

The logo features a large, stylized white arrow pointing to the right, partially overlapping the text. The text "CMO RealityCheck" is in a bold, black, serif font, with a small "TM" trademark symbol to the upper right of "Check".

CMO RealityCheckTM

The only cross-industry, marketing research study designed to track shifts in the CMO role and marketing spending trends.

June 2005

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Conducted by:

cmo
The Resource for
Marketing Executives

Purpose & Methodology

Purpose

CMO RealityCheck™ survey is a quarterly poll conducted among marketing executives by *CMO* magazine to assess the outlook for marketing spending, profile the CMO audience, and to investigate “hot” areas affecting the marketing function across multiple industries. Current and historical results for trendable questions are reported on the following pages.

Methodology

On May 20, 2005, an email invitation was sent to 7,500 qualified *CMO* subscribers with a link to the online survey. The survey closed May 27, 2005 with 311 responses, a response rate of 4.1% and a margin of error of +/-5.5% at the 95% confidence level.

Executive Summary

The June 2005 CMO RealityCheck™ survey asks marketing executives from hundreds of the nation's largest and well-branded organizations to weigh-in on spending priorities, best marketing practices, strategic marketing planning, measurement, professional development, interaction with top executive management, job satisfaction, and use of emerging marketing techniques.

Spending Increases across the Marketing Mix

Overall Marketing Budgets

This second quarterly survey, the June 2005 CMO Reality Check, indicates a continued increase in marketing spending. Chief marketers reveal overall marketing budgets are estimated to rise 16% (vs. 10% from March expectations) during the next 12 months. Eighty-four percent (84%) of marketing executives predict an increase in marketing budgets during the next 12 months, up from 75% in March. Among the 13 marketing areas measured by the survey, forecasts for interactive marketing received the largest boost with 71% of marketers planning to increase spending in the next 12 months (compared to 25% in March). The top five areas respondents plan to increase spending are:

1. Interactive marketing 71%
2. Direct marketing..... 66%
3. Market/customer/competitive research 50%
4. Advertising..... 49%
5. Staff compensation 48%

Marketing Budget Centrally Controlled by Marketing Unit

Organizational Control of the Marketing Budget

Nearly half (48%) of the marketing executives surveyed indicate that marketing budgets are centrally controlled by the marketing unit within an organization, 38% cite the budget is a "blended" control by marketing and business units, and only 14% indicate that the budget's directly controlled by business units or functions.

The majority (69%) indicate that the control of marketing spending hasn't changed in the past 12 months nor do they expect it to in the next 12 months (72%).

Marketing Priorities, Challenges, and Resources

Marketing Priorities

The top three priorities for marketing chiefs in 2005 are to drive revenue growth (46%); acquire, satisfy, and retain customers (36%), and align the marketing function with business strategy (35%). Of note are anticipated 2006 marketing priorities: drive revenue growth (48%); acquire, satisfy, and retain customers (36%), and drive innovation (27%).

Marketing Challenges

Of the seven areas measured, the top five challenges chief marketers are facing today include new competition (50%), commoditization (47%), economic conditions (45%), and more innovative competitors (42%). Just about half (53%) of the respondents are moderately prepared to deal with these challenges with 31% being well/very well prepared and 12% not well prepared.

Resources

Respondents' 12 month hiring plans focus on building the sales force (34%), creative/graphic design (33%), data analysis (31%), product management (31%), and market research (29%).

Marketing ROI

Marketing Measurement

The top five metrics measured by respondents are customer satisfaction (72%), web site traffic (66%), market share (55%), feedback from sales and channel groups (54%), and advertising effectiveness (51%).

The Findings

Senior Marketing Executives: Roles and Responsibilities

The June 2005 CMO RealityCheck™ survey indicates that a healthy majority, 74% of respondents are the top marketing executives at their companies. The disciplines that report into the executive are functions include advertising, branding, event management, customer analytics, internet marketing, marketing research and public relations.

Question: Are you the top marketing executive in your company?

Yes	No
74%	26%

Question: How has the importance of your role and the role of marketing function in driving or enabling business innovation changed now compared to 12 months ago?

It is less important	3.0%
It's somewhat more important	36.0%
It's significantly more important	42.0%
It's importance is unchanged	15.0%
No answer	3.0%

Question: What functions report to you?

