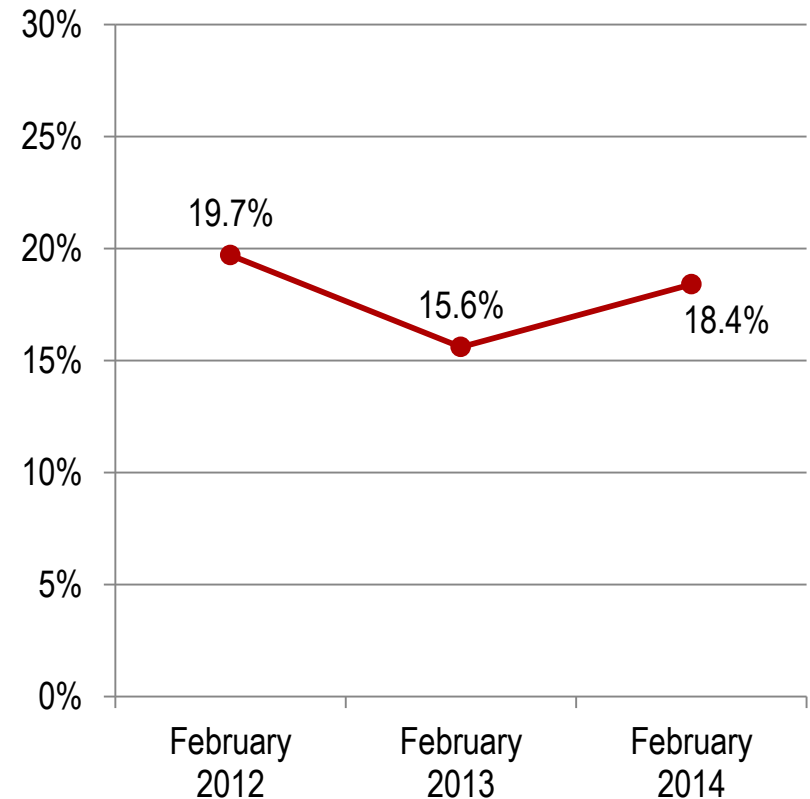


Figure 2.3. Average change in growth of highest revenue international markets





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Topic 3:

Marketing Spending



Marketing budgets rebound

Marketplace

Growth

Spending

Performance

Social Media

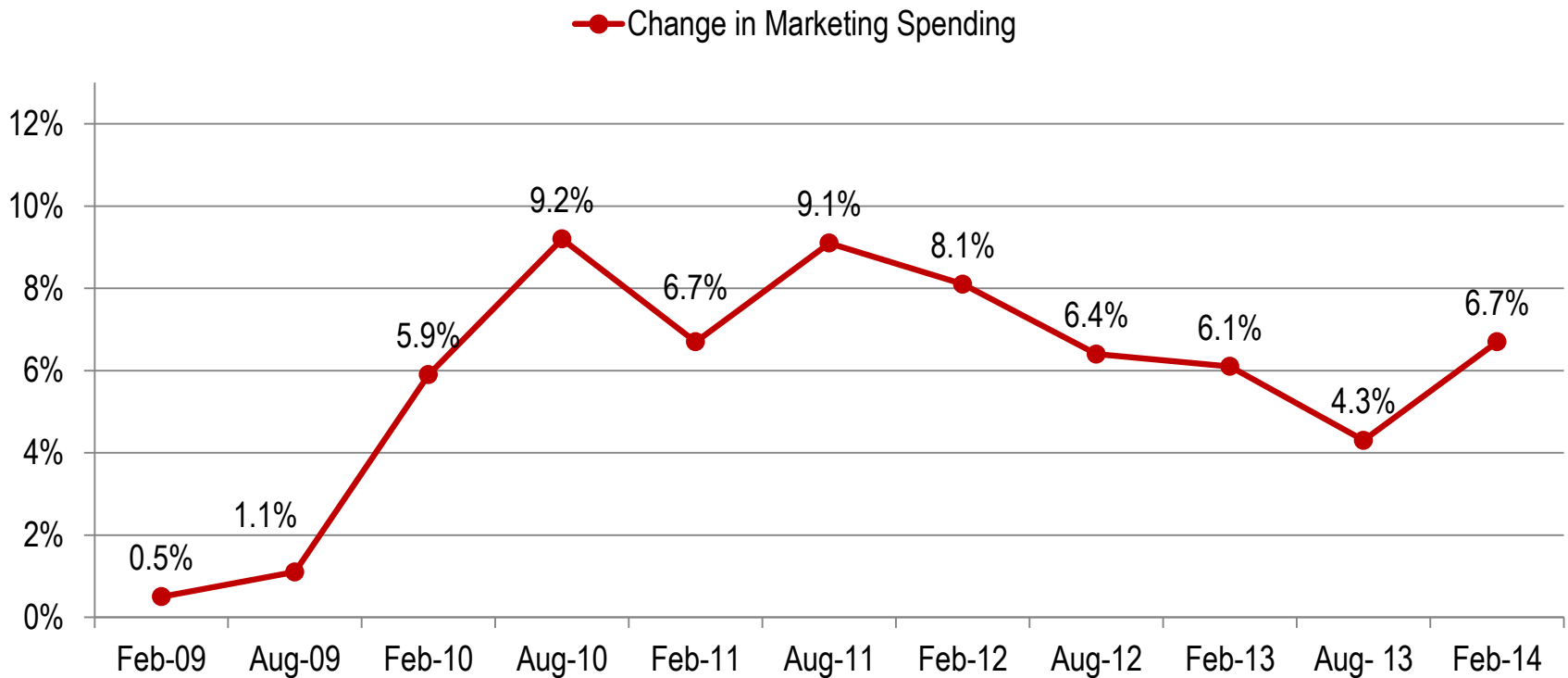
Jobs

Organization

Leadership

Analytics

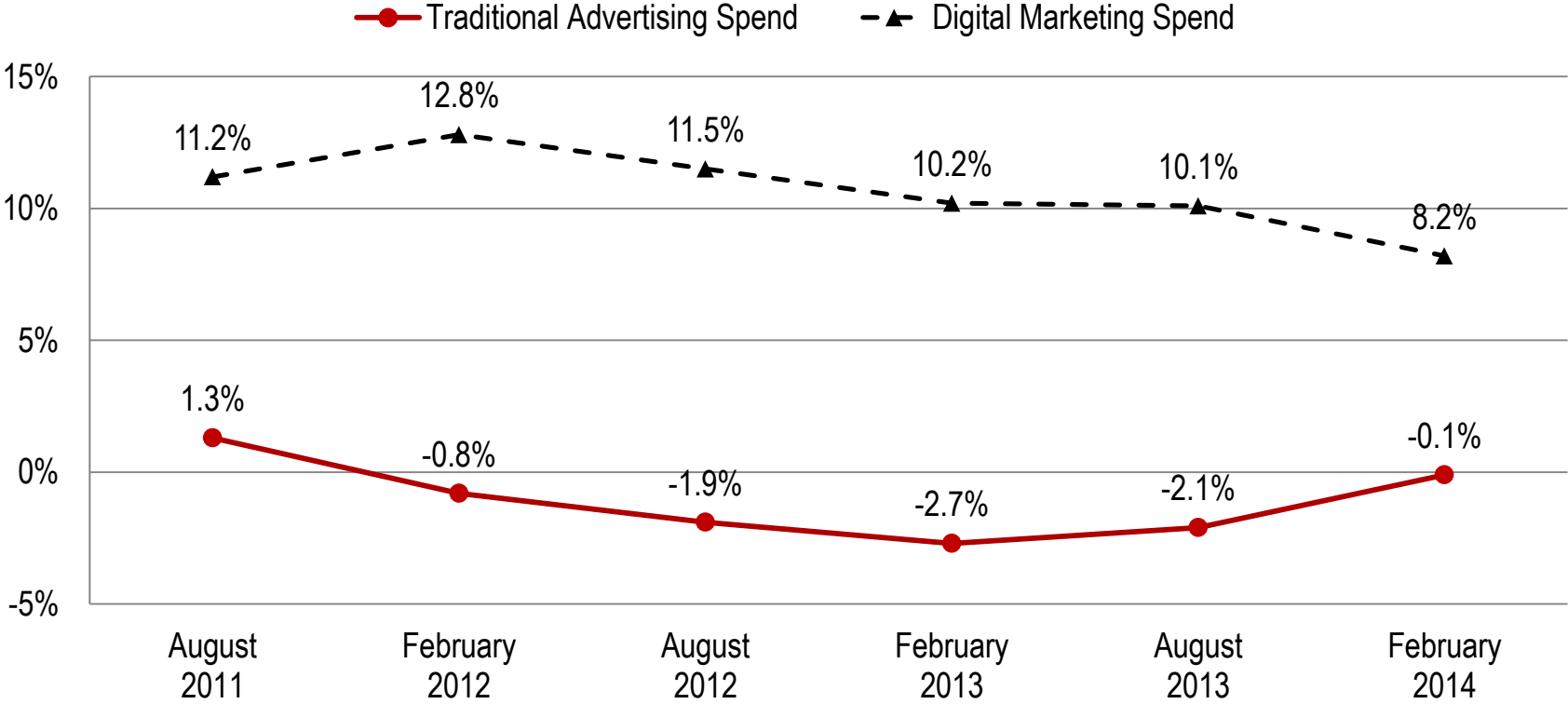
Figure 3.1. Percent change in marketing budgets in next 12 months



Digital marketing spend vs. traditional advertising spend



Figure 3.2. Percent change in traditional advertising* spend in next 12 months



*Refers to media advertising not using the web.

Industry differences in digital vs. traditional advertising spend



Table 3.1. Change in digital and traditional advertising spending in next 12 months by sector

| | B2B Product | B2B Services | B2C Product | B2C Services |
|---------------------------------------|-------------|--------------|-------------|--------------|
| Digital marketing spend | +9.0% | +7.4% | +7.7% | +8.2% |
| Traditional advertising* spend | -1.6% | +0.2 | +2.8% | -1.3% |

*Refers to media advertising not using the web.

All other marketing spend categories remain positive, but slower growth expected

Table 3.2. Percent change in marketing spending in next 12 months

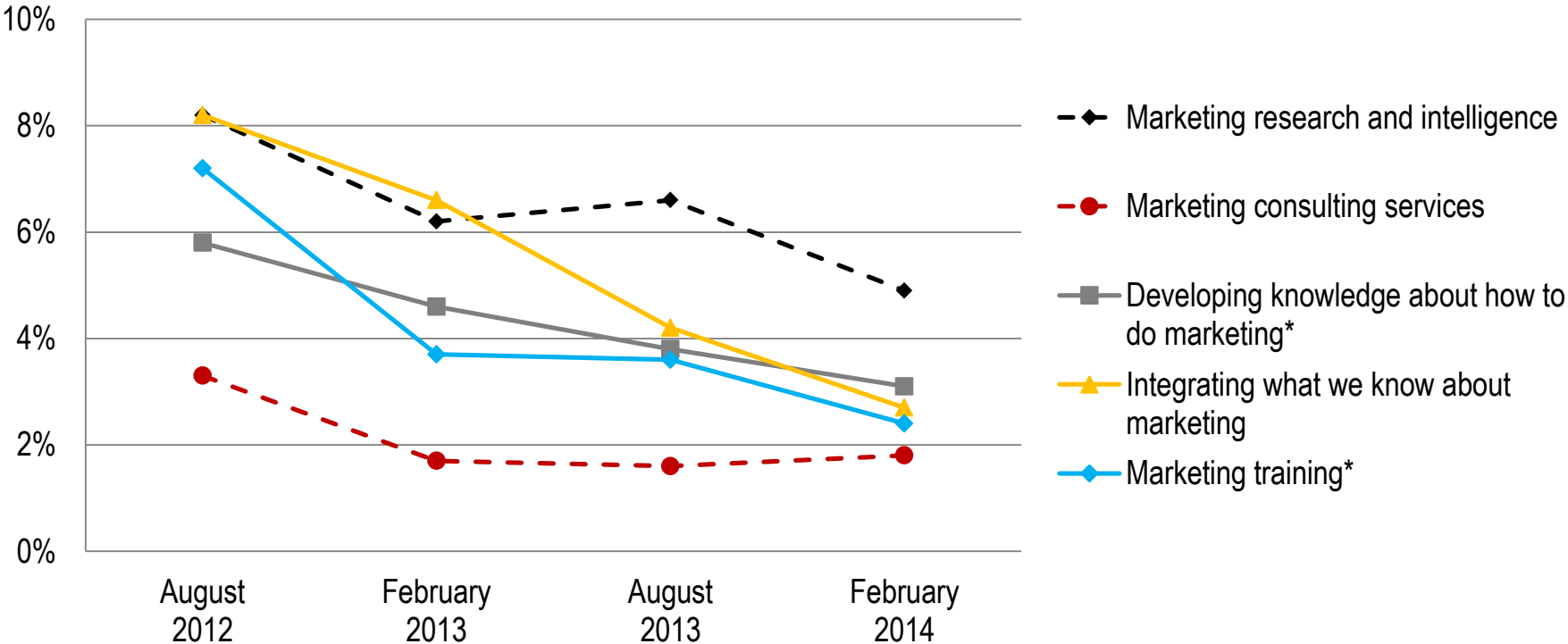
| | August 2012 | February 2013 | August 2013 | February 2014 |
|---|-------------|---------------|-------------|---------------|
| Overall marketing spending | +6.4% | +6.1% | +4.3% | +6.7% |
| New product introductions | +9.4% | +8.0% | +7.1% | +7.8% |
| New service introductions | +6.4% | +5.8% | +4.9% | +4.0% |
| Customer relationship management | +9.0% | +8.1% | +6.0% | +5.1% |
| Brand building | +7.5% | +6.8% | +4.6% | +4.9% |



