

THE
CMO
SURVEY.ORG

PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Highlights and Insights

February 2009

DUKE
THE FUQUA
SCHOOL
OF BUSINESS

 AMERICAN
MARKETING
ASSOCIATION

© Christine Moorman

About The CMO Survey



The Mission

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

Survey Operation

- Founded in August, 2008, The CMO Survey is administered twice a year via an internet survey. Questions repeat over time so trends can be discerned.

Sponsoring Organizations



Lead Researcher



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

CMO Survey Methodology



• Survey Sample

- 3,932 Top Marketers at Fortune 1000 and Forbes Top 200 companies and Top Marketers who are AMA Members or Duke University Alumni and Friends
- N=581 responded for a 14.7% response rate
- 73.8% of respondents hold a rank of VP, CMO, or higher

• Survey Administration

- Email contact with three follow up reminders
- Survey in field from February 4-13, 2009

• Results Interpretation

- Results are sometimes presented over time. When this occurs, February-2009 results on top in the charts and the August-2008 results are on the bottom.
- M = sample mean, SD = sample standard deviation
- B2B = Business-to-business firms; B2C = Business-to-consumer firms

Overview of Results

Topic 1: Marketplace Dynamics

Topic 2: Firm Growth Strategies

Topic 3: Marketing Spending

Topic 4: Marketing Performance

Topic 5: Marketing Excellence

Topic 6: Marketing Organization and Leadership

Topic 7: What's on Marketers' Minds



PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Topic 1: Marketplace Dynamics

Marketers brace for a new status quo as marketplace pessimism levels off



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Overall economy:
 - Marketers remain pessimistic about the economy compared to last quarter (Pessimists outnumber optimists 6:1)
 - Marketers are not as pessimistic as August (8:1)
 - This may be a sign that the worst is over; also signals that marketers have adjusted to a new status quo
- Economic sectors:
 - B2C-Service Marketers are the least optimistic (up from 60% in August-2008 to 74%)
 - B2B-Product Marketers are most optimistic and show most improvement (down from 78% in August-2008 to 46%)

Table 1.1a. Marketer Optimism – Overall Economy

	Less optimistic	No change	More optimistic
Are you more or less optimistic about the <u>overall economy</u> compared to last quarter	59% (77%)	26% (10%)	15% (13%)

Table 1.1b. Marketer Optimism by Economic Sector

B2B-Product	46% (78%)	37% (7%)	17% (15%)
B2B-Services	54% (84%)	30% (8%)	16% (8%)
B2C-Product	59% (82%)	28% (9%)	13% (9%)
B2C-Services	74% (60%)	13% (20%)	13% (20%)

*August-2008 figures are on the bottom, February-2009 on the top

Overall economic pessimism driven by concerns about channel partnerships



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

Channel:

- Marketers optimism about channel partners dropped considerably, from 47% (more optimistic) to 26%
- August-2008 survey indicated that marketers pinned hopes on channel partnerships, not customers, to pull their firms through the economic downturn
- February-2009 results indicate expectations were not met by channel partners

Customers:

- Marketer optimism about end-customers has not changed over the last quarter
- This is encouraging given the economic losses during this period

Table 1.2. Marketer Optimism – Customers and Channel

	Less optimistic	No change	More optimistic
Focusing on <u>channel partnerships</u> , prospects for growth in largest revenue market compared to 12 months ago	41% (38%)	33% (15%)	26% (47%)
Focusing on <u>end-customers</u> , prospects for growth in largest revenue market compared to 12 months ago	59% (56%)	16% (16%)	25% (27%)

*August-2008 figures are on the bottom, February-2009 on the top

Customer priorities shift to focus on “trusting relationship” with companies

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Price continues to dominate as the #1 priority
- However, relative to August-2008,
 - More emphasis on trusting relationship, service, and innovation
 - Less emphasis on price, quality and brand
- The most striking development is the increase in the priority of “trusting relationship”

Table 1.3. Customer Priorities in the Next 12 Months

	1 st priority	2 nd priority	3 rd priority	Total
Low Price	30% (32%)	14% (14%)	11% (14%)	55% (60%)
Superior Product Quality	19% (24%)	20% (21%)	21% (16%)	60% (61%)
Superior Innovation	11% (6%)	8% (10%)	8% (8%)	27% (24%)
Excellent Service	16% (27%)	30% (30%)	24% (16%)	70% (73%)
Trusting relationship	20% (13%)	19% (13%)	26% (29%)	65% (54%)
Brand	6% (9%)	9% (8%)	10% (9%)	25% (26%)

*August-2008 figures are on the bottom, February-2009 on the top

Channel partners begin to show effects of weakened consumer spending



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Marketers predict more pressures for lower prices, lower purchase volumes, and lower likelihood of buying related products/services
- Only 10% of firms expect to be able to charge channel partner more for their products and services
- Changes are not due to partner going directly to customer or increased partner power
 - Changes due to weakened demand from end-customers

Table 1.4. Channel Partner Behavior in the Next 12 Months

	Less	No change	More
Partner purchase volume	45% (23%)	30% (29%)	25% (48%)
Partner price per unit	42% (13%)	48% (13%)	10% (63%)
Partner will buy related products and services from my firm	25% (10%)	56% (47%)	19% (43%)
My firm will deal directly with end customer, not through channel partners	10% (7%)	64% (63%)	26% (30%)
Partner's level of power in our relationship	22% (17%)	59% (63%)	18% (20%)

*August-2008 figures are on the bottom, February-2009 on the top

Competitive landscape points to more cooperation between firms

- Expectation of greater cooperation between competitors (on non-price strategies)
- No increase in the rivalry for customers
- More domestic competitors
- Fewer global competitors

Table 1.5. Competitor Behavior in the Next 12 Months

More cooperation in non-price strategies	Mean = 3.9, SD = 1.6 (Mean = 3.2, SD = 1.5)
More intense rivalry for customers	Mean = 5.5, SD = 1.5 (Mean = 5.5, SD = 1.4)
Emergence of new domestic competitors	Mean = 2.8, SD = 1.8 (Mean = 2.5, SD = 1.7)
Emergence of new global competitors	Mean = 3.0, SD = 1.9 (Mean = 3.4, SD = 1.8)

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

*August-2008 figures are on the bottom, February-2009 on the top

Marketplace remains attractive despite financial pinch and channel concerns

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

Despite tough economic times, current dynamics make the marketplace attractive* to firms that have capital and can enter.

Supplier Power – Low

- The end user is decreasing demand, limiting the need for volume, which limits the supplier's power

Barriers to Entry - High

- Significant financial barriers for investments
- Limited customer base with limited spending capabilities

Industry Rivalry –Medium

- Firms are reducing competitive pricing attacks while making internal improvements
- Firms are focused on innovation and improving relationships with customers

Threat of Substitutes – Low

- Customers and businesses require low cost solutions, but substitutes to existing solution are not quickly emerging

*Based on Porter's Five Forces Model of Industry Attractiveness

Buyer Power - Low

- As consumer and business spending decreases, buyers lose their leverage to negotiate and are forced to put in lower orders to reduce inventory



PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Topic 2: Firm Growth Strategies

Innovation and new market entry emerge as growth drivers

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Although market penetration remains the dominant growth strategy, firms will reduce this emphasis from 51% to 48% in the next year
- Instead, growth is coming from increases in new product or service developments (from 22% to 24%) and market development (from 17% to 18%)
 - Firms are increasing risk to grow
- Diversification constant

Table 2.1. Growth Spending in Next 12 Months

	Current Products/Services	New Products/Services
Current Markets	Market Penetration Mean = 48%, SD = 24% (Mean = 51%, SD = 24%)	Product/Service Development Mean = 24%, SD = 20% (Mean = 22%, SD = 15%)
New Markets	Market Development Mean = 18%, SD = 16% (Mean = 17%, SD = 17%)	Diversification Mean = 10%, SD = 12% (Mean = 10%, SD = 13%)

*% of growth spending across approaches

*August-2008 figures are on the bottom, February-2009 on the top

Firms minimize risks while spurring growth

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- As economic pressures increase, marketers predict a decrease in growth via internal growth and acquisitions
- Conversely, economic conditions appear to be inspiring interest in cooperation between firms, as marketers predict increases in growth via partnerships and licensing

Table 2.2. How Firm Will Achieve Growth in the Next 12 Months

Growth from your firm internally	Mean = 71% (SD = 30) (Mean = 80%, SD = 26%)
Growth from acquisitions	Mean = 9%, SD = 19% (Mean = 14%, SD = 25%)
Growth from partnerships	Mean = 13.3%, SD = 19% (Mean = 5%, SD = 10%)
Growth from licensing	Mean = 7.0%, SD = 15% (Mean = 1%, SD = 11%)

*% of growth spending across approaches

*August-2008 figures on the bottom, February-2009 on the top

Marketers see international growth opportunities

Marketplace

Growth

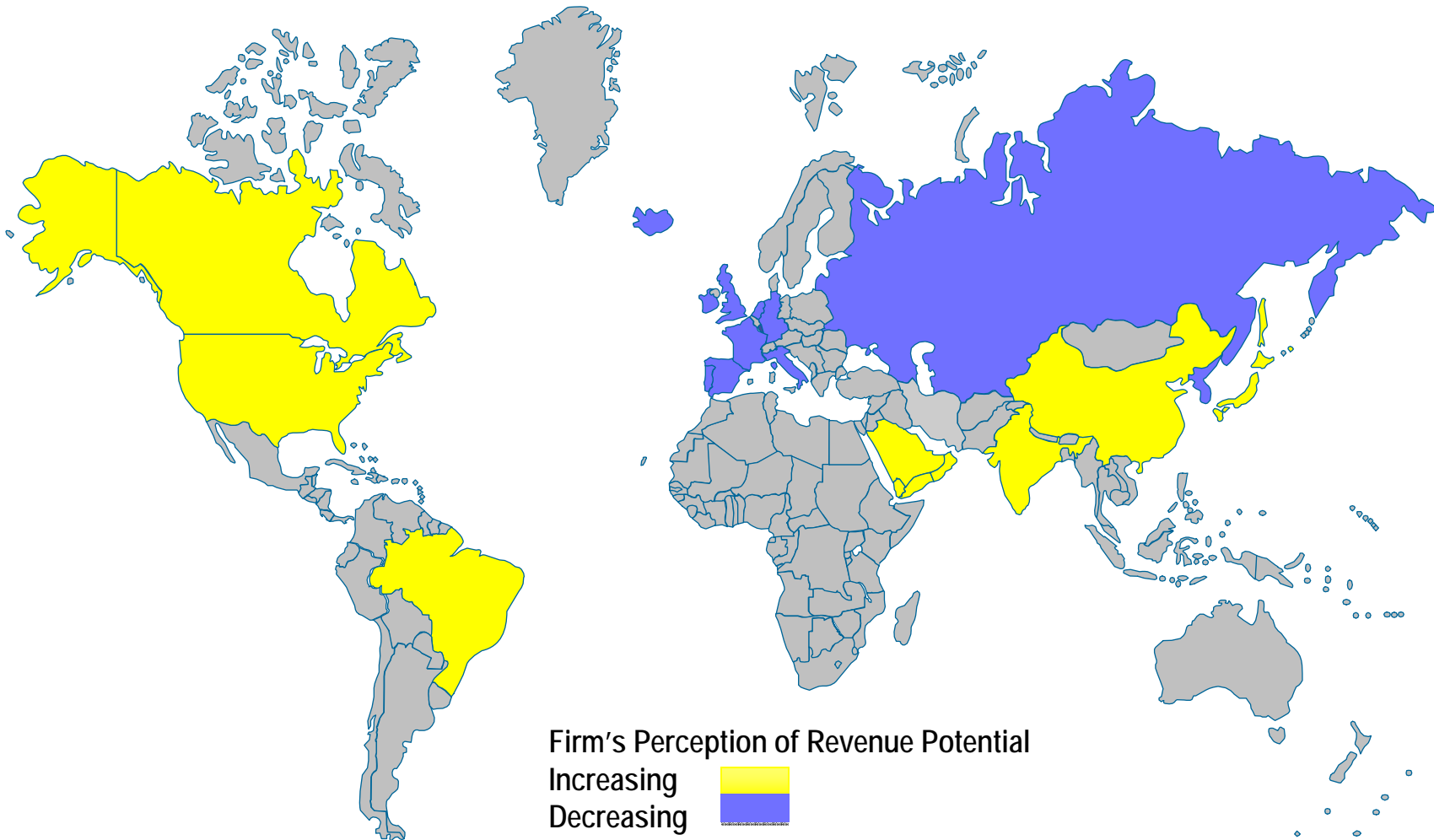
Spending

Performance

Excellence

Organization

On The Minds



Topic 3: Marketing Spending

Marketers place bets on internet marketing, new product introductions

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Marketing spending shifts from traditional advertising to the internet
- Equally large increase in spending for new product introductions
 - Consistent with focus on innovation among customers and new product development
 - Consistent with customer priority for innovation
- Industry sector differences in spending are large (see next slide)