Advertising	81.0%
Branding	78.0%
Market research	72.0%
Internet/online marketing	68.0%
Event management/sponsorships	66.0%
Public Relations	65.0%
Customer analytics/research	64.0%
Field marketing	55.0%
Partner research	50.0%
Channel marketing	49.0%
Sales and business development	39.0%
Global marketing	36.0%
Contact/call center	23.0%
Other	15.0%
Note: Respondents may manage more than one area	

Question: What skills will you hire over the next 12 months?

Sales force	34.0%
Creative/graphic design	33.0%
Data analysis	30.0%
Product management	30.0%
Market research	29.0%
Marketing operations	26.0%
Competitive intelligence	23.0%
Channel management	22.0%
External communications	20.0%
Strategy	18.0%
Pricing	4.0%
Other	7.0%
Note: Respondents may manage more than one area	

Question: For which will you use external vendors in 2005?

Creative/graphic design	66.0%
Market research	66.0%
Competitive intelligence	36.0%
External communications	31.0%
Data analysis	19.0%
Strategy	14.0%
Channel management	8.0%
Marketing operations	6.0%
Pricing	4.0%
Product management	4.0%
Sales force	4.0%
Other	9.0%

Spending Increases across the Marketing Mix

Overall Marketing Budgets

The June 2005 CMO Reality Check survey indicates a continued increase in marketing spending. Chief marketers reveal overall marketing budgets are estimated to rise 16% during the next 12 months. Eighty-four percent (84%) of marketing executives predict an increase in marketing budgets during the next 12 months.

Question: Estimate the % change in your total marketing budget including compensation and vendor fees over the next 12 months:

Plan to increase marketing budget (net)	84.3%
1 to 9%	32.5%
10 to 19%	30.2%
20 to 29%	10.9%
30 to 49%	4.5%
50 to 100%	4.5%
100%+	1.6%
0	9.3%
Plan to decrease marketing budget (net)	5.5%
-1 to -9%	3.9%
-10 to -19%	1.3%
-20 to -29%	0.3%
-30 to -49%	0.0%
-50 to -100%	0.0%

Average % change: 9.6%

Among the 13 marketing areas measured by the survey, forecasts for interactive marketing received the largest boost with 71% of marketers planning to increase spending in the next 12 months.

Question: Indicate the likely direction of your spending on the following marketing areas in the next 12 months:

Advertising (print, online ads/sponsorship, TV, radio, outdoor, cinema)	
Increase	49.4%
Decrease	11.8%
Same	30.7%
Do not use	8.4%
Direct marketing	
Increase	65.6%
Decrease	4.9%
Same	23.4%
Do not use	5.8%
Events	
Increase	39.2%
Decrease	10.5%
Same	44.3%
Do not use	6.2%
Interactive marketing (web site development, email marketing, SMS, interactive digital TV, interactive kiosks)	
Increase	71.1%
Decrease	1.3%
Same	24.0%
Do not use	3.3%
Internal staff compensation	
Increase	48.0%
Decrease	2.6%
Same	45.6%
Do not use	3.6%
Market/customer/competitive research	
Increase	49.7%
Decrease	4.9%
Same	44.3%
Do not use	1.6%

Premiums/promotions/incentives (including online programs)	
Increase	23.9%
Decrease	11.4%
Same	48.5%
Do not use	16.2%
Product placement	
Increase	16.2%
Decrease	3.3%
Same	37.6%
Do not use	42.8%
Project/program management consulting	
Increase	17.2%
Decrease	6.3%
Same	44.8%
Do not use	31.1%
Project/program outsourcing	
Increase	13.9%
Decrease	8.6%
Same	44.4%
Do not use	32.7%
Public relations/analyst relations	
Increase	38.0%
Decrease	5.0%
Same	48.0%
Do not use	9.1%
Sales promotion (including channel support)	
Increase	38.2%
Decrease	6.3%
Same	42.0%
Do not use	13.4%
Sponsorships	
Increase	26.5%
Decrease	12.9%
Same	41.3%
Do not use	19.3%

Marketing Budget Centrally Controlled by Marketing Unit

Organizational Control of the Marketing Budget

Nearly half (48%) of the marketing executives surveyed indicate that marketing budgets are centrally controlled by the marketing unit within an organization, 38% cite the budget is a "blended" control by marketing and business units, and only 14% indicate that the budget's directly controlled by business units or functions.

Question: Who controls marketing spending?

Centrally controlled by marketing organization	47.9%
Blended control by marketing and business units or functions	38.4%
Directly controlled by business units or functions	13.7%
Total Answering	100.0%

The majority (69%) indicate that the control of marketing spending hasn't changed in the past 12 months nor do they expect it to in the next 12 months (72%).

Question: Has control over marketing spending changed in the past 12 months?

Yes	30.6%
No	69.4%
Total Answering	100.0%

Question: Do you expect control over marketing spending to change in the next 12 months?

Yes	28.0%
No	72.0%
Total Answering	100.0%

Marketing Priorities, Challenges, and Resources

Marketing Priorities

The top three priorities for marketing chiefs in 2005 are to drive revenue growth (46%); acquire, satisfy, and retain customers (36%), and align the marketing function with business strategy (35%). Of note are anticipated 2006 marketing priorities: drive revenue growth (48%); acquire, satisfy, and retain customers (36%), and drive innovation (27%).

Question: What are your top three marketing priorities in 2005?

Drive revenue growth	45.7%
Customer acquisition/retention/satisfaction	35.5%
Align the marketing function with business goals/strategy	35.2%
Cross-functional coordination	29.3%
Drive new product development	23.4%
Measure marketing program productivity/ROI	21.7%
Sales/marketing alignment	15.5%
Drive innovation	15.1%
Enhance/increase the usage of interactive marketing programs (online advertising, public marketing web site, search-engine optimization, private password protected websites, selling products/services through website)	15.1%
Strategic planning and portfolio management	13.5%
Build a stronger relationship with executive peers	12.2%
Integrate marketing programs	11.2%
Build a stronger relationship with the CEO	9.2%
Increase the marketing budget	8.9%
Internal education about marketing practices & results	8.9%
Build a stronger relationship with the press	8.6%
Transform the marketing function from a product focus to a corporate focus	6.9%
Manage loyalty to brand, channel, and employees	6.6%
Understand and capitalize on advancements in technologies for	2.6%
Security (information, online, etc.)	0.0%

Question: What are your top three marketing priorities in 2006?

Drive revenue growth	48.3%
Customer acquisition/retention/satisfaction	36.2%
Drive innovation	26.5%
Align the marketing function with business goals/strategy	24.2%
Drive new product development	23.5%
Measure marketing program productivity/ROI	19.1%
Cross-functional coordination	17.8%
Strategic planning and portfolio management	16.1%
Enhance/increase the usage of interactive marketing programs (online advertising, public marketing web site, search-engine optimization, private password protected websites, selling products/services through web site)	14.1%
Increase the marketing budget	13.4%
Sales/marketing alignment	12.8%
Integrate marketing programs	11.7%
Manage loyalty to brand, channel, and employees	11.7%
Build a stronger relationship with the press	7.1%
Build a stronger relationship with executive peers	6.4%
Transform the marketing function from a product focus to a corporate focus	6.0%
Internal education about marketing practices & results	5.7%
Understand and capitalize on advancements in technologies for marketing	5.4%
Build a stronger relationship with the CEO	3.4%
Security (information, online, etc.)	0.7%

Marketing Challenges

Of the seven areas measured, the top five challenges chief marketers are facing today include new competition (50%), commoditization (47%), economic conditions (45%), and more innovative competitors (42%).

Question: What are the key external challenges you will face in the next 12 months? (Check all that apply.)

New competition	50.2%
Commoditization	46.9%
Economic conditions	45.2%
More innovative competitors	42.2%
Market fragmentation	31.7%
Price war	31.4%
Overseas/offshore competitors	16.5%
Other	6.6%

Just about half (53%) of the respondents are moderately prepared to deal with these challenges with 31% being well/very well prepared and 12% not well prepared.

Question: How prepared are you to deal with these challenges?

Very well prepared	5.5%
Well prepared	25.1%
Moderately well prepared	53.4%
Not well prepared	11.9%
Not sure	1.3%
Total Answering	97.1%

On a scale of 1-5, rate the following statements:

Question: The marketing function is changing and my challenge is to define its place within my organization

Strongly disagree	7.0%
Disagree	11.0%
Neutral	24.0%
Agree	36.0%
Strongly agree	22.0%

Question: New marketing channels, emerging digital technologies and the internet are all combining to shift my company to a more integrated and multichannel approach to our marketing communications.

Strongly disagree	3.0%
Disagree	11.0%
Neutral	21.0%
Agree	41.0%
Strongly agree	23.0%

Question: Most senior marketers see themselves as generalists who have to be good at a wide variