



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

# Highlights and Insights

August 2009



# 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 over time so trends can be discerned.
- This is the 3<sup>rd</sup> administration.

## Sponsoring Organizations



## Lead Researcher



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

# Survey Methodology

- **Survey Sample**

- 3,363 Top Marketers at *Fortune* 1000, *Forbes* Top 200, CMO Club companies, and Top Marketers who are AMA Members or Duke University Alumni and Friends
- 511 responded for a 15.2% response rate
- 78.7% of respondents hold a rank of VP, CMO, or higher

- **Survey Administration**

- Email contact with three follow-up reminders
- Survey in field from July 14 - 24, 2009

- **Results Interpretation**

- Some results are presented over time. When this occurs, August 2009 results are placed on top (or to the left) in the charts and the February 2009 results are on the bottom (or to the right).
- M = sample mean; SD = sample standard deviation
- B2B = Business-to-business firms; B2C = Business-to-consumer firms

# Overview of Results

Topic 1: Marketplace Dynamics	5 - 11
Topic 2: Firm Growth Strategies	12 - 16
Topic 3: Marketing Spending	17 - 21
Topic 4: Marketing Performance	22 - 24
Topic 5: Marketing Excellence	25 - 26
Topic 6: Marketing Organization and Leadership	27 - 29
Topic 7: Marketing and Social Media	30 - 33
What's on Marketers' Minds?	34 - 35