Table 3.1. Marketing Spending

Marketing Spending	Next 12 Months Year-to-Year % Change
Overall marketing Spending	Mean = +0.5% (SD = +25.1%)
Traditional advertising spending	Mean = -7.3% (SD = +20.3%)
Internet marketing spending	Mean = +10.2% (SD = +41.7%)
New product Introductions	Mean = +10.5% (SD = +24%)
Brand building	Mean = 1.8% (SD = +20.5%)

Budget cuts spark spending priorities across sectors



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- B2C-Product Marketers predict the biggest spending decreases
- B2B firms project larger marketing spending increases compared to B2C firms
- Traditional advertising spending falls across all sectors showing a strategic move away from leveraging traditional media
- Service sectors embrace internet marketing more aggressively

Table 3.2. Sector Differences in % Change in Marketing Spending in Next 12 months

Overall marketing spending	B2B - Product	+2.7%
	B2B - Services	+3.0%
	B2C - Product	-6.6%
	B2C - Services	+0.7%

Traditional advertising spending	B2B - Product	-8.2%
	B2B - Services	-4.1%
	B2C - Product	-9.7%
	B2C - Services	-9.8%
Internet marketing spending	B2B - Product	+8.5%
	B2B - Services	+13.8%
	B2C - Product	+2.1%
	B2C - Services	+15.8%
New product introductions	B2B - Product	+16.1%
	B2B - Services	+8.3%
	B2C - Product	+4.0%
	B2C - Services	+8%
Brand building	B2B - Product	+1.9%
	B2B - Services	+5.0%
	B2C - Product	-6.4%
	B2C - Services	+1.9%

Spending focused on improving marketing knowledge among current employees

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Firm improve existing human resources without making costly investments
 - Hiring is flat
 - Use of marketing consulting services down
- Firms are holding steady in marketing research and training initiatives
- Primary focus is on knowledge development and integration
 - This is consistent with doing more with existing firm resources

Table 3.3. Firm Spending on Knowledge

Marketing (non-sales) hires	Mean = +0.9% SD = +18%
Integrating what we know about marketing	Mean = +5.1% SD = +14.2%
Developing knowledge about how to do marketing	Mean = +3.4% SD = +14.3%
Marketing training	Mean = +1.2% SD = +14.1%
Marketing research and intelligence	Mean = +1.8% SD = +17.5%
Marketing consulting services	Mean = -4.5% SD = +19.7%

Marketer spending actions echo each sector's economic optimism outlook



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- B2C-Product: Spending drops dramatically
 - Hiring falls
 - Research activities are limited
 - Consulting service usage is reduced
- B2B-Product: Spending rises modestly
 - Hiring increases modestly
 - Research activities increase modestly
 - Outside consulting service usage is reduced
- B2C and B2B Service Sectors spend conservatively and reduce outside spending (versus paying for outside consultant work)

Table 3.4. Efforts to Acquire Knowledge

Marketing (non-sales) hires	B2B - Product	+5.4%
	B2B - Services	+1.5%
	B2C - Product	-8.7%
	B2C - Services	0%
Marketing research and intelligence	B2B - Product	+3.3%
	B2B - Services	+4.1%
	B2C - Product	-5.5%
	B2C - Services	-0.3%
Marketing consulting services	B2B - Product	-5.4%
	B2B - Services	-2.7%
	B2C - Product	-4.9%
	B2C - Services	-6.5%

Topic 4: Marketing Performance

Marketers report firms underperform, but continue to set ambitious goals



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Firms consistently underperformed on all key marketing and financial metrics over the last 12 months
 - Biggest gap was profits (4.6% increase sought but only +1.6% achieved)
 - Smallest gaps were for customer retention (goal = +2.3%, actual = +2.3%) and customer lifetime value (goal = +3.1%, actual = +3.1%)
- Firm goals are significantly higher than their most recent performance
 - While this may not be realistic, it is a good sign the firms are still striving for growth