Investments in marketing knowledge continue to decrease



Figure 3.3. Changes in firm spending on marketing knowledge in next 12 months

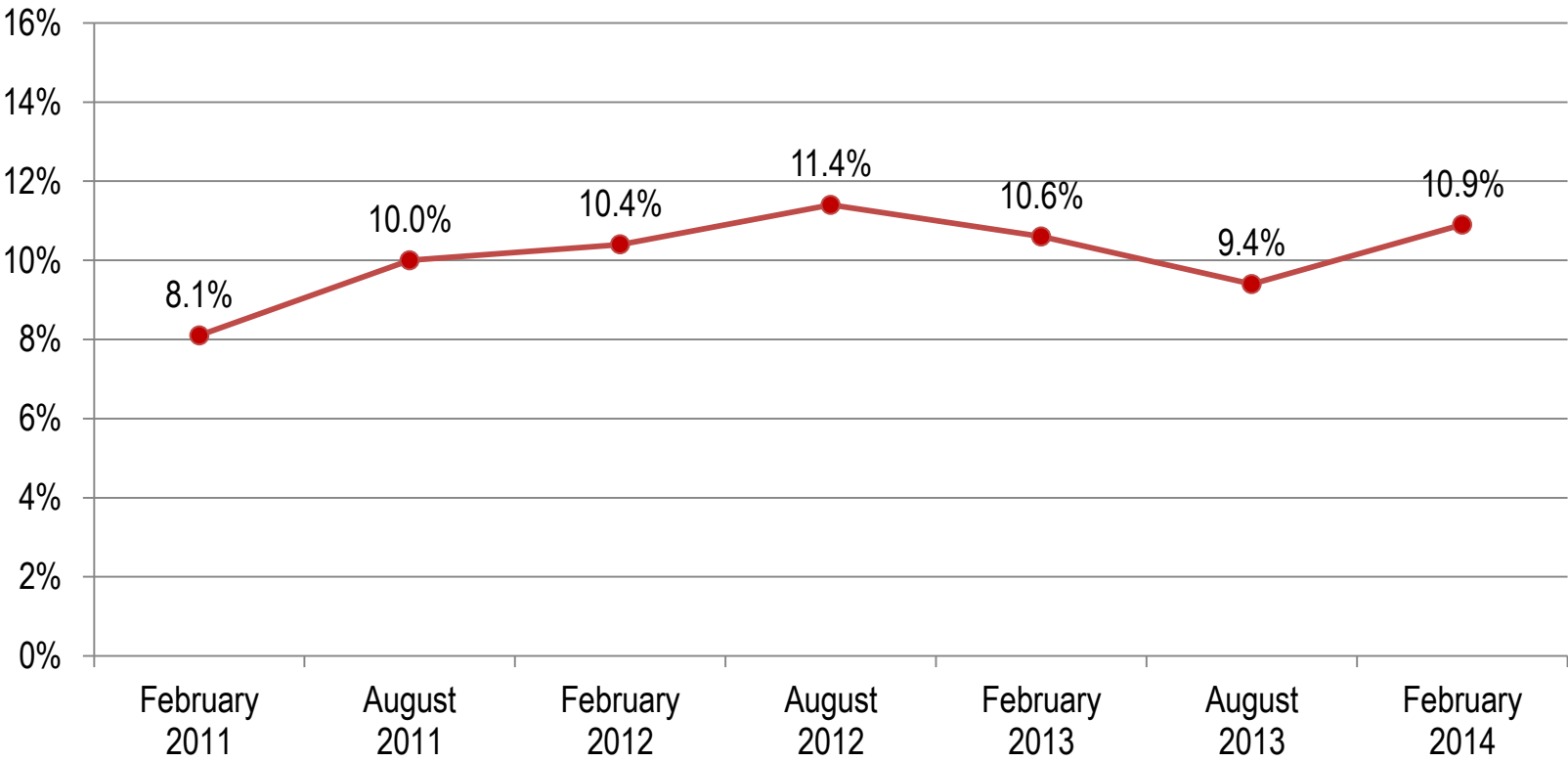


*Developing knowledge about how to do marketing refers to the development of new marketing capabilities, while marketing training involves transferring existing marketing knowledge to employees.

Marketing budgets represent 10% of overall firm budgets



Figure 3.4. Marketing budget as a percent of firm budget*



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

Who has the biggest marketing budgets?

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

Table 3.3a. Marketing percentage of firm budget by economic sector

| | B2B Product | B2B Services | B2C Product | B2C Services |
|---------------|-------------|--------------|-------------|--------------|
| February 2014 | 10.4% | 8.7% | 14.9% | 11.4% |

Table 3.3b. 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 2014 | 12.7% | 12.6% | 6.5% | 6.6% | 9.7% | 7.8% |

Table 3.3c. Marketing percentage of firm budget by company internet sales

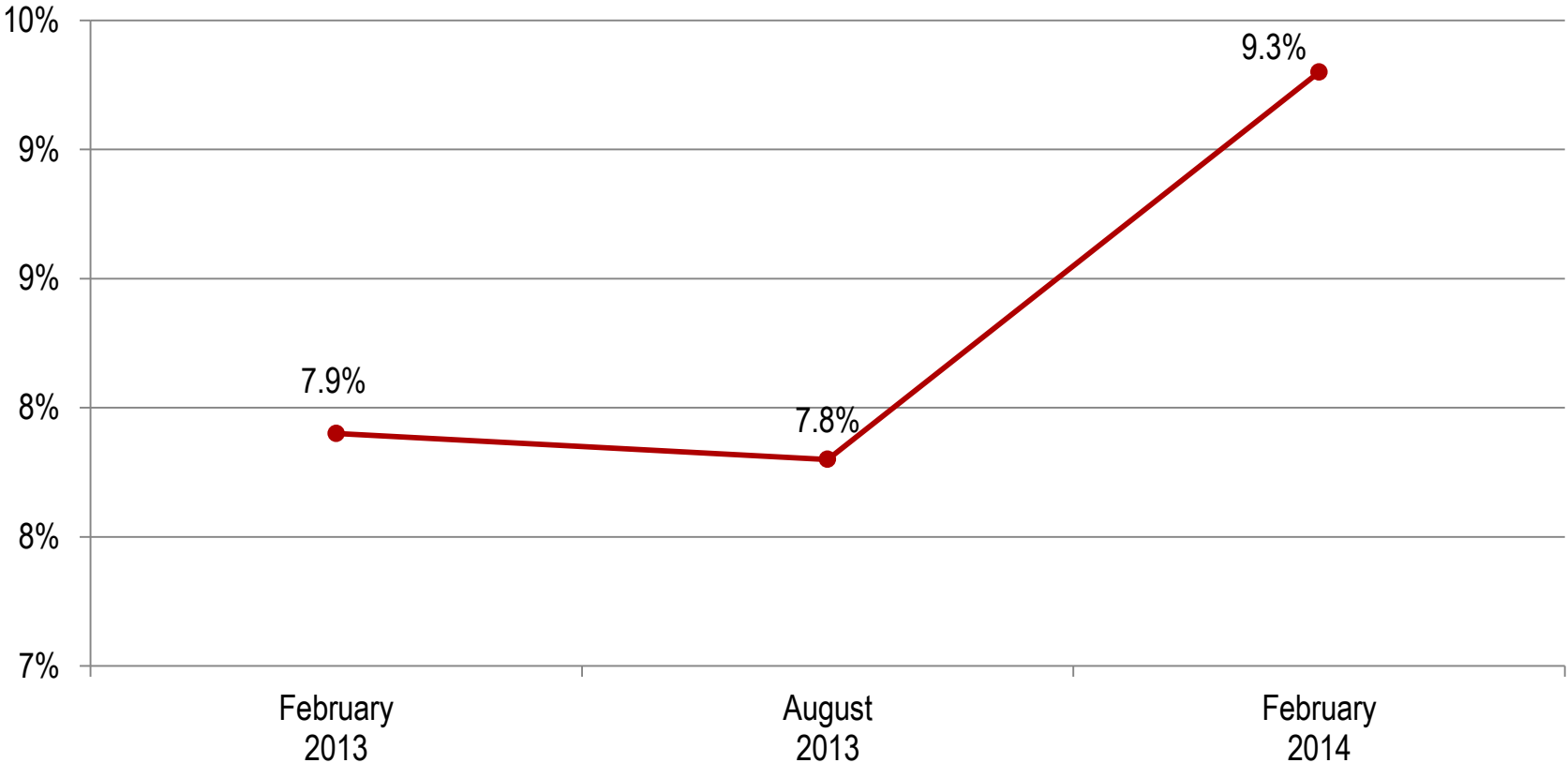
| | 0% Internet Sales | 1-10% Internet Sales | >10% Internet Sales |
|---------------|-------------------|----------------------|---------------------|
| February 2014 | 9.4 | 10.8% | 13.8% |



Marketing spending as a percentage of firm revenues increases to 9.3%



Figure 3.5. Marketing spending as a percentage of firm revenues



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

Table 34a. Marketing spending as a percentage of firm revenues by economic sector

| | B2B Product | B2B- Services | B2C Product | B2C Services |
|---------------|-------------|---------------|-------------|--------------|
| February 2014 | 8.1% | 5.8% | 15.2% | 11.0% |

Table 3.4b. 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 2014 | 13.9% | 6.1% | 5.9% | 2.9% | 6.7% | 5.5% |

Table 3.4c. Marketing spending as a percentage of firm revenues by company internet sales

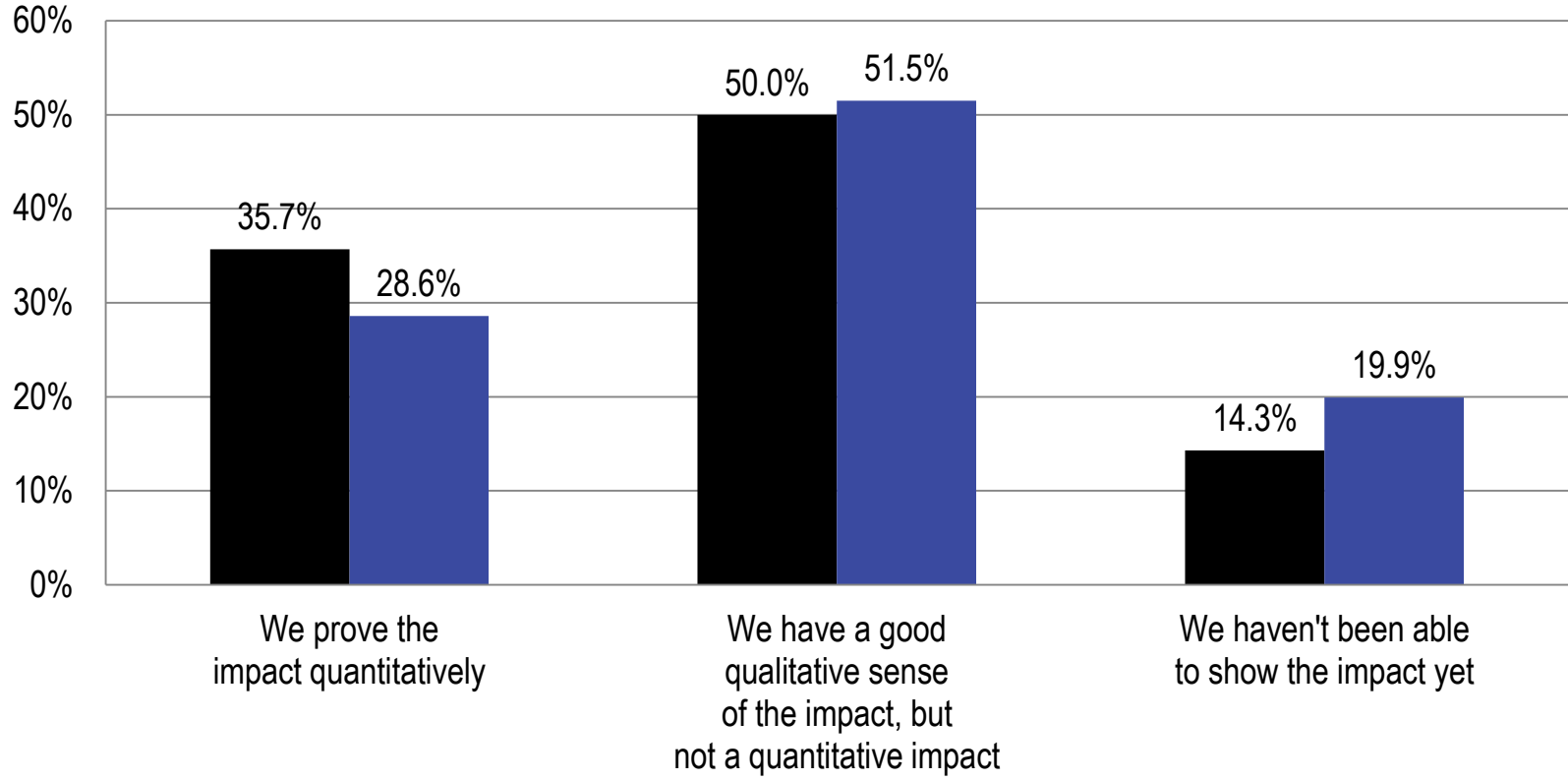
| | 0% Internet Sales | 1-10% Internet Sales | >10% Internet Sales |
|---------------|-------------------|----------------------|---------------------|
| February 2014 | 6.2% | 7.8% | 18.6% |

Companies lack quantitative metrics to demonstrate impact of marketing spending



Figure 3.6. Short-term and long-term impact of marketing spent on business

- Which best describes how your company shows the short-term impact of marketing spend on your business?
- Which best describes how your company shows the long-term impact of marketing spend on your business?

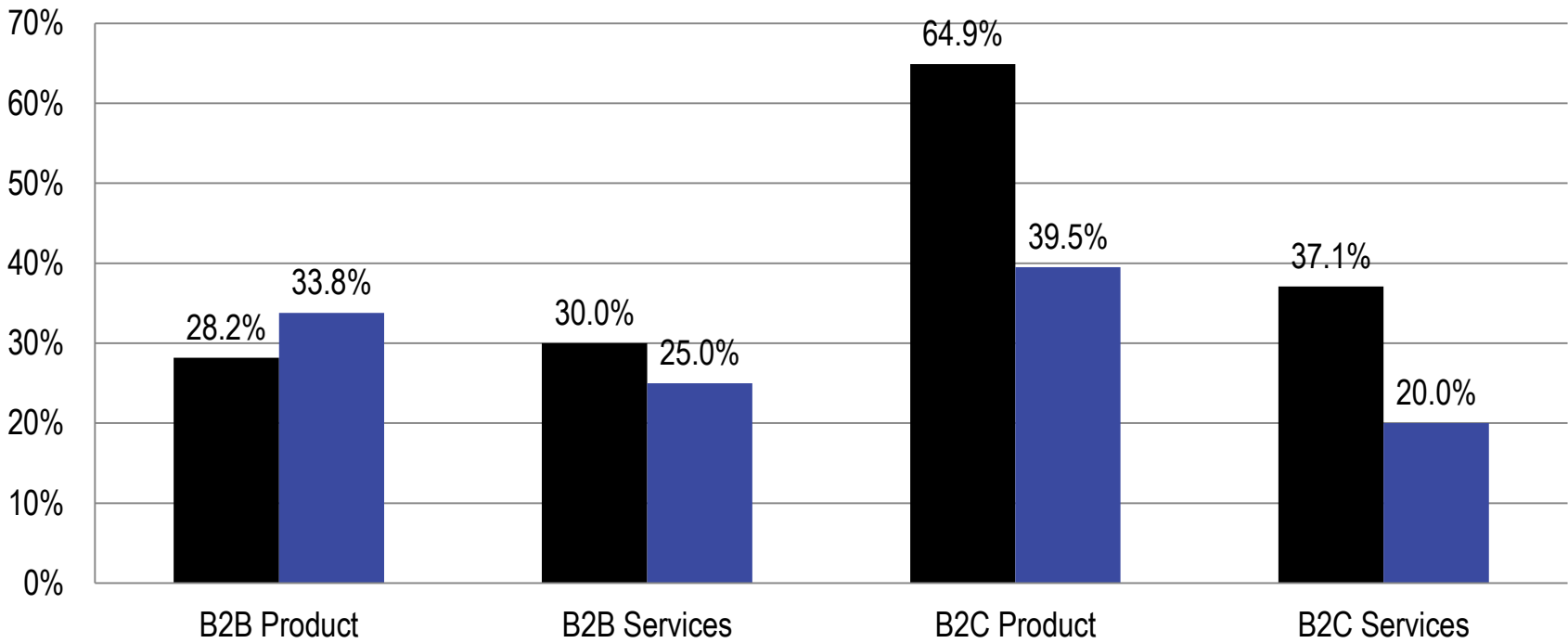


B2C Product companies demonstrate the impact of marketing quantitatively



Figure 3.7. Sectors that prove short-term and long-term impact of marketing quantitatively

- Companies that prove the short-term impact of marketing quantitatively
- Companies that prove the long-term impact of marketing quantitatively





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Topic 4:

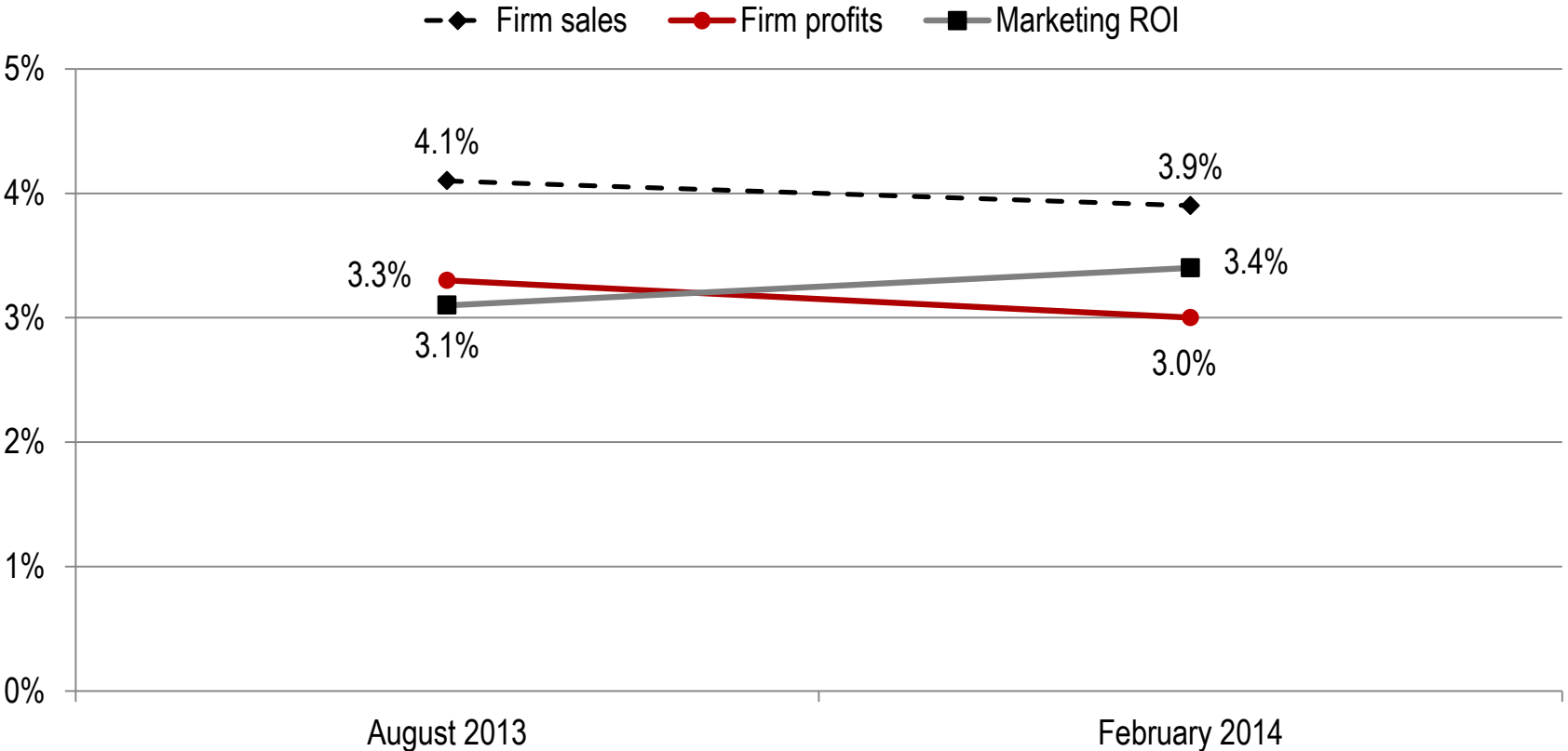
Financial and Marketing Performance



Company performance on financial metrics stable ~ 3-4% increase



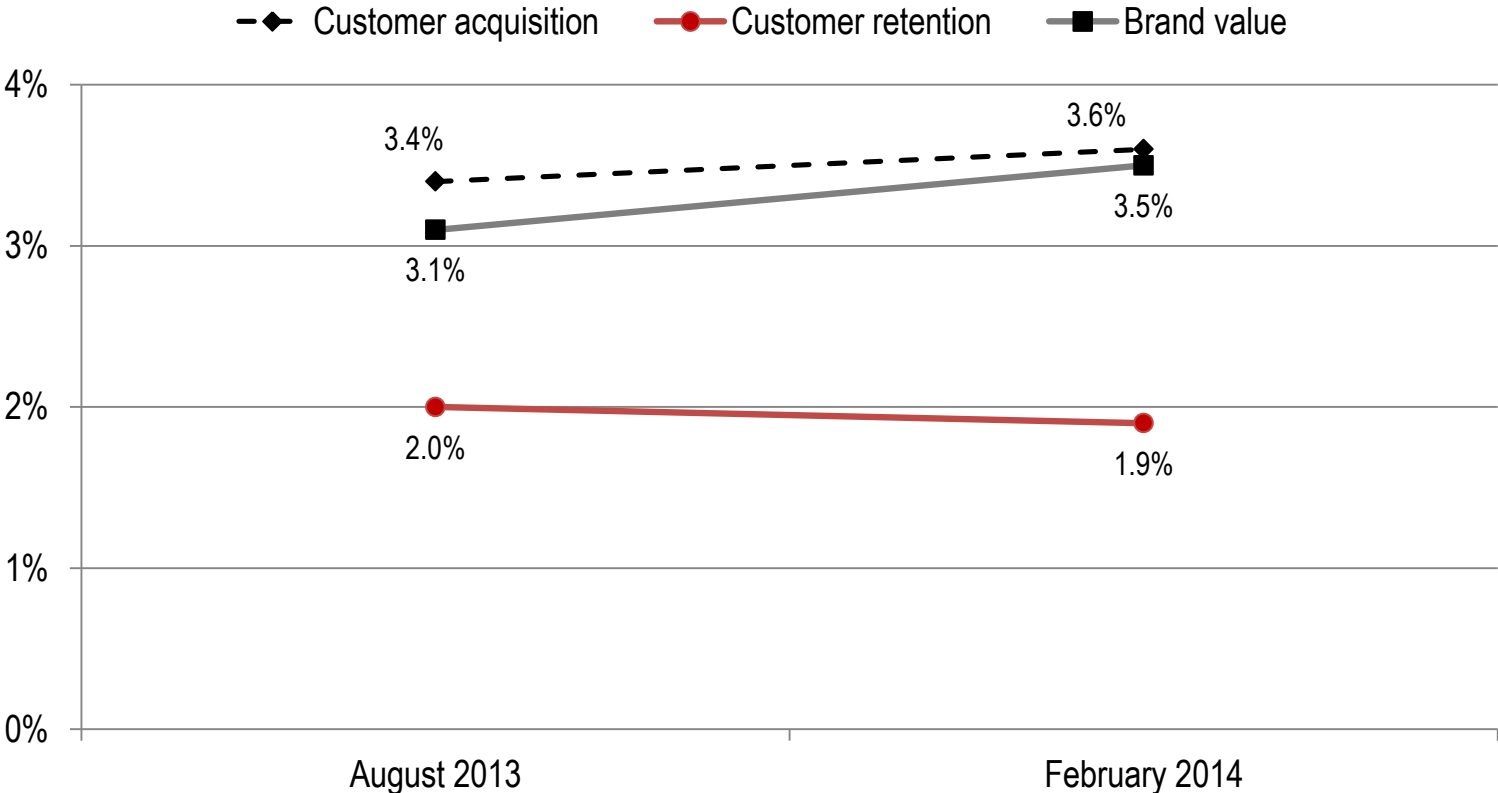
Figure 4.1. Percent change in firm performance in prior 12 months



Performance on key customer and brand assets also holds



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



Company performance by sector

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

Table 4.1. Sector performance metrics for prior 12 months

| | B2B Product | B2B Services | B2C Product | B2C Services |
|---------------------------------------|-------------|--------------|-------------|--------------|
| Firm sales | +3.6% | +5.1% | +3.6% | +2.7% |
| Marketing return on investment | +3.6% | +3.2% | +3.1% | +4.5% |
| Firm profits | +2.2% | +3.4% | 3.2% | +3.3% |
| Customer acquisition | +3.8% | +3.9% | +2.5% | +3.6% |
| Customer retention | +1.5% | +2.5% | +1% | +2.9% |
| Brand value | +2.8% | +3.7% | +3.5% | +5.4% |



Firm performance goals remain strong

Marketplace

Growth

Spending

Performance

Social Media

Jobs

Organization

Leadership

Analytics

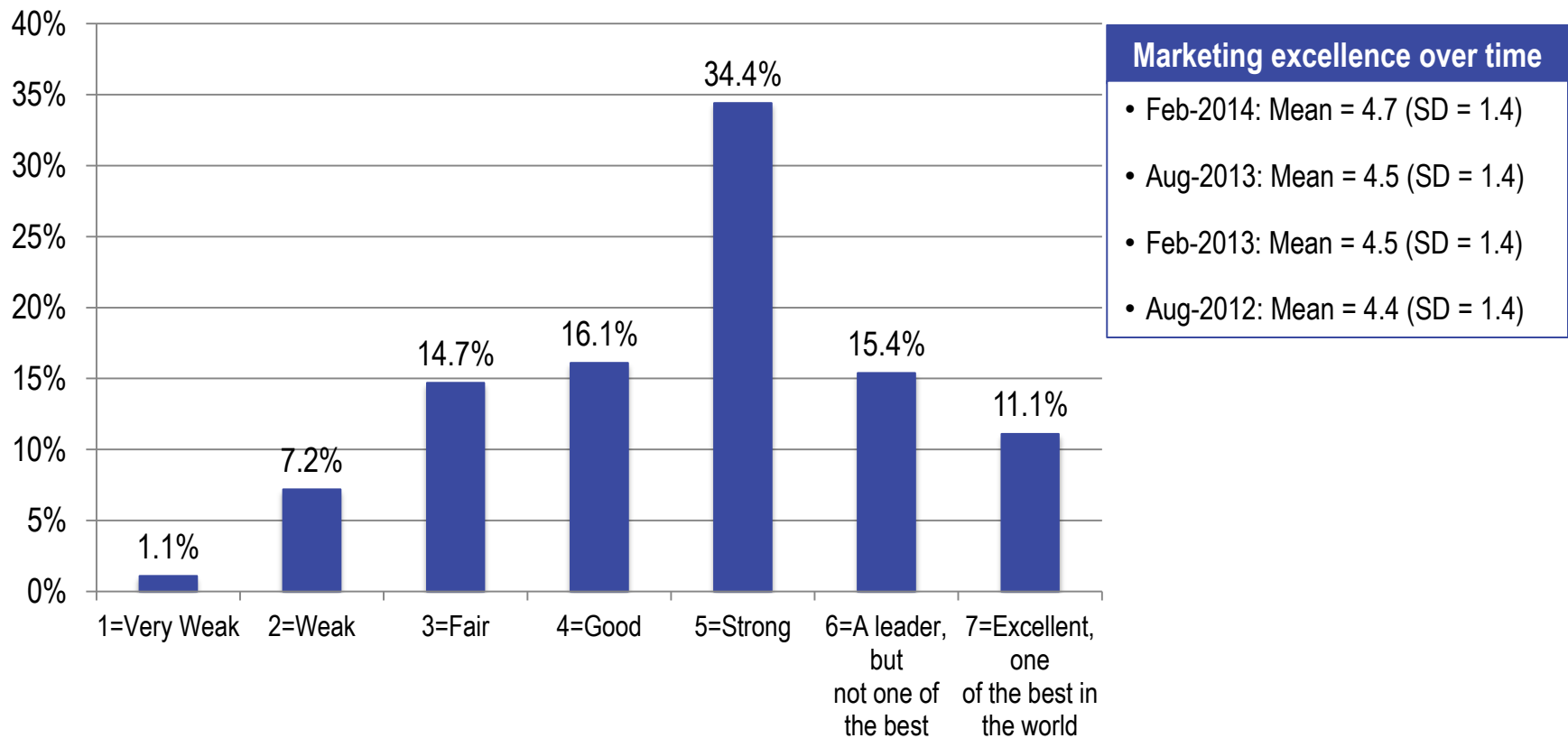
Table 4.2. Company performance and goals

| | Actual firm performance in prior 12 months | Goal in the next 12 months | Expected change in next 12 months |
|---------------------------------------|--|----------------------------|-----------------------------------|
| Firm sales | 3.9% | 6.8% | +74.4% |
| Marketing return on investment | 3.4% | 5.3% | +55.9% |
| Firm profits | 3.0% | 5.9% | +96.7% |
| Customer acquisition | 3.6% | 6.1% | +69.4% |
| Customer retention | 1.9% | 4.3% | +126.4% |
| Brand value | 3.5% | 5.4% | +54.3% |



Marketing excellence ratings improve!

Figure 4.3. How would you rate your company's marketing excellence?

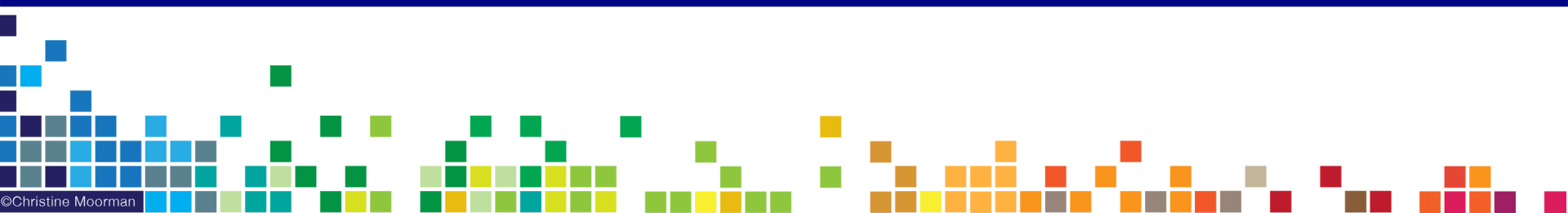




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Topic 5:

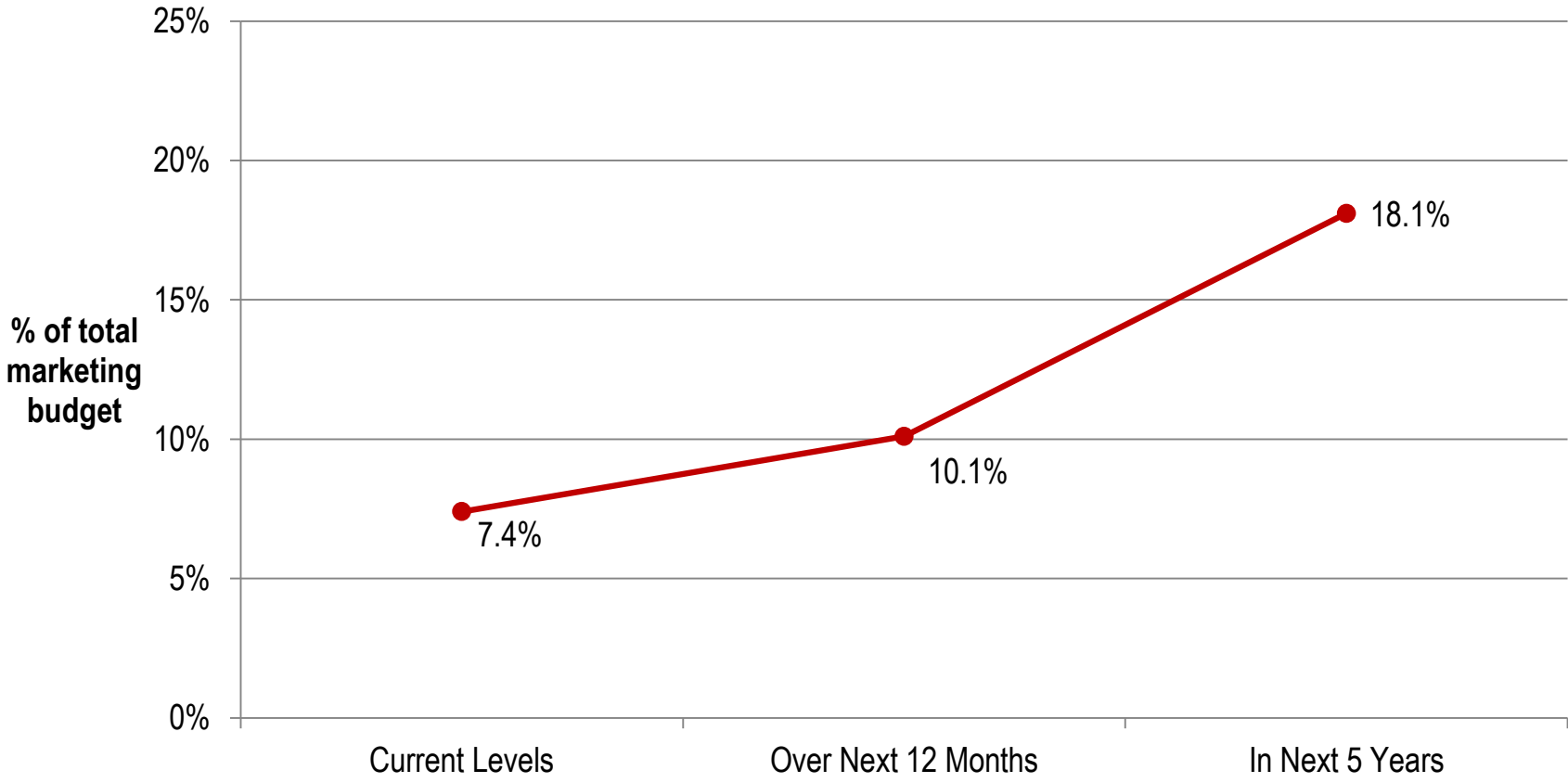
Marketing and Social Media



Social media spending expected to be 18% of marketing budgets in five years



Figure 5.2. Social media spending as a percentage 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

| | B2B Product | B2B Services | B2C Product | B2C Services | Overall |
|--|-------------|--------------|-------------|--------------|---------|
| Current Social Media Spending | 6.9% | 7.2% | 7.7% | 8.9% | 7.4% |
| Social Media Spending in the next 12 months | 9.7% | 9.5% | 10.4% | 11.4% | 10.1% |
| Social Media Spending in the next 5 years | 17.4% | 18.4% | 17.2% | 20.3% | 18.1% |



Human capital related to social media: Slow to grow, 2:1 internal to external



Figure 5.2. Employees performing social media in companies

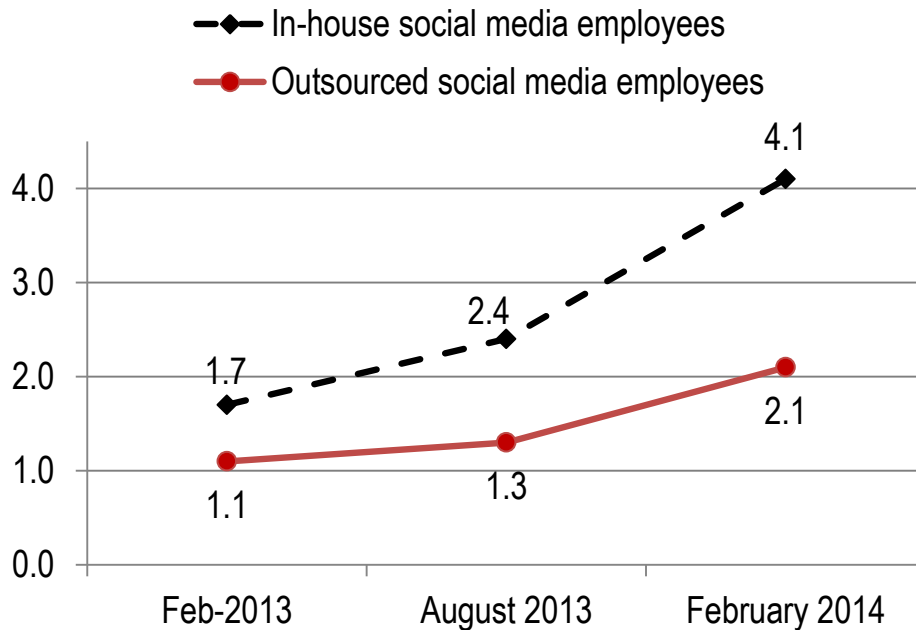


Table 5.2. Average number of employees by sector

| | 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 integration gap remains

Figure 5.3. How well is social media integrated with marketing strategy?

Mean = 3.8 (SD = 1.8)

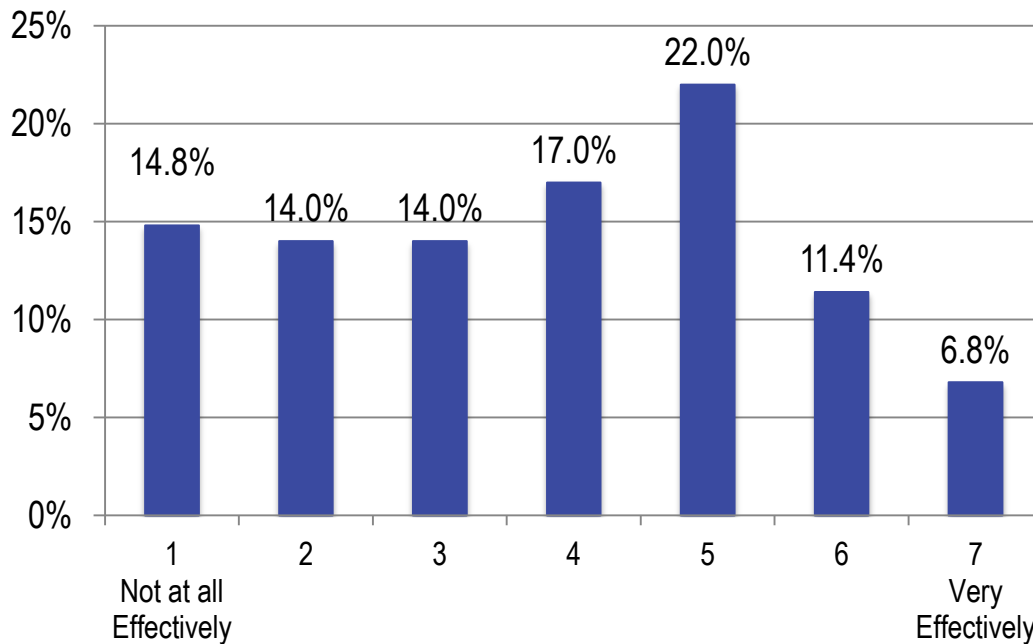


Table 5.2. Integration scores by sector

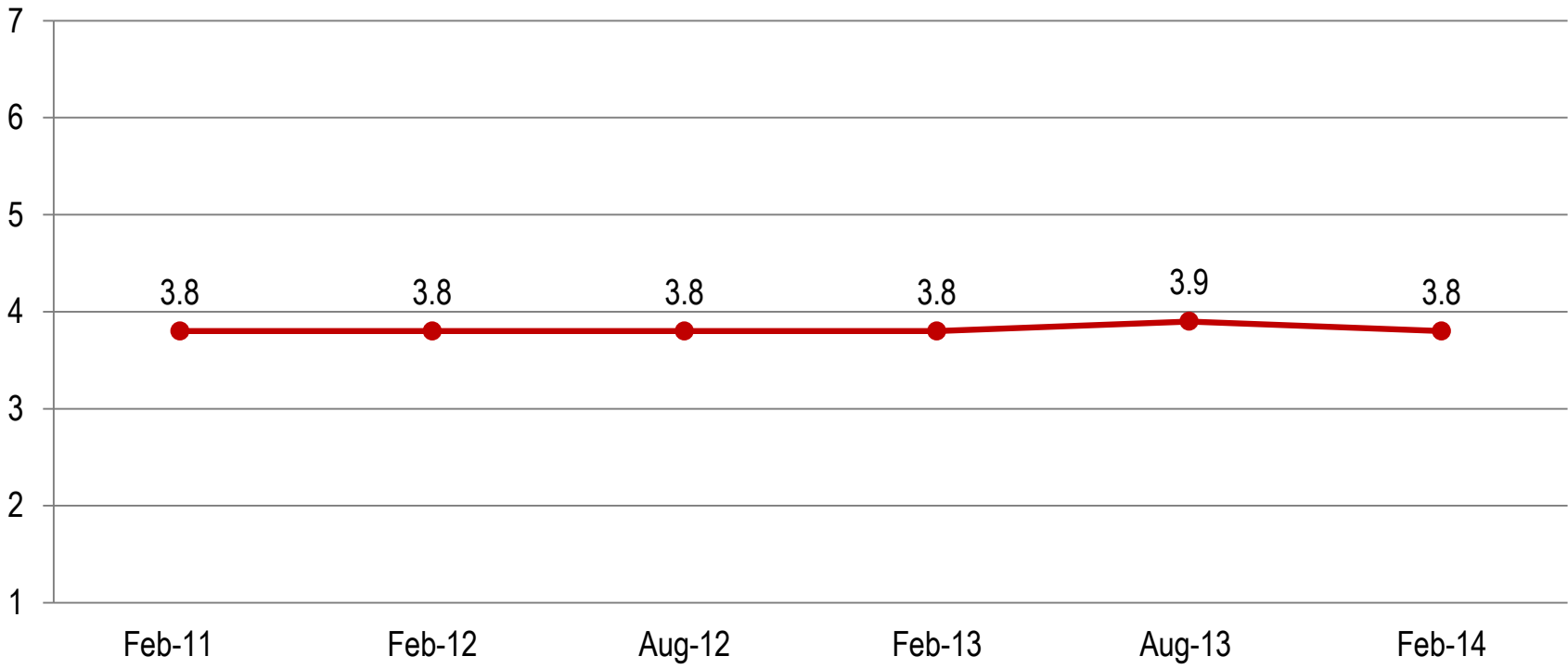
| | Mean (SD) Feb-2014 |
|--------------|-----------------------|
| B2B Product | 3.5 |
| B2B Services | 3.6 |
| B2C Product | 4.3 |
| B2C Services | 3.7 |

Social media remains poorly integrated with marketing strategy



Figure 5.4. Average social media integration scores over time

Question: How effectively is social media linked to your firm’s marketing strategy?
(1=not integrated, 7=very integrated)



Persistent poor integration of customer information across channels

Question: How effectively does your company integrate customer information across purchasing, communication, and social media channels (1=not at all, 7=very effectively)?