# Topic 1: Marketplace Dynamics

# Marketer optimism reverses course and improves dramatically

Marketplace

Growth

Spending

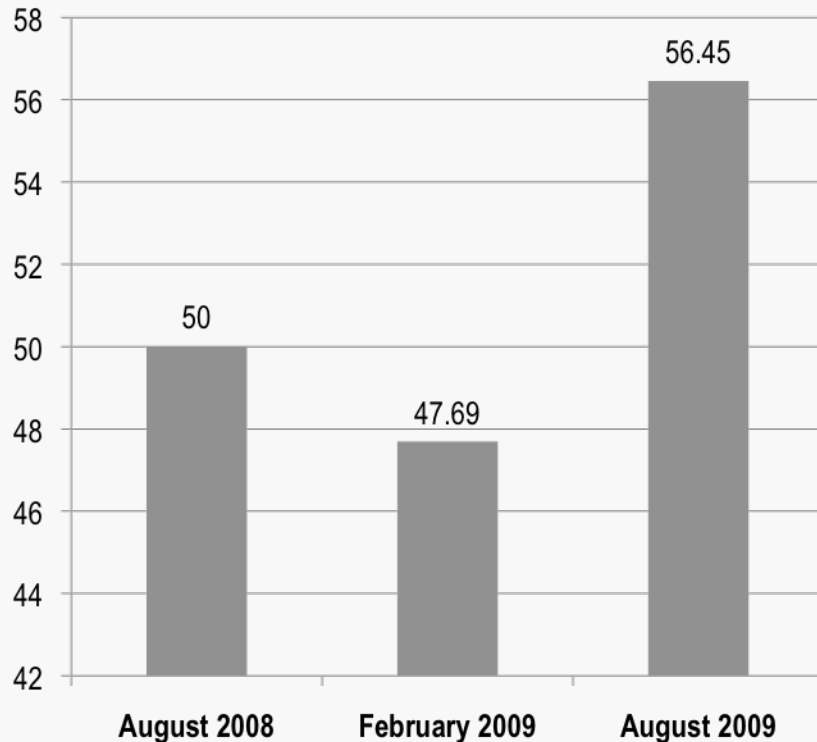
Performance

Excellence

Organization

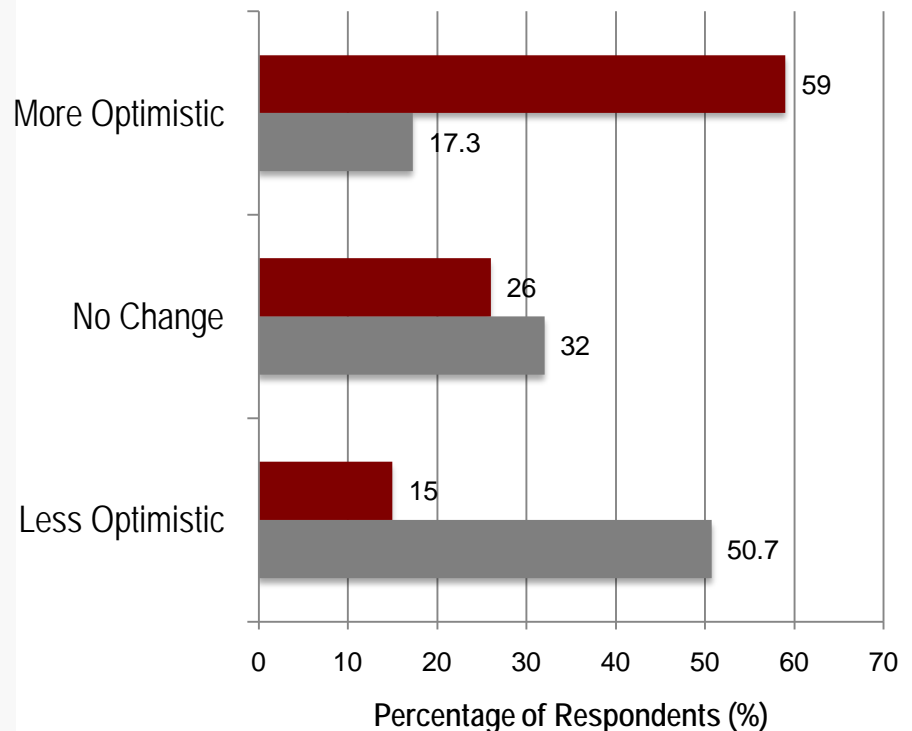
Social Media

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?



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

■ August 2009 ■ February 2009



# Marketer optimism in customers and partners rebounds

Marketplace

Growth

Spending

Performance

Excellence

Organization

Social Media

How optimistic are you about revenue growth on a 0-100 scale with 0 being the least optimistic and 100 the most optimistic?

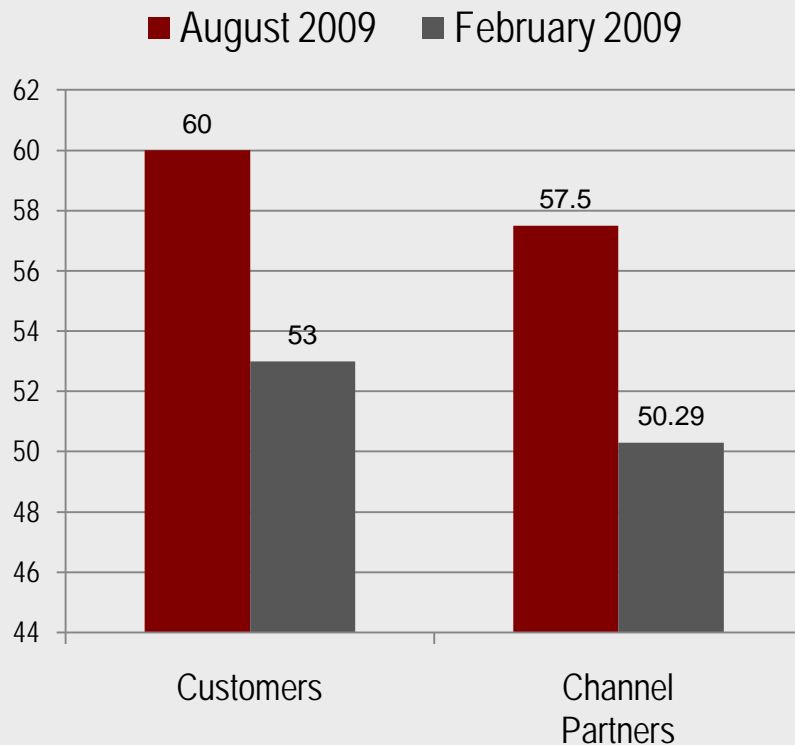


Table 1.1. Customer and Partner Optimism

	More optimistic	No change	Less optimistic
Focusing on <u>end-customers</u> , prospects for growth in largest revenue market compared to 12 months ago	47.2% (25%)	23.2% (16%)	29.5% (59%)
Focusing on <u>channel partnerships</u> , prospects for growth in largest revenue market compared to 12 months ago	38.6% (26%)	38.6% (33%)	22.9% (41%)

\* August 2009 figures on top and February 2009 figures on the bottom.

# Despite emerging recovery, customer priorities remain focused on price

- Price continues to dominate as the #1 priority
- This emphasis has increased over February 2009 level (from 30% to 34%)
- Innovation loses ground and drops from 11% to 7%

Table 1.2. Customer Priorities in the Next 12 Months

	1 <sup>st</sup> priority	2 <sup>nd</sup> priority	3 <sup>rd</sup> priority	Total
Low Price	34% (30%)	15% (14%)	13% (11%)	62% (55%)
Superior Product Quality	19% (19%)	24% (20%)	19% (21%)	62% (60%)
Superior Innovation	7% (11%)	7% (8%)	11% (8%)	25% (27%)
Excellent Service	15% (16%)	30% (30%)	25% (24%)	71% (70%)
Trusting relationship	20% (20%)	18% (19%)	22% (26%)	59% (65%)
Brand	5% (6%)	7% (9%)	10% (10%)	22% (25%)

\* August 2009 figures on top and February 2009 figures on the bottom.



# Customer purchases expected to accelerate

Marketplace

Growth

Spending

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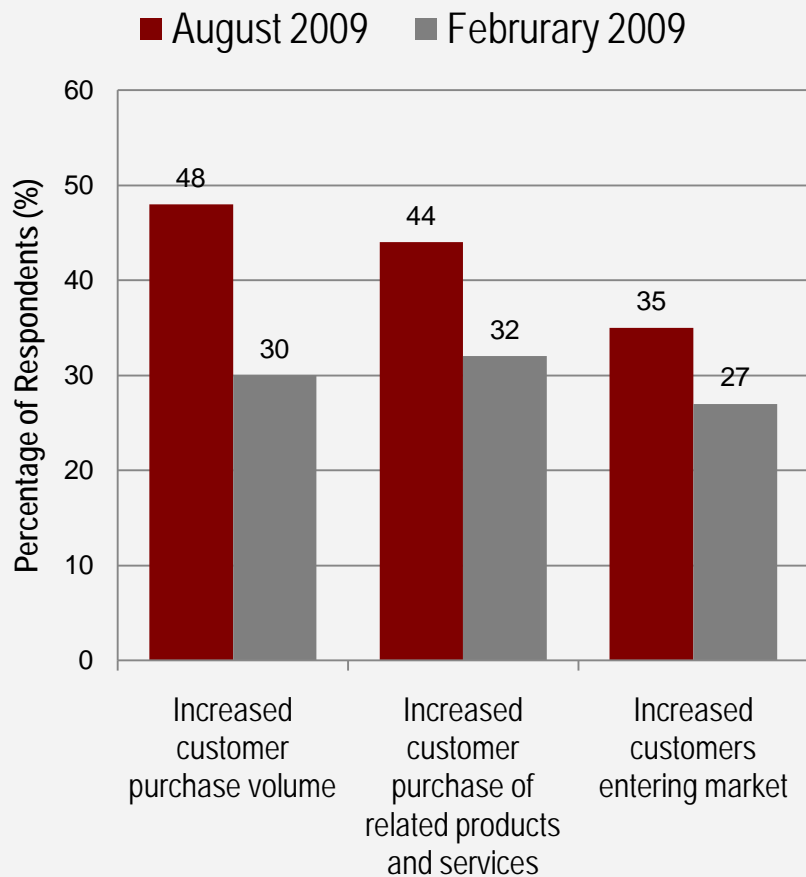


Table 1.3. Customer Behavior in the Next 12 Months

	More	No change	Less
Customer purchase volume	48% (30%)	24% (16%)	28% (54%)
Customer price per unit	17% (14%)	45% (40%)	38% (46%)
Customer will buy related products and services from my firm	44% (32%)	45% (47%)	12% (27%)
My firm's ability to retain current customers	39% (37%)	47% (42%)	14% (21%)
The entry of new customers into the market	35% (27%)	33% (27%)	32% (46%)

\* August 2009 figures on top and February 2009 figures on the bottom.

# Channel partners also recover momentum

- Purchase volume and purchase of related products and services expected to show greatest improvement

Table 1.4. Channel Partner Behavior in the Next 12 Months

	More	No change	Less
Partner purchase volume	36% (25%)	42% (30%)	22% (45%)
Partner price per unit	14% (10%)	57% (48%)	29% (42%)
Partner will buy related products and services from my firm	24% (19%)	65% (56%)	11% (25%)
My firm will deal directly with end customer, not through channel partners	24% (26%)	65% (64%)	12% (10%)
Partner's level of power in our relationship	20% (18%)	61% (59%)	19% (22%)

\* August 2009 figures on top and February 2009 figures on the bottom.

# Competitive landscape shows minor shifts

Marketplace

Growth

Spending

Performance

Excellence

Organization

Social Media

Table 1.5. Competitor Behavior in the Next 12 Months

	Expected Change
More cooperation in non-price strategies	3.8 (3.9)
More intense rivalry for customers	5.6 (5.5)
Emergence of new domestic competitors	3.0 (2.8)
Emergence of new global competitors	3.1 (3.0)
More competitor innovation	4.5 (4.3)

\* 7-point scale, where 1 is "Not At All Likely" and 7 is "Very Likely"

\* August 2009 figures first and February 2009 second in parentheses.

# Topic 2: Firm Growth Strategies

# Growth spending to shift towards new products and services

Marketplace

**Growth**

Spending

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Organization

Social Media

- Emphasis on market penetration (current markets and current products/services) will decrease from 48% to 46%
- Investments will be diverted to developing new products and services for current markets (from 24% to 26%)
- Important sector differences (see next slide)

Table 2.1. Growth Spending in Next 12 Months

	Current Products/Services	New Products/Services
Current Markets	Market Penetration Strategy 46% (48%)	Product/Service Development Strategy 26% (24%)
New Markets	Market Development Strategy 18% (18%)	Diversification Strategy 10% (10%)

\* % of spending across growth strategies

\* August 2009 figures first and February 2009 second in parentheses.

# Risk in growth strategies varies by sector

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- B2B – Service firms take the most risk:
  - Biggest drop in market penetration strategies (from 49.2% to 44.8%)
  - More new markets for current products/services (from 17.2% to 20.6%)
  - More new product/services for current markets (from 21.1% to 23.1%)
- B2C – Service shift risk from new products/services to new markets
  - Fewer new markets for current products/services (from 19.3% to 13.5%)
  - More new product/services for current markets (from 19.0% to 24.2%)

Table 2.2. Sector Differences in Growth Spending

Market Penetration Strategy	B2B - Product	44.1% (45.4%)
	B2B - Services	44.8% (49.2%)
	B2C - Product	45.6% (46.8%)
	B2C - Services	54.5% (55.2%)
Market Development Strategy	B2B - Product	18.0% (18.9%)
	B2B - Services	20.6% (17.2%)
	B2C - Product	14.2% (11.8%)
	B2C - Services	13.5% (19.3%)
Product/Service Development Strategy	B2B - Product	27.1% (25.5%)
	B2B - Services	23.1% (21.1%)
	B2C - Product	31.1% (31.8%)
	B2C - Services	24.2% (19.0%)
Diversification Strategy	B2B - Product	10.8% (10.1%)
	B2B - Services	11.5% (12.5%)
	B2C - Product	9.1% (9.6%)
	B2C - Services	7.8% (6.5%)

# Growth via acquisition increases

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- Overall, little shift in how firms pursue growth
- Small shift away from internal growth to acquisition

Table 2.3. How Firms will Grow in the Next 12 Months

	Percentage of spending across growth strategies
Growth from your firm internally	70.3% (70.9%)
Growth from acquisitions	9.7% (8.8%)
Growth from partnerships	13.4% (13.3%)
Growth from licensing	6.6% (7.0%)

\* August 2009 figures first and February 2009 second in parentheses.

# International growth opportunities shift to Russia and Eastern Europe

Marketplace

**Growth**

Spending

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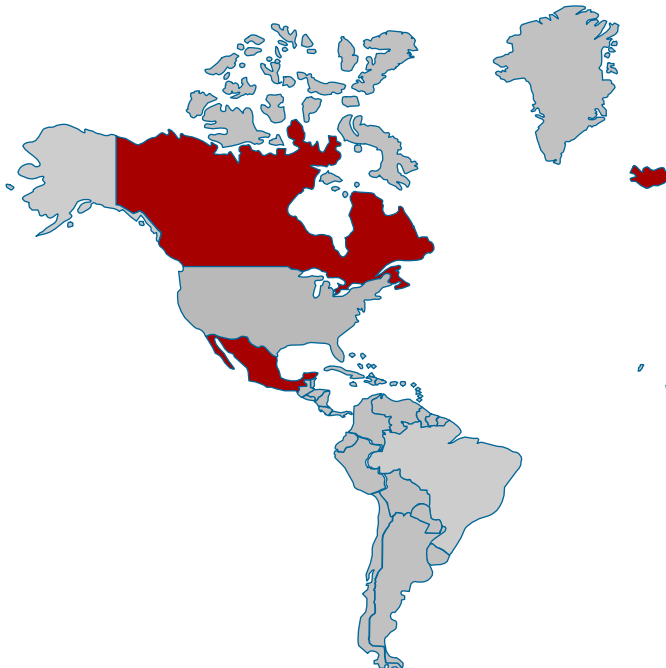
Organization

Social Media

Countries/regions predicted to experience biggest gains:

Russia: from 0.4% revenue growth to 2.0%

Eastern Europe: from 4.9% to 7.5%

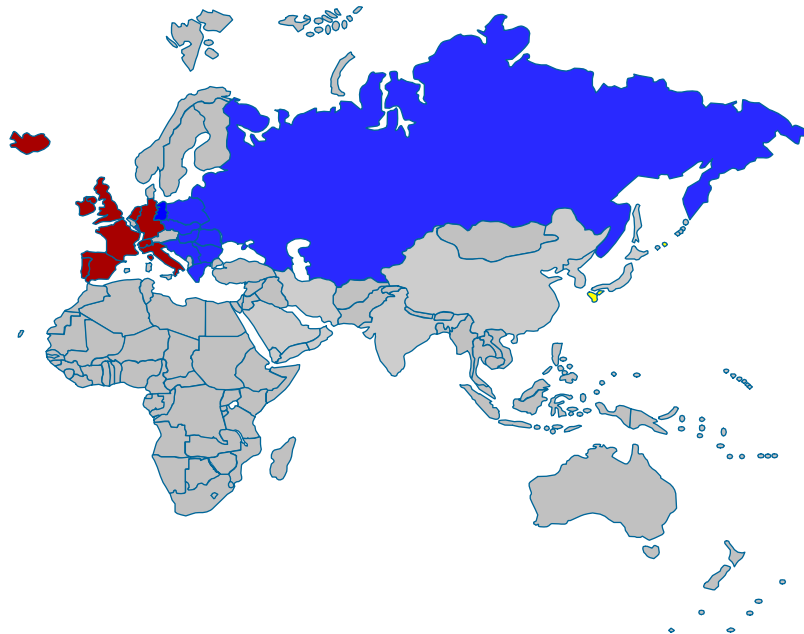


Countries/regions predicted to experience biggest losses:

Canada: from 56.3% to 30%

Mexico: from 18.6% to 6.5%

Western Europe: from 44.9% to 33.4%



\* February 2009 figures are first and August 2009 figures second.