Table 4.1. Firm Performance on Financial Metrics

	Firm goal in prior 12 months	Firm performance in the prior 12 months	Firm goal in the next 12 months
Marketing Return on Investment	+3.2%	+2.6%	+4.9%
Firm profits	+4.6%	+1.6%	+3.8%
Customer retention	+2.3%	+2.3%	+4.3%
Customer lifetime value	+3.1%	+3.1%	+4.4%
Brand	+3.7%	+3.7%	+5.1%

Firms over-perform on marketing knowledge metrics, raise the bar for the future



- Marketers rated firms as over-performed relative to their past goals on all knowledge metrics
 - Customer insights performance 3.5 over goal of 1.7
 - Sharing valuable knowledge performance 3.4 over goal of 1.9
- Even higher goals point to continued emphasis next 12 months
- Why? In uncertain economy, knowledge can serve as an engine for making effective marketing decisions to fuel growth

Table 4.2. Firm Performance on Knowledge Metrics

	Firm performance in the prior 12 months	Firm goal in the next 12 months
Developing and using customer insights	M = 3.5, SD = 1.0 (M = 2.6, SD = .95)	M = 4.3, SD = 0.7 (M = 1.7, SD = 0.68)
Sharing valuable marketing knowledge	M = 3.4, SD = 0.90 (M = 2.5, SD = 0.84)	M = 4.1, SD = 0.8 (M = 1.9, SD = 0.81)

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

*August-2008 figures are on the bottom, February-2009 on the top

Marketers report accelerated focus on “going green” and acting sustainably



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Firms are increasing their goals for marketing efforts that will benefit society and be ecologically-sensitive
- These numbers supersede even their recent performance
- Possible connection to customers’ priority on a “trusting relationship”

Table 4.3. Firm Performance on Societal Metrics

	Firm performance in the prior 12 months	Firm goal in the next 12 months
Marketing that is beneficial for society	M = 3.2, SD = 1.1 (M = 2.98, SD = 1.03)	M = 3.6, SD = 1.0 (M = 2.57, SD = .92)
Marketing that minimizes the impact on the ecological environment	M = 3.0, SD = 1.2 (M = 3.03, SD = 1.04)	M = 3.5, SD = 1.1 (M = 2.56, SD = .99)

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

*August-2008 figures are on the bottom, February-2009 on the top



PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Topic 5: Marketing Excellence

Peers nominate firms for marketing excellence across sectors, industries

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

The CMO Survey recognizes the following three firms for Excellence in Marketing Across Industries:



Honorable Mentions



TARGET



TOYOTA





PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Topic 6: Marketing Organization and Leadership

Marketers are retained by firms; share power equally with sales

Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

- Top Marketer time in current role (4.4 years) and in any role in the firm (8.4 years)
- Top Marketers have an average of 4.9 direct reports and 16.3 indirect reports
- Marketing and sales
 - Sales is within the marketing function (12%)
 - Marketing is within the sales function (11%)
 - Sales and marketing work together on an equal basis (69%)
 - No sales function present (5%)
 - No marketing function (3%)



PREDICTING the Future of Markets
TRACKING Marketing Excellence
IMPROVING the Value of Marketing

Topic 7: What's on Marketer's Minds

Internet marketing captivates marketer attention as spending increases



Marketplace

Growth

Spending

Performance

Excellence

Organization

On The Minds

When asked about questions for future CMO surveys, respondents overwhelmingly suggested questions related to Internet Marketing. This increased interest is reflected in increased marketing spending on the internet.

Here is a sample of key questions raised by marketers:

How has social media impacted your business?

Which online advertising vehicles work best for you?

How are you leveraging web 2.0 to improve customer engagement?

How are you using social networking sites to market your brands to consumers?

How can B2B companies take advantage of Internet marketing?

Can your company keep up with changes to marketing strategies brought about by advances in computer and communications technologies?

*Other questions focused on marketing ROI, the relationship between marketing and sales, and the role of marketing in innovation.

Next Steps



Future Surveys

- The CMO Survey will be administered again in July-2009.
- It will be rolled out to Europe (Y3) and Asia (Y4)

To Get Involved

- If you are not a current participant, go to <http://faculty.fuqua.duke.edu/cmossurvey/participate/> to sign up

Media

- Media follow ups related to this data are posted on <http://faculty.fuqua.duke.edu/cmossurvey/media/>

Feedback

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