Results:

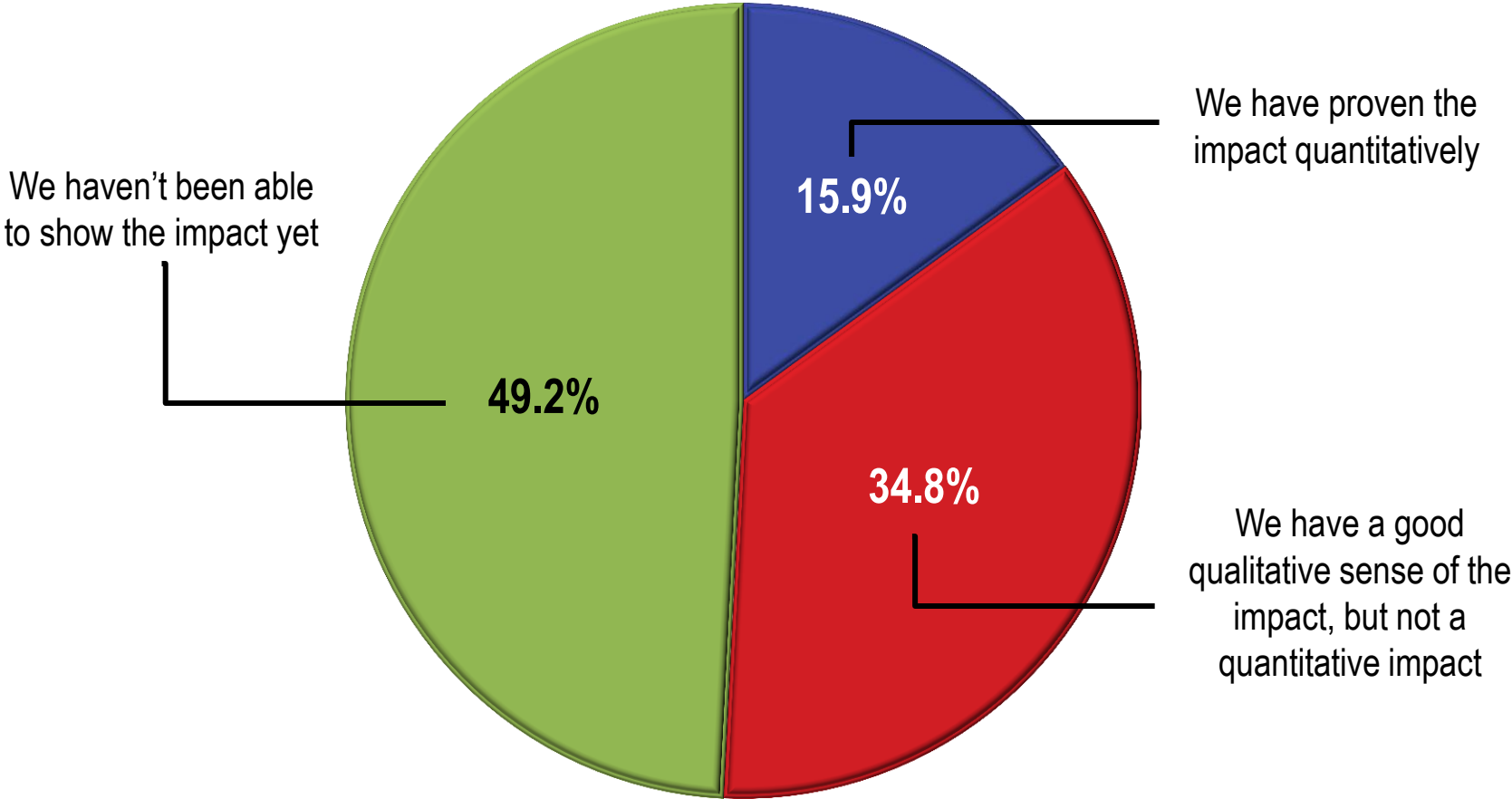
- Feb-14: Mean = 3.5, SD = 1.6
- Aug-13: Mean = 3.4, SD = 1.6
- Aug-12: Mean = 3.7, SD = 1.6

Table 5.4. Customer information integration gap across sectors

| | Average integration across all channels Mean (SD) |
|--------------|--|
| B2B Product | 3.4 (1.7) |
| B2B Services | 3.4 (1.6) |
| B2C Product | 4.1 (1.5) |
| B2C Services | 3.7 (1.7) |

Half of all firms haven't been able to show the impact of social media on business

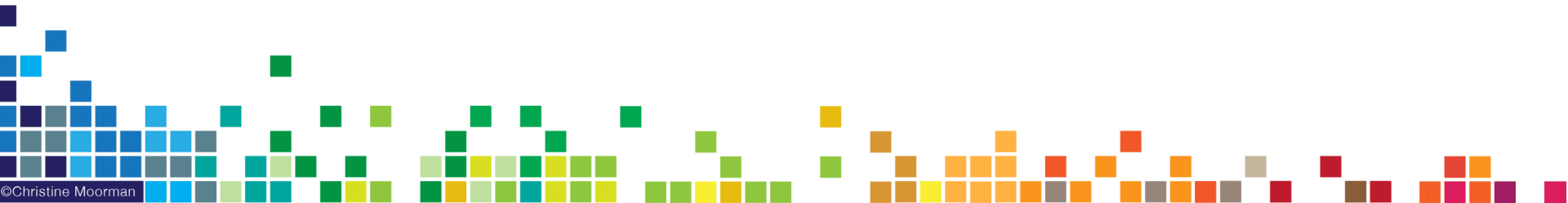
Figure 5.5. Which best describes how you show the impact of social media on your business?





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Topic 6: Marketing Jobs



Marketing hiring drops off

Marketplace

Growth

Spending

Performance

Social Media

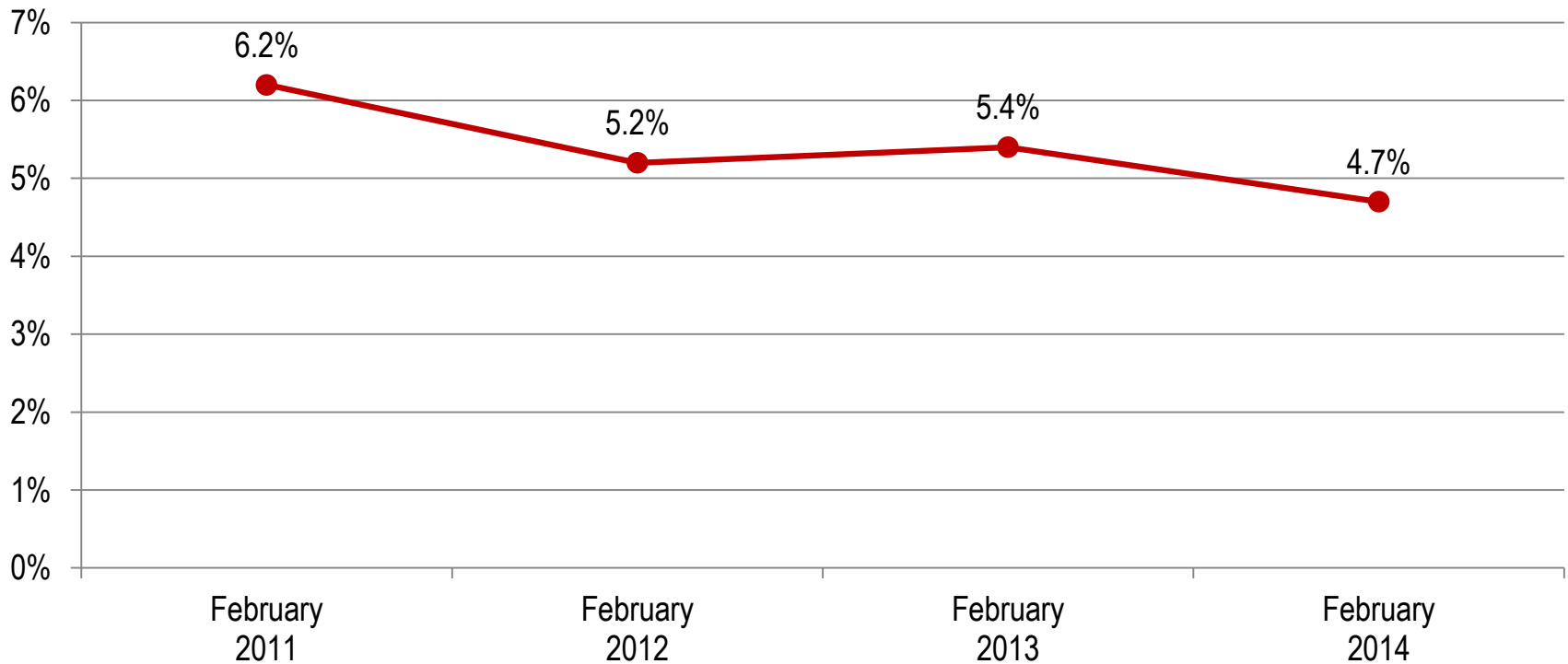
Jobs

Organization

Leadership

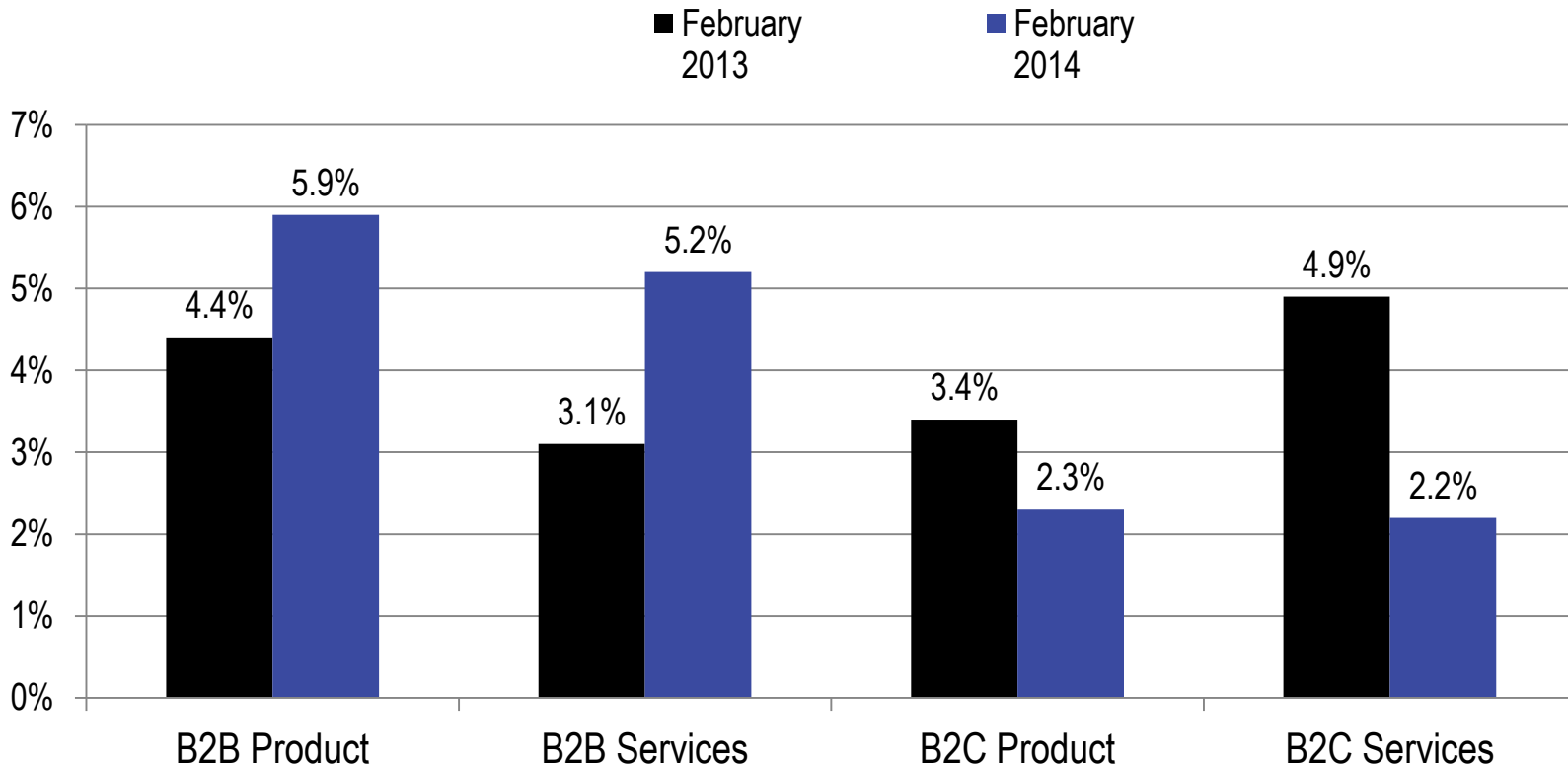
Analytics

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



B2B companies to hire more marketers

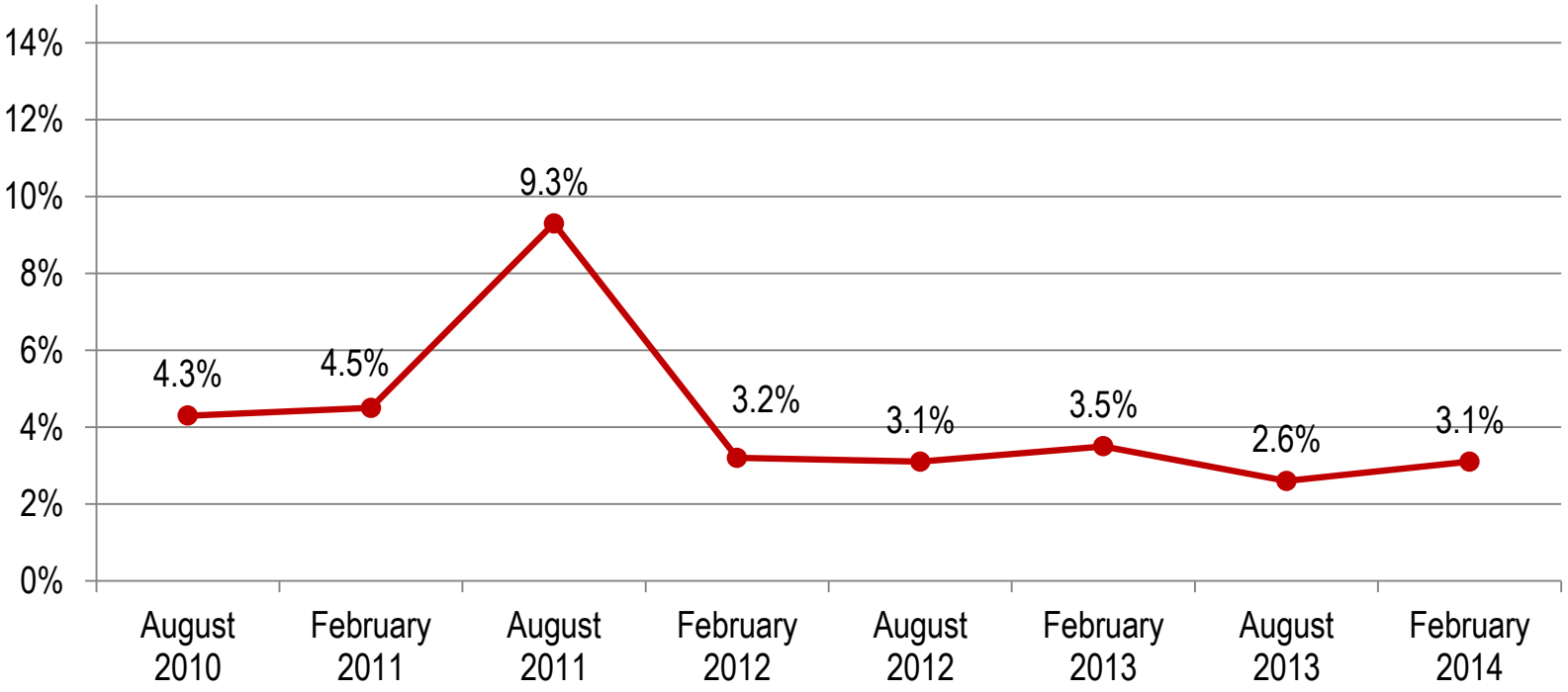
Figure 6.2. Percentage change in marketing hires planned in next 12 months