# Topic 3: Marketing Spending

# Marketers place bets on Internet marketing, new product introductions

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Growth

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- Marketing spending continues to shift from traditional advertising to the Internet
- Equally large increase in spending for new product introductions
  - Consistent with growth strategy
  - However, new products may be met with customer resistance given focus on price and quality, not innovation
- Brand building reflects the biggest spending increase ... from 1.8% to 4.5%
- Large industry sector differences in spending (see next slide)

Table 3.1. Marketing Spending

Marketing Spending	Next 12 Months Year-to-Year Expected Percentage Change
Overall marketing Spending	1.1% (0.5%)
Traditional advertising spending	- 7.9% (- 7.3%)
Internet marketing spending	9.5% (10.2%)
New product introductions	9.3% (10.5%)
New service introductions*	6.7%
Customer relationship management*	6.4%
Brand building	4.5% (1.8%)

\* Question not asked in February 2009  
August 2009 figures first and February 2009 second in parentheses.

# Marketing spending priorities vary across sectors

Marketplace

Growth

**Spending**

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Organization

Social Media

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

Overall marketing spending	B2B - Product	-0.7% (+0.7%)
	B2B - Services	+3.7% (+3.0%)
	B2C - Product	+4.5% (-6.6%)
	B2C - Services	-3.4% (+0.7%)

\* August 2009 figures first and February 2009 second in parentheses.

## Other Sector Differences:

- Traditional advertising: B2B-Product (-12.1%) and B2B-Service (-2.3%) firms vs. -7.9% average across sectors
- Brand building: B2B-Service firms (+6.6%) vs. +4.5% average across sectors
- Customer relationship management: B2C-Product firms (+10.3%) vs. 6.4% average across sectors
- New service introductions: B2B-Service (+9.3%) vs. B2C-Service firms (+3.2%)
- New product introductions: B2C-Product (+13.0%) vs. B2B-Product firms (+10.8%)

# Spending on marketing services rebounds in financial crises

Marketplace

Growth

**Spending**

Performance

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Social Media

- Firm increasing spending on marketing intelligence and consulting:
  - Firms to increase marketing research and intelligence from 1.8% to 3.2%
  - Firms to increase spending on marketing consulting services from -4.5% to +1.3%
- Emphasis on knowledge development and integration remains
  - Biggest push in this area is from B2C-Services firms (+8.6%)
- Marketing hiring remains flat
- Training expected to decrease

Table 3.3. Firm Spending on Marketing Knowledge

Marketing research and intelligence	3.2% (1.8%)
Marketing consulting services	1.3% (-4.5%)
Developing knowledge about how to do marketing	3.0% (3.4%)
Integrating what we know about marketing	4.1% (5.1%)
Marketing (non-sales) hires	0.6% (0.9%)
Marketing training	-0.7% (1.2%)

\* August 2009 figures first and February 2009 second in parentheses.

# Sectors seek unique sources of marketing knowledge

Marketplace

Growth

**Spending**

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Social Media

- Marketing hiring:
  - B2B-Services up (+3.5%), B2B-Product down (-2.1%)
- Marketing research and intelligence:
  - All sectors expected to be up (B2B-Service +6.4%), except B2C-Product (-3.1%)
- Marketing consulting services:
  - Biggest gains expected from B2B-Service firms (+3.0%); B2C-Product down (-2.5%)
- Marketing training:
  - B2C-Services (+6.0%)

Table 3.4. How Sectors Spend on Marketing Knowledge

Marketing (non-sales) hires	B2B - Product	-2.1%
	B2B - Services	3.5%
	B2C - Product	1.6%
	B2C - Services	0.5%
Marketing research and intelligence	B2B - Product	3.0%
	B2B - Services	6.4%
	B2C - Product	-3.1%
	B2C - Services	4.3%
Marketing consulting services	B2B - Product	1.1%
	B2B - Services	3.0%
	B2C - Product	-2.5%
	B2C - Services	1.5%
Marketing training	B2B - Product	-0.2%
	B2B - Services	-3.7%
	B2C - Product	-2.8%
	B2C - Services	6.0%

# Topic 4: Marketing Performance

# Performance gains modest and fall from prior 12 months; goals up

Marketplace

Growth

Spending

**Performance**

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Organization

Social Media

- Firms consistently underperformed on all key marketing and financial metrics over the past 12 months
- Firm goals remain ambitious. Biggest increases:
  - Customer acquisition (from 4.4% to 5.6%)
  - Firm profits (from 3.8% to 5.3%)

Table 4.1. Firm Performance on Financial Metrics

	Actual firm performance in the prior 12 months	Goal in the next 12 months
Firm sales*	- 0.1%	5.2%
Market share	2.2% (3.0%)	4.5% (4.8%)
Marketing return on investment	1.9% (2.6%)	4.8% (4.9%)
Firm profits	0.5% (1.6%)	5.3% (3.8%)
Customer acquisition	2.6% (3.3%)	5.6% (4.4%)
Customer retention	1.4% (2.3%)	4.1% (4.3%)
Brand value	3.2% (3.7%)	5.4% (5.1%)

\* Question not asked in February 2009

August 2009 figures first and February 2009 second in parentheses.

# Marketers focus on “going green” remains moderate and unchanged

Marketplace

Growth

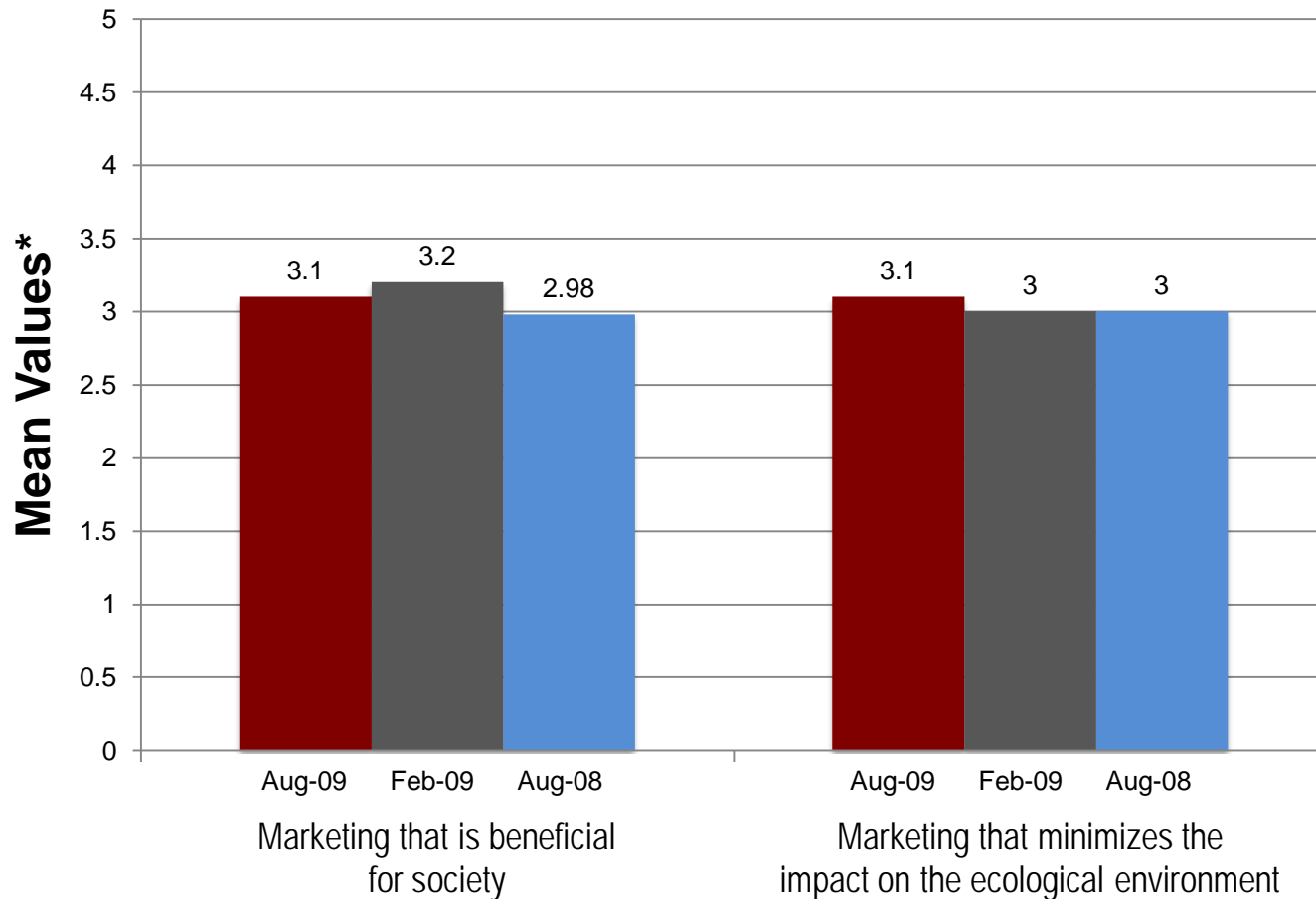
Spending

**Performance**

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Organization

Social Media



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



# Topic 5: Marketing Excellence

# Peers nominate firms for marketing excellence across sectors, industries

Marketplace

Growth

Spending

Performance

**Excellence**

Organization

Social Media

## Winners of The CMO Survey Award for Marketing Excellence, August 2009



**P&G**

## Honorable Mentions

*Coca-Cola*



Google™



**GEICO.**

**amazon.com™**

**Microsoft®**





PREDICTING the Future of Markets  
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# Topic 6: Marketing Organization and Leadership

# Power shift toward sales and away from marketing in firm organization

Marketplace

Growth

Spending

Performance

Excellence

**Organization**

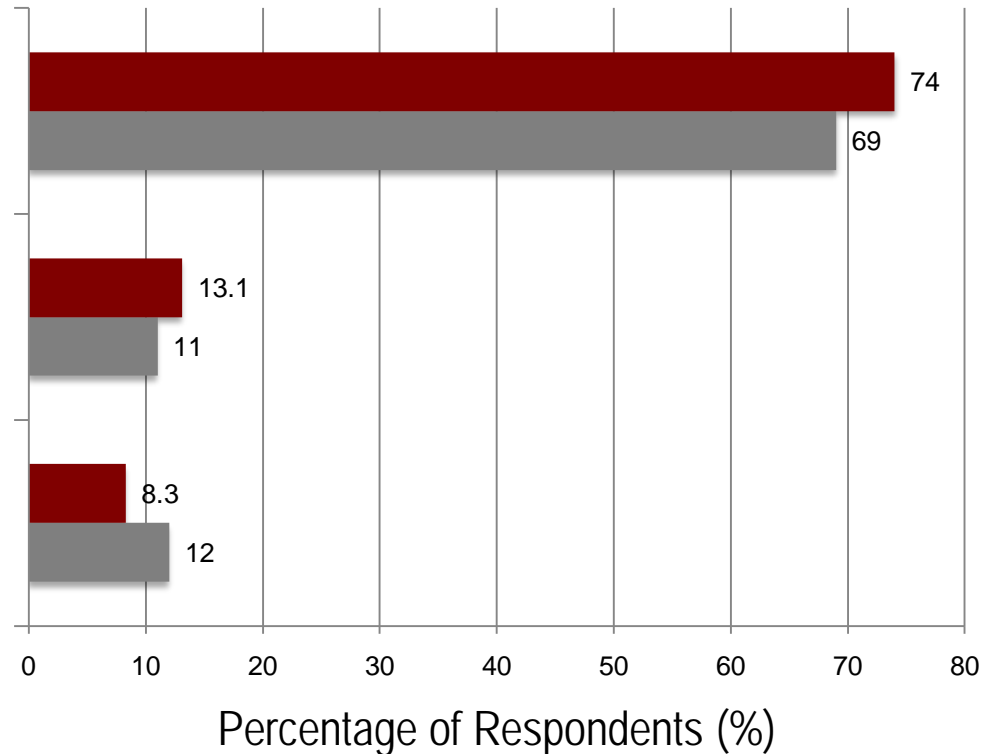
Social Media

■ August 2009   ■ February 2009

Sales and Marketing work on an equal basis

Marketing is within the sales function

Sales is within the marketing function



# Marketing leaders retained through economic crisis

Marketplace

Growth

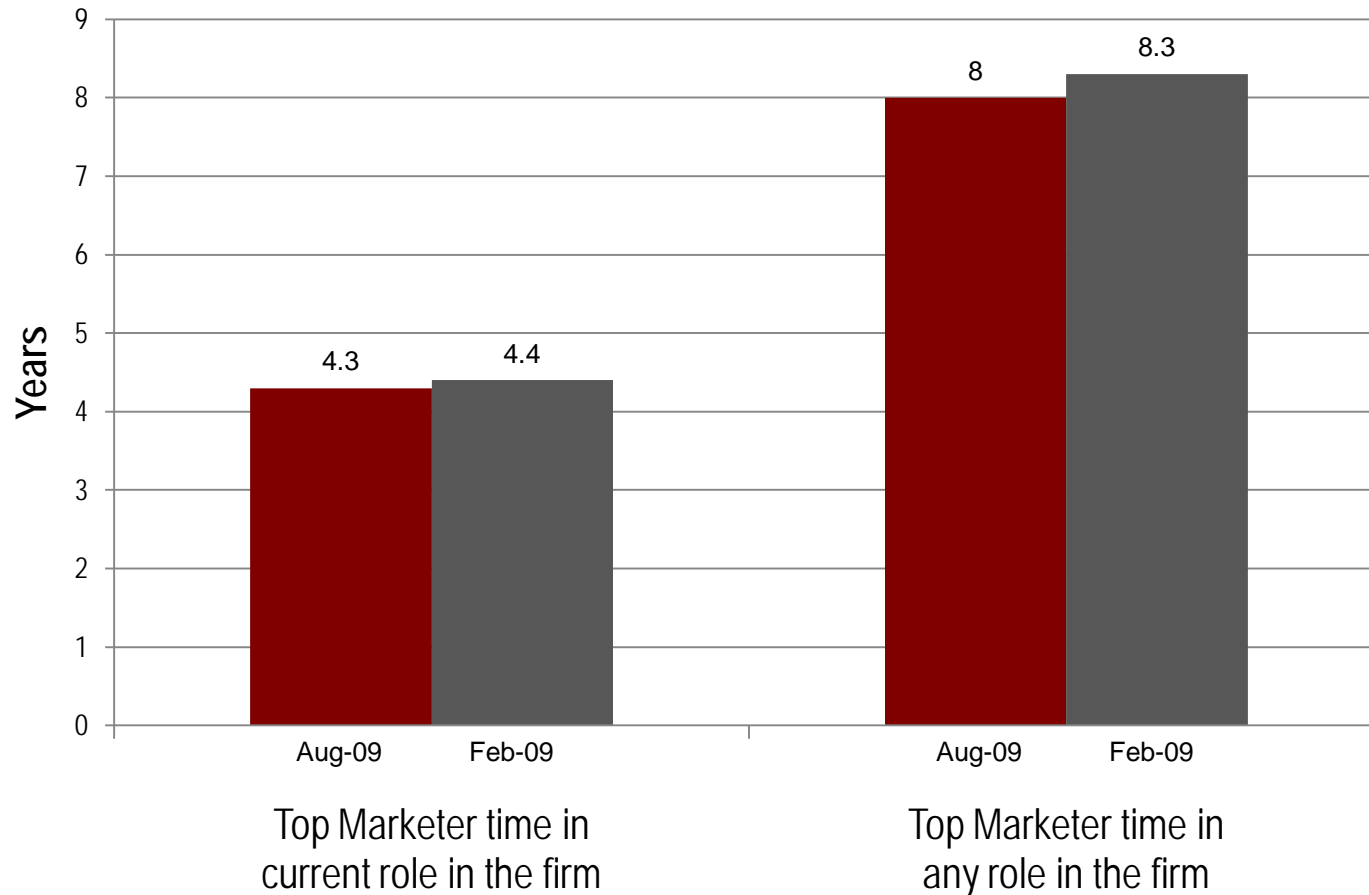
Spending

Performance

Excellence

**Organization**

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# Topic 7: Marketing and Social Media

Google groups

Linked in

You Tube



twitter

facebook

amazon.com



flickr

digg

# Social media usage patterns

Marketplace

Growth

Spending

Performance

Excellence

Organization

Social Media

Table 7.1. Percentage of Firms Using Social Media

65.4%	Social networking (e.g., Facebook, LinkedIn)
52.3%	Video and photosharing (e.g., YouTube, Flickr)
50.9%	Blogging
44.4%	Microblogging (e.g., Twitter)
24.8%	Podcasts
23.4%	Forums (e.g., Google groups)
17.3%	Product reviews (e.g., Amazon)
15.9%	Social bookmarking (e.g., Digg)
6.5%	Product design or co-creation (e.g., NikeiD)
3.7%	Virtual reality (e.g., Second life)

\* Typology from: Hoffman, Donna L. and Marek Fodor (2009), "The ROI of Social Media," UCR Sloan Center Working Paper, July.

# Social media spending expected to grow by 300% in next 5 years

Marketplace

Growth

Spending

Performance

Excellence

Organization

Social Media

- Current marketing budget spending on social media: **3.5%**
- Marketing budget spending on social media in the next 12 months **6.1%**
- Current marketing budget spending on social media in the next five years: **13.7%**
- Biggest growth expected to come from B2C-Service Sector: **2.9% (current) 8.8% (next year) 15.4% (5 years)**

**Table 7.2. Sector Differences in % Change in Social Media Spending Over Time**

Current Social Media Spending	B2B - Product	2.5%
	B2B - Services	3.9%
	B2C - Product	5.3%
	B2C - Services	2.9%