Outsourcing of marketing 3.1%



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





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Topic 7:

Marketing Organization



Presence of marketing employees surges

Figure 7.1. Number of Employees

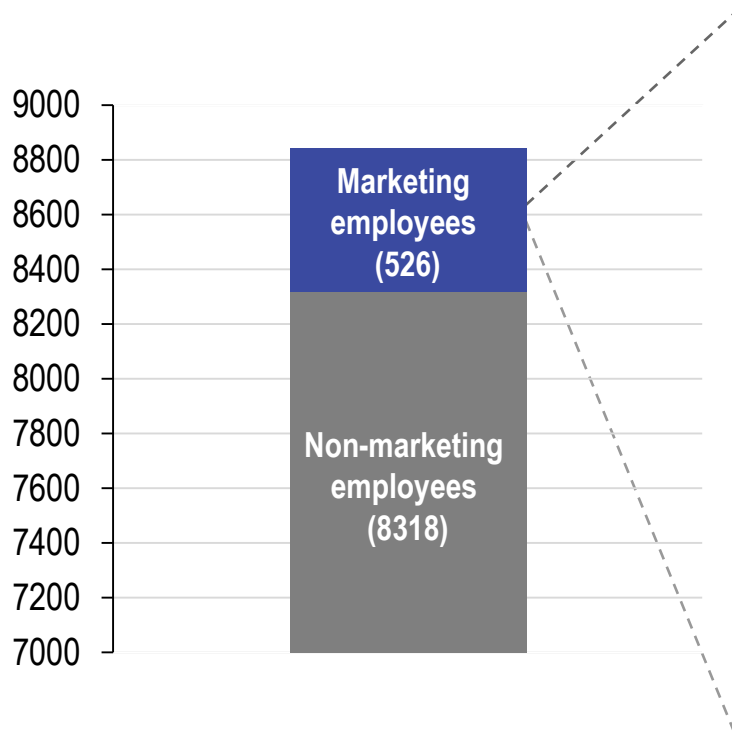
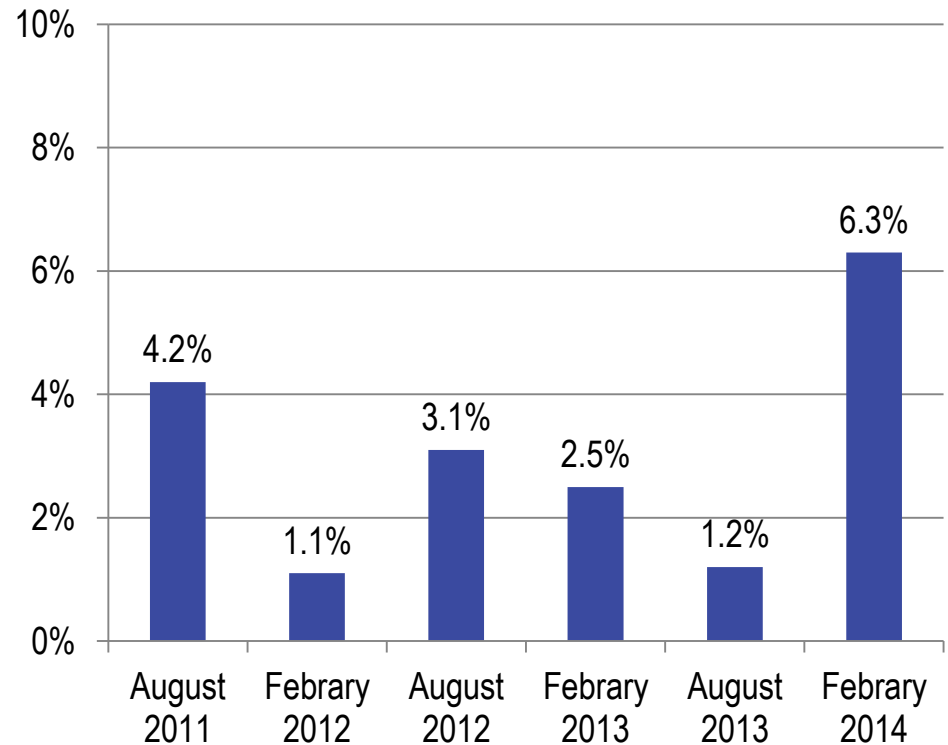
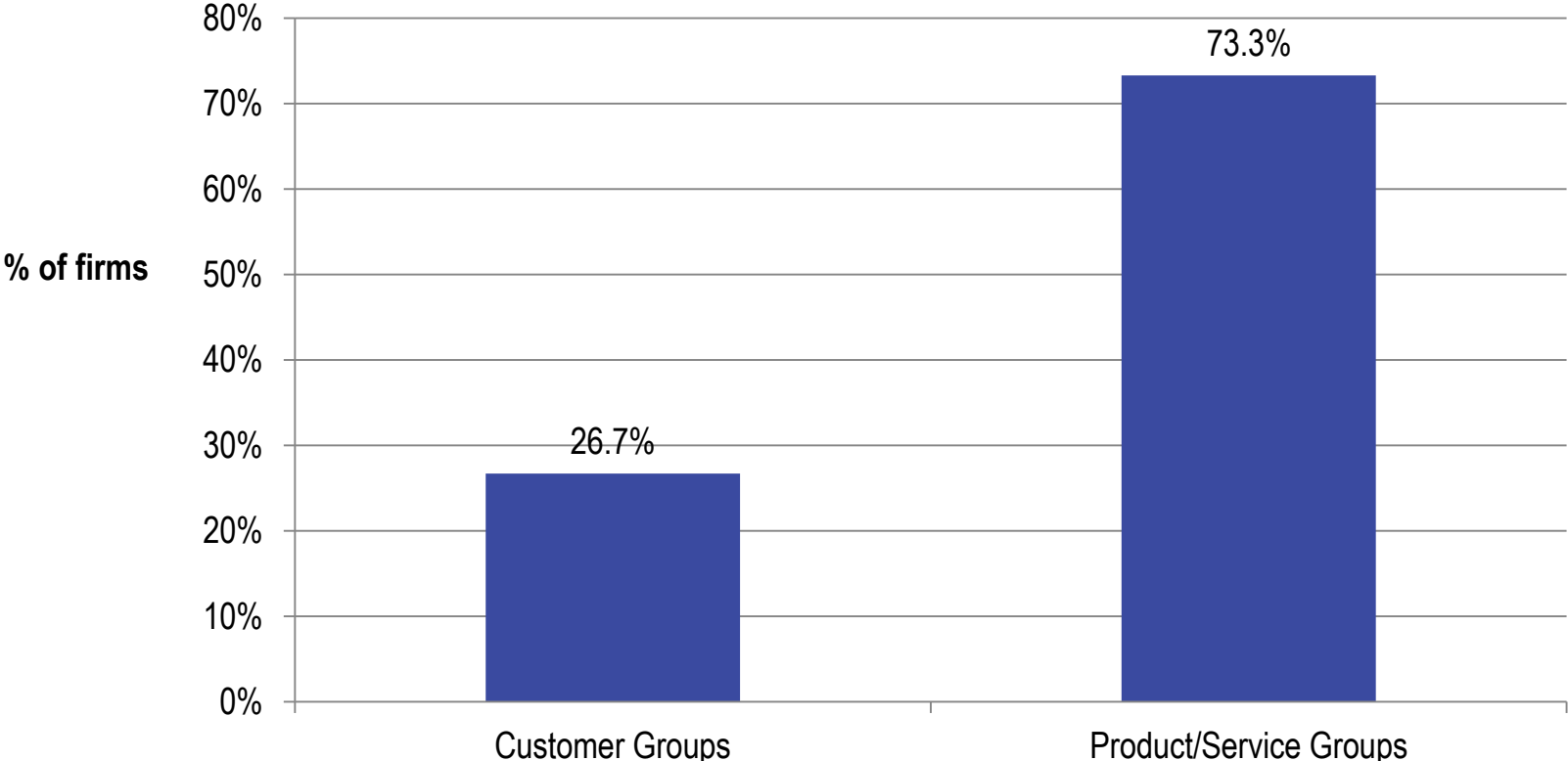


Figure 7.2. Marketing Employees as a Percentage of Total Employees



Product/service organizational structure dominates

Figure 7.3. Organizational structure in companies





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Topic 8:

Marketing Leadership



Consistent erosion of marketing leadership

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

| Activity | Feb-11 | Feb-12 | Feb-13 | Feb-14 |
|----------------------------|--------|--------|--------|--------|
| Advertising | 85% | 85% | 84% | 79.9% |
| Positioning | 79% | 78% | 82% | 69.2% |
| Promotion | 81% | 79% | 82% | 74.8% |
| Brand | 81% | 84% | 84% | 79.1% |
| Marketing analytics** | - | - | 76% | 68.4% |
| Marketing research | 73% | 71% | 76% | 63.2% |
| Social media | 71% | 73% | 76% | 74.4% |
| Competitive intelligence | 58% | 62% | 68% | 52.6% |
| Public relations | 65% | 53% | 61% | 59.8% |
| Lead generation | 53% | 53% | 56% | 55.6% |
| Market entry strategies | 50% | 46% | 56% | 47.9% |
| New products | 44% | 52% | 47% | 46.4% |
| CRM | 38% | 41% | 41% | 33.3% |
| Targeting/Market selection | 31% | 35% | 36% | 33.3% |
| Sales | 32% | 30% | 24% | 29.5% |
| Pricing | 30% | 34% | 31% | 32.9% |
| Innovation | 33% | 39% | 35% | 29.5% |
| Customer service | 22% | 21% | 24% | 18.8% |
| Stock market performance | 0.4% | 1.2% | 2.3% | 1.3% |

Weaker marketing leadership:

- Advertising
- Positioning
- Promotion
- Brand
- Marketing analytics
- Marketing research
- Social media
- Competitive intelligence
- Public relations
- Market entry
- CRM
- Target/Market selection
- Innovation
- Customer service

Stronger marketing leadership:

- Sales
- Pricing

Maintaining marketing leadership:

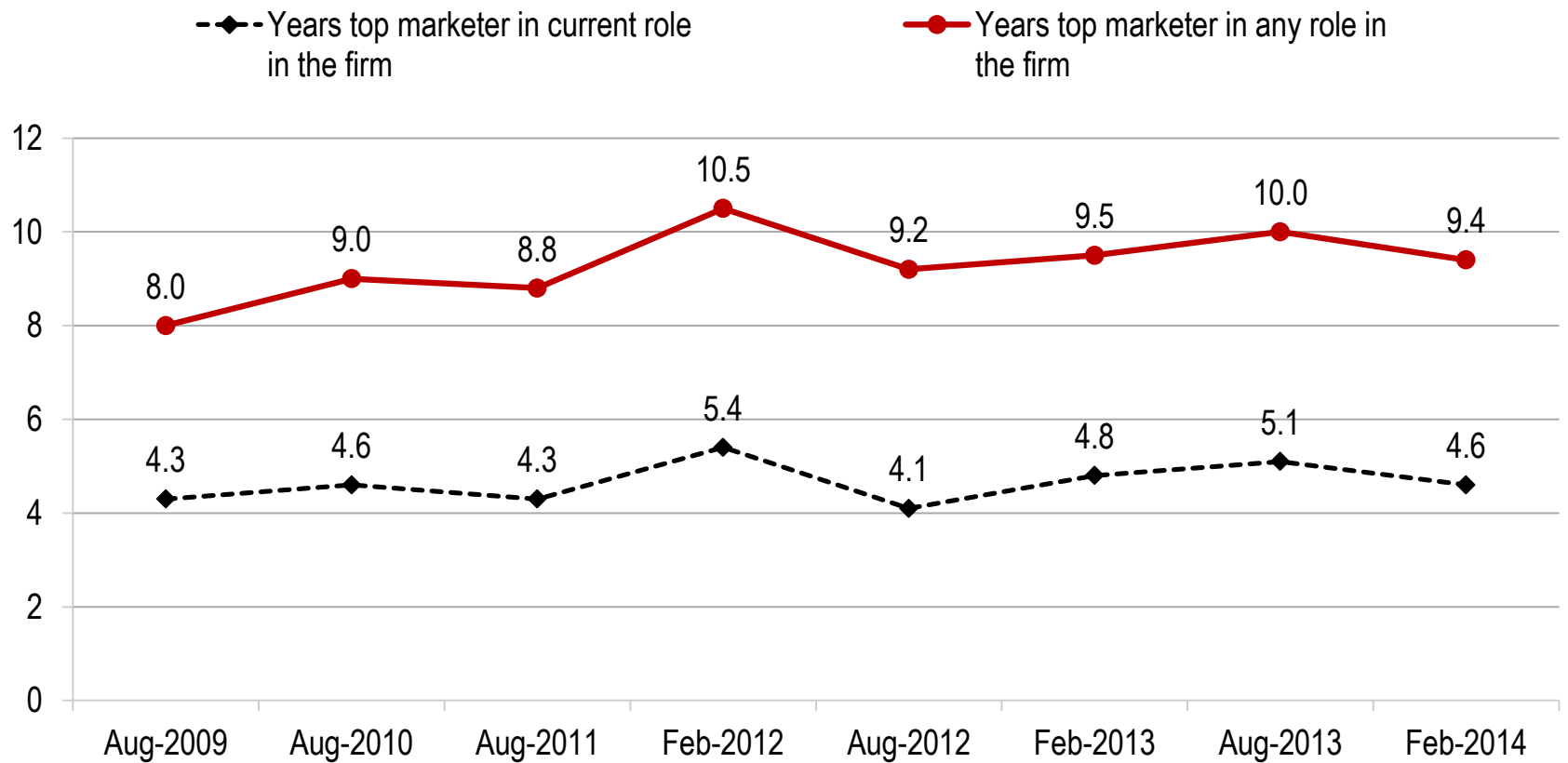
- Lead generation
- New products
- Stock market performance

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

**Marketing analytics added in Feb-13.

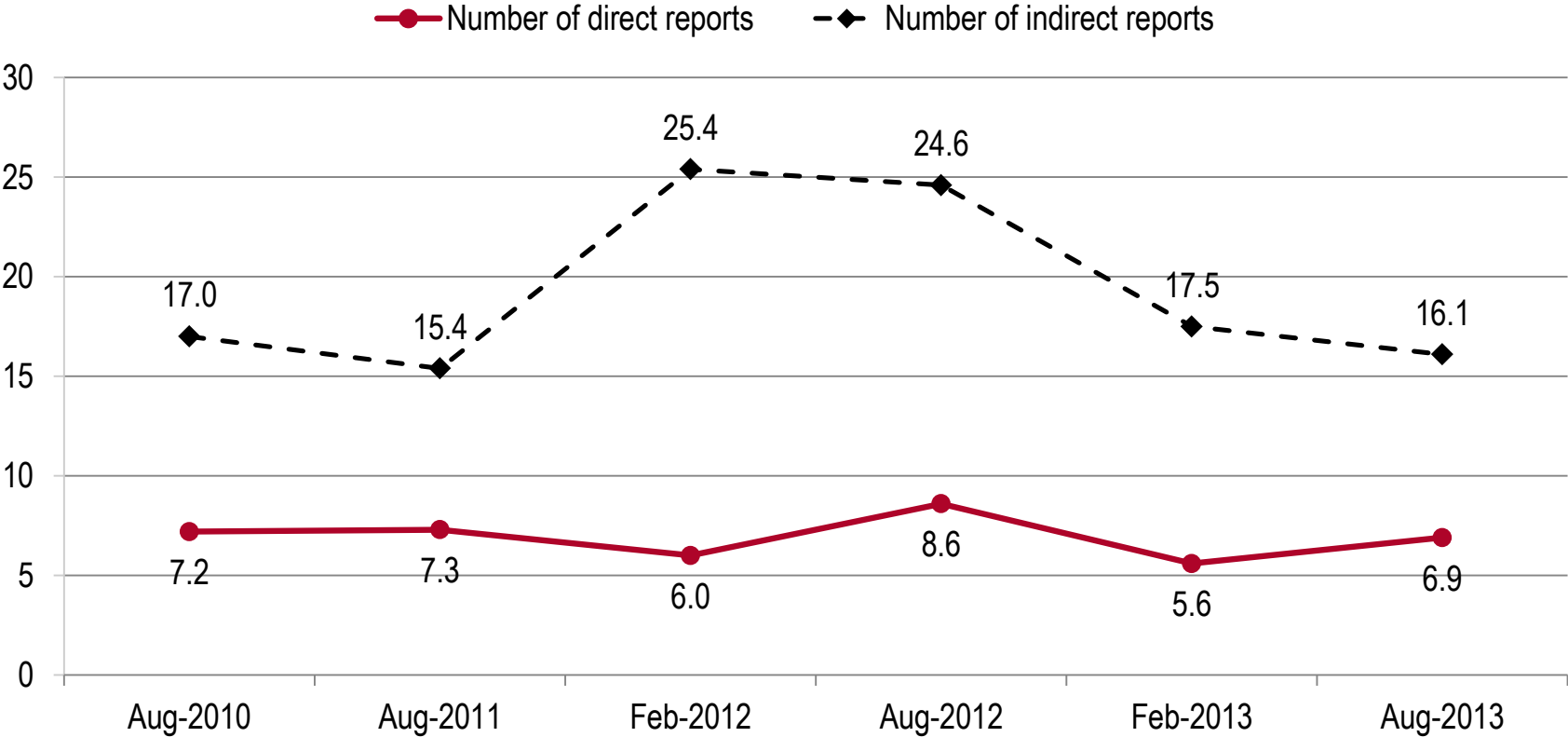
Marketing leaders retained for an average of 4.6 years

Figure 8.1. Marketing leader retention



Shifting direct and indirect influence for top marketers

Figure 8.2. Number of people reporting to top marketer



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:

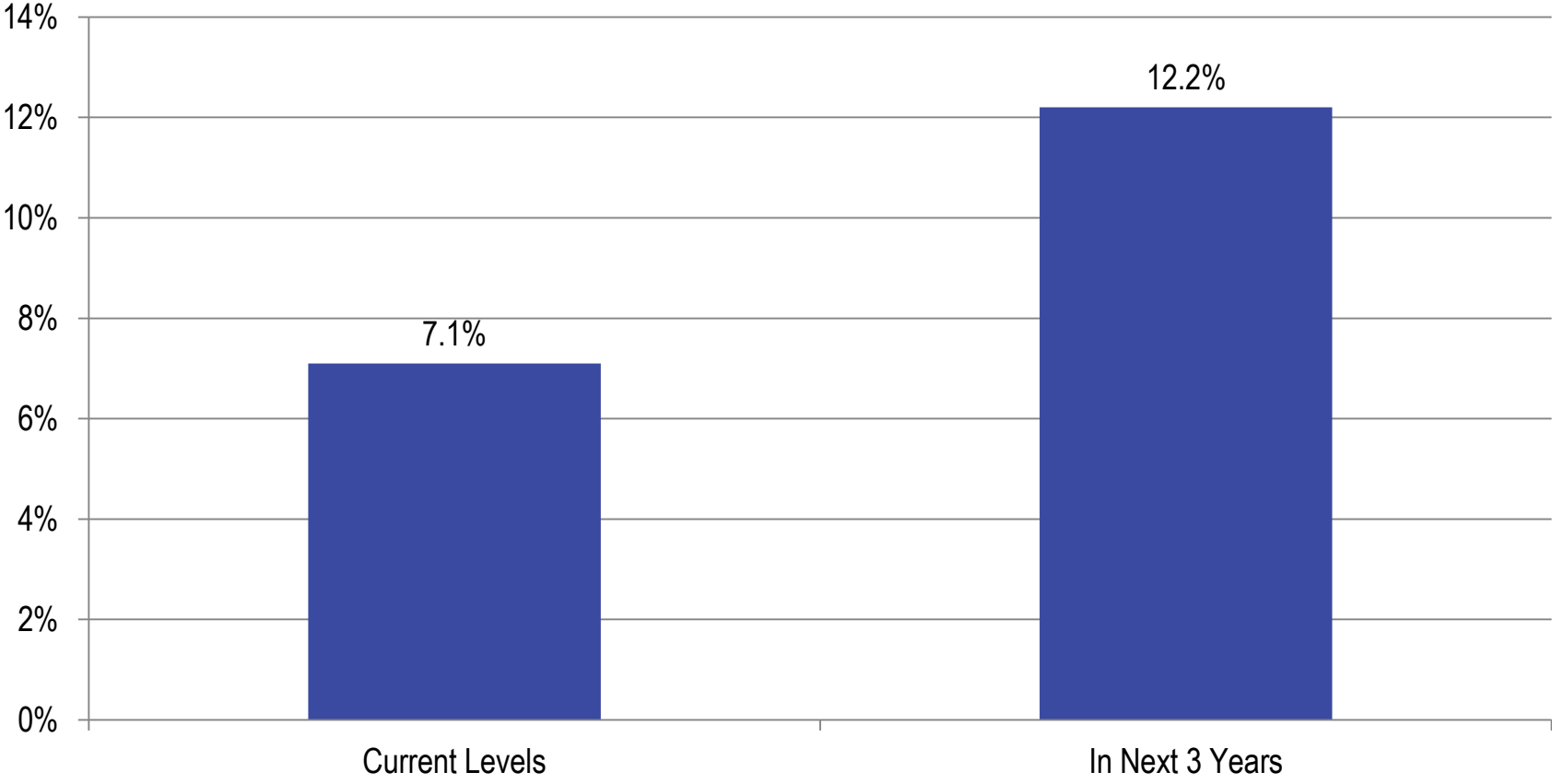
Marketing Analytics



Spending on marketing analytics expected to increase 72% 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 | 7.9% | 12.7% |
| B2B Services | 5.6% | 11.4% |
| B2C Product | 9.9% | 12.7% |
| B2C Services | 7.2% | 12.9% |

Table 9.1c. Firm size differences

| | Current | In Next 3 years |
|------------|---------|-----------------|
| <\$25M | 5.5% | 10.5% |
| \$26-99M | 6.2% | 10.7% |
| \$100-499M | 6.6% | 11.4% |
| \$500-999M | 9.9% | 16.1% |
| \$1-9.9B | 8.5% | 13.8% |
| \$10+B | 7.6% | 13.1% |

Table 9.1b. Firm internet sales differences

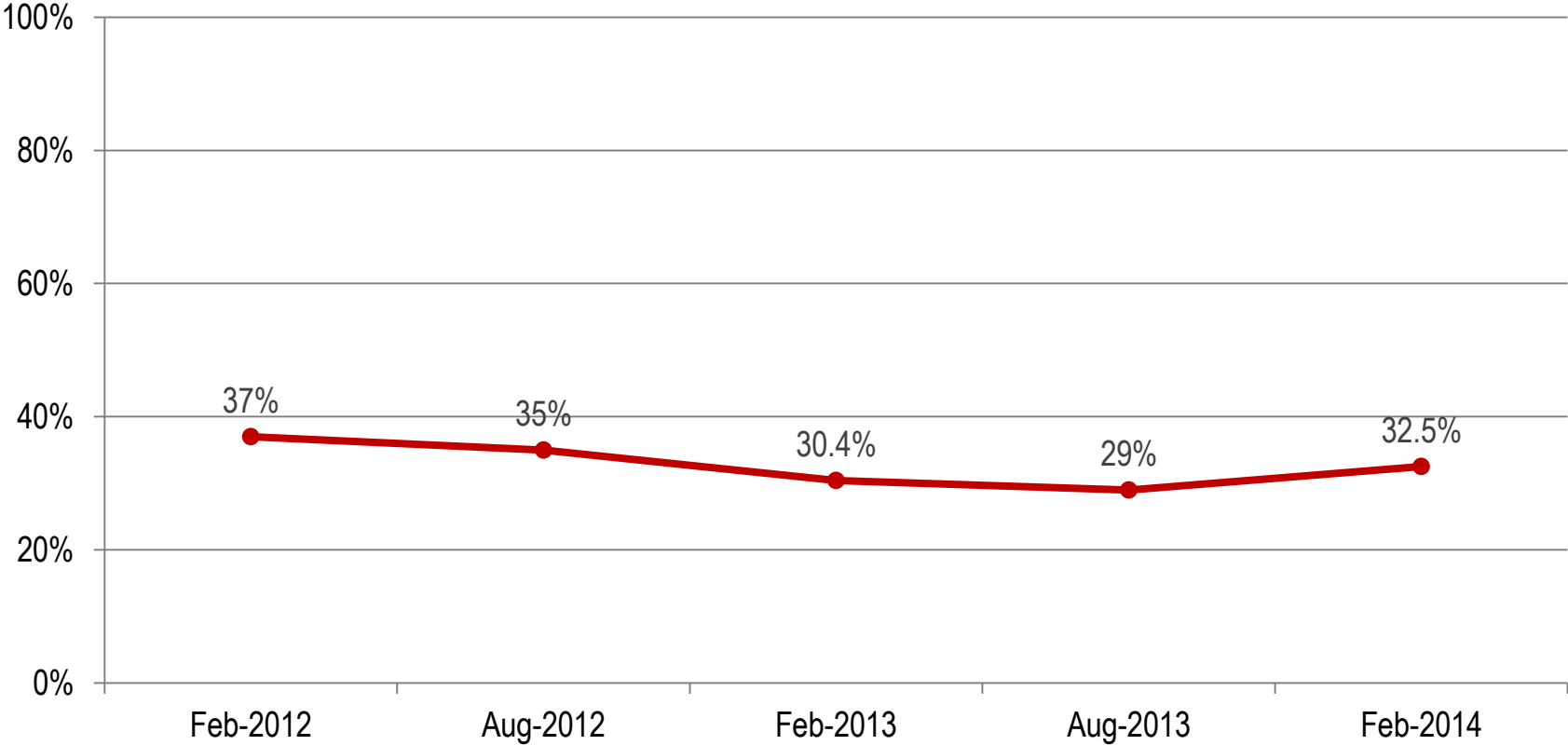
| | Current | In Next 3 years |
|-------|---------|-----------------|
| 0% | 6.4% | 11.6% |
| 1-10% | 7.5% | 12.4% |
| >10% | 8.0% | 13.6% |



Most projects fail to use marketing analytics; slight shift upwards



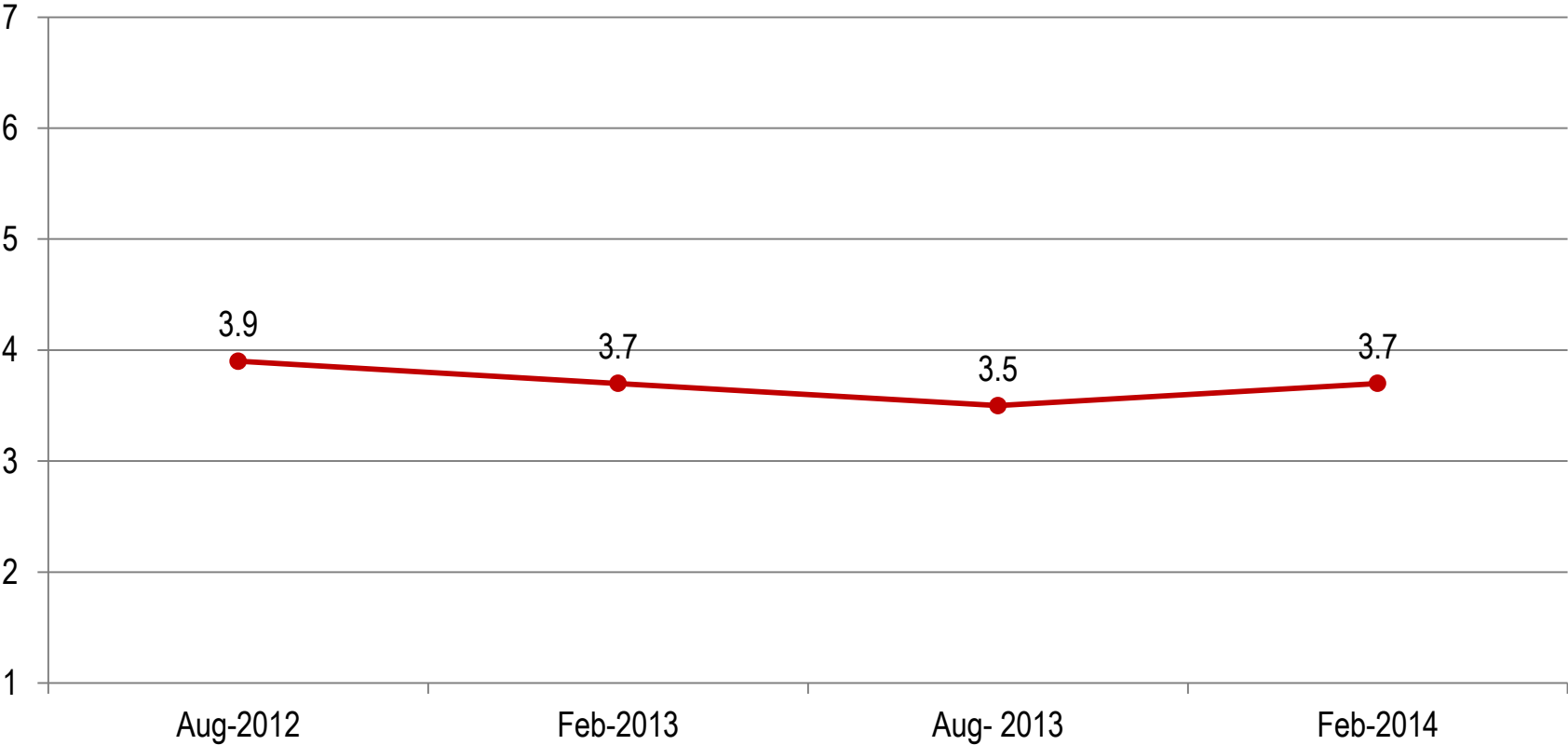
Figure 9.2. Percentage of projects using available or requested marketing analytics



Contribution of marketing analytics remains low



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

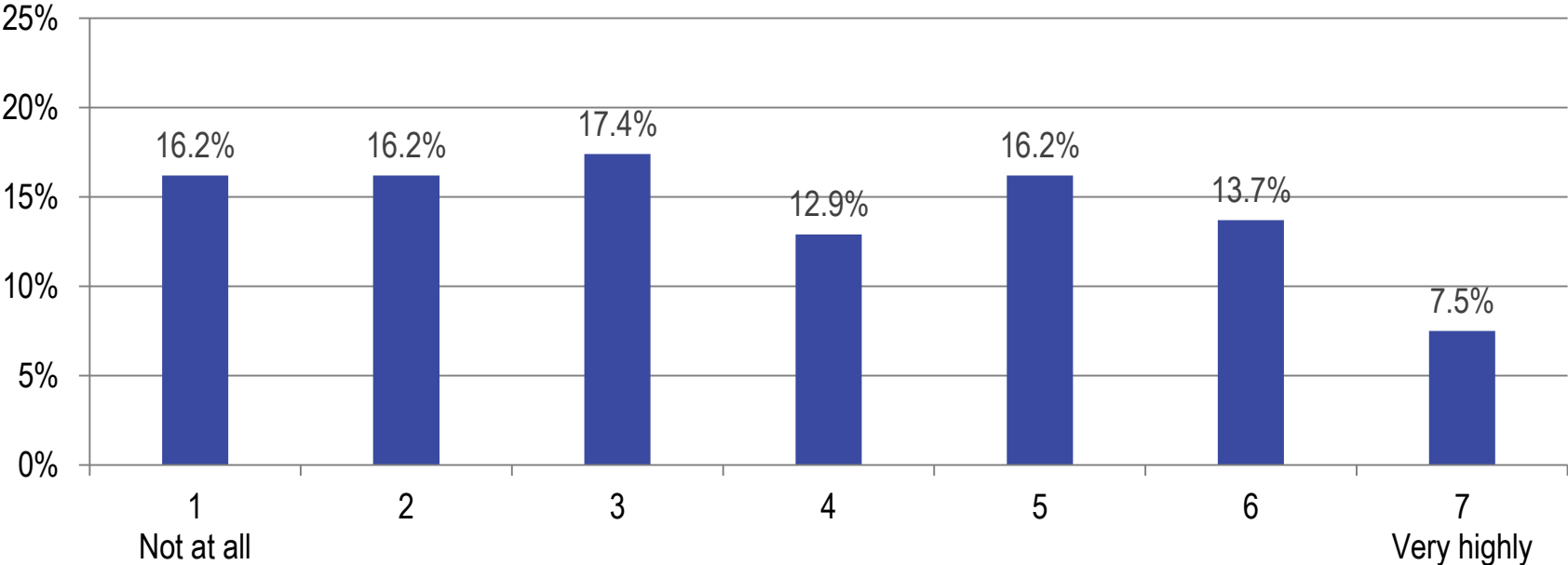


Breakdown of marketing analytics' contribution to company performance



Figure 9.4. To what degree does the use of marketing analytics contribute to your company's performance?

Mean = 3.7 (SD = 1.9)

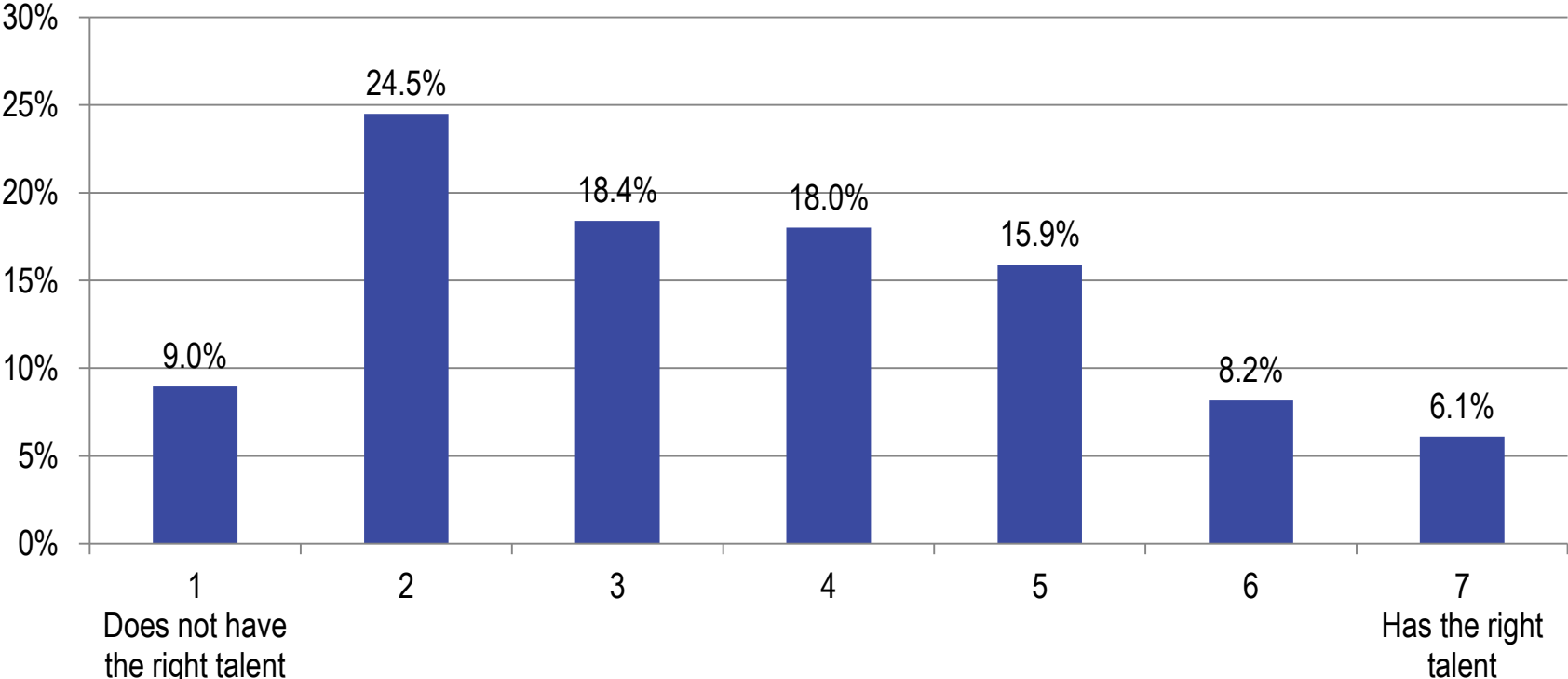


Most companies do not have the right talent to fully leverage marketing analytics



Figure 9.5. Does your company have the right talent to fully leverage marketing analytics?

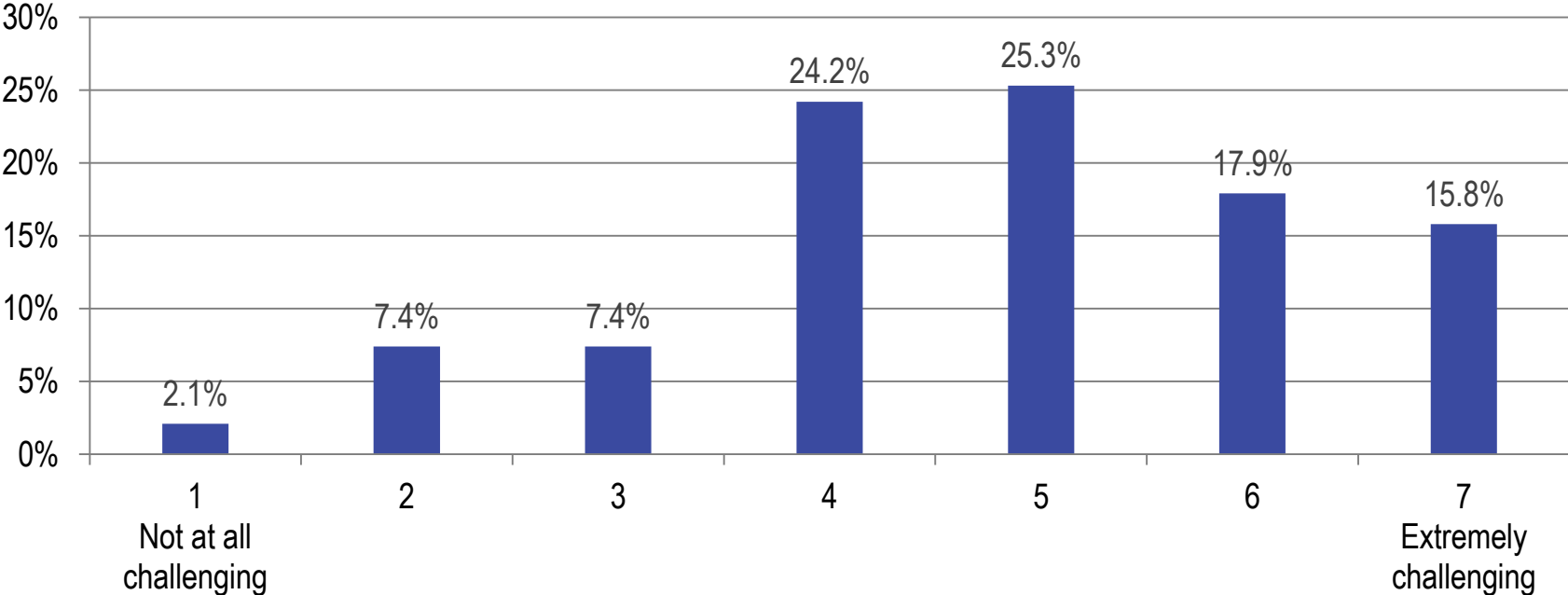
Mean = 3.6 (SD = 1.7)



Marketing analytics talent difficult to find

Figure 9.6. How challenging was it to find the right marketing analytics' talent*

Mean = 4.8 (SD = 1.5)



*Answered by respondents stating they had hired marketing analytics talent in the last year

How companies measure marketing ROI

Marketplace

Growth

Spending

Performance

Social Media

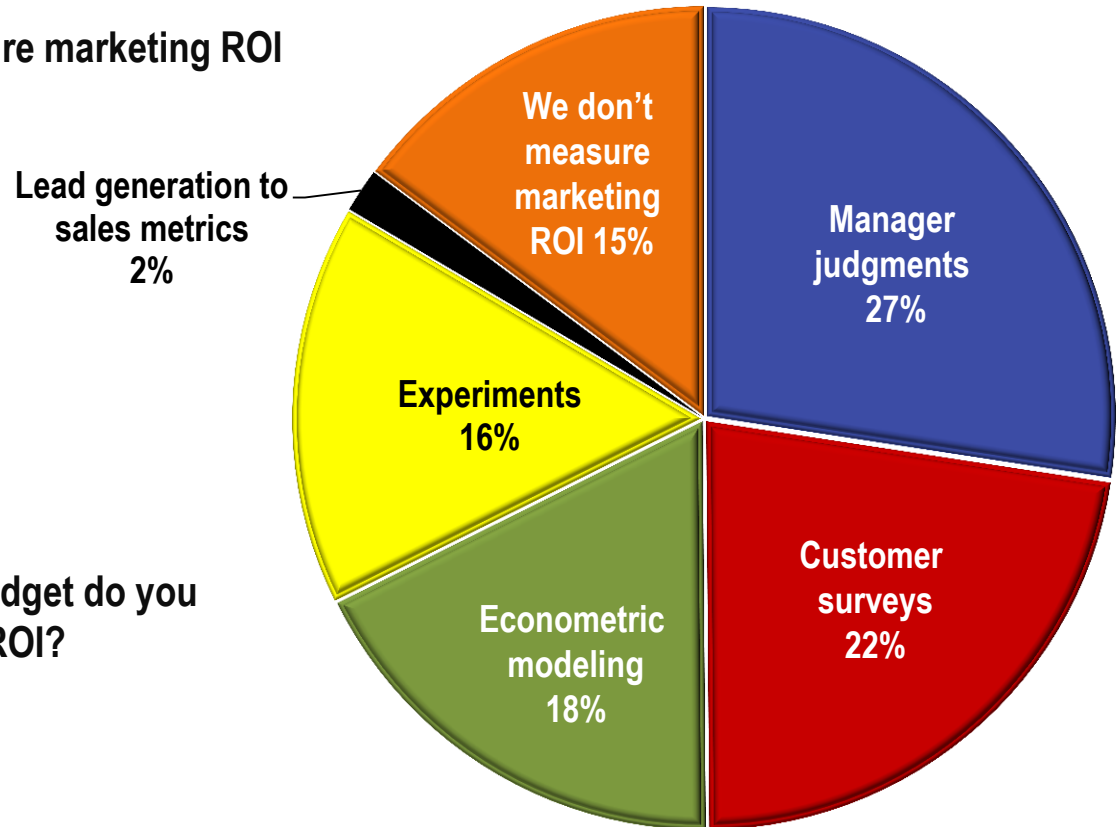
Jobs

Organization

Leadership

Analytics

Figure 9.7. How companies measure marketing ROI



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

Mean = 3.5% (SD = 5.1)

95% Confidence interval around the mean = 2.8%-4.2%



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Topic 10:

The CMO Survey Award for Marketing Excellence



The 2014 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 2014 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?



Amazon
(Online Retailer)



GEICO
(Consumer Services)



Google
(Online Advertising)



IBM
(Technology Solutions/Consulting)



Procter & Gamble
(Consumer Packaged Goods: Non-food)



The Coca-Cola Company
(Consumer Packaged Goods: Food)

Preview



Next survey: July 2014

Participate: Sign up [here](#)

Media: [Press releases and coverage](#)

Feedback: Send comments to moorman@duke.edu