	Overall	3.5%
Social Media Spending in the next 12 months	B2B - Product	4.5%
	B2B - Services	6.5%
	B2C - Product	7.5%
	B2C - Services	8.8%
	Overall	6.1%
Social Media Spending in the next 5 years	B2B - Product	12.6%
	B2B - Services	13.5%
	B2C - Product	15.0%
	B2C - Services	15.4%
	Overall	13.7%



# How firms use social media

Marketplace

Growth

Spending

Performance

Excellence

Organization

Social Media

Table 7.3. Percentage of Firms Using Social Media for Marketing Activities

81.1%	Brand awareness and brand-building
55.8%	Acquiring new customers
51.9%	Introducing new products and services
47.6%	Retaining current customers
46.1%	Marketing research
42.2%	Brand promotions, such as contests, coupons
32.0%	Identifying new customer groups we currently don't target
29.1%	Improving current products or services
29.1%	Identifying new product and service opportunities

# What's on Marketers' Minds?

# When asked what question they would like to ask other CMOs, ROI concerns dominated

## Key Question: Marketing and ROI

- What marketing activities and strategies improve ROI?
- What metrics are used for ROI? How do these vary by industry?
- What metrics are used to measure ROI for social media?
- How do you measure ROI on customer insights?
- What ROI metrics are top management most focused on in your firm?

Look to the February 2010 survey for a bonus section on Marketing ROI

## Other Topics Raised:

- The effect of changing public policy on marketing
- Managing partnerships and collaborations
- Marketing in B2B firms: What can and cannot be learned from B2C firms.
- Managing marketing talent

# Next Steps

## Future Surveys

- The CMO Survey will be administered again in February 2010.
- It will be rolled out to Europe (Y3) and Asia (Y4)

## To Get Involved

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

## Media

- Media follow ups related to this data will be posted to <http://faculty.fuqua.duke.edu/cmofsurvey/media/>

## Feedback

- Send your thoughts to me at [moorman@duke.edu](mailto:moorman@duke.edu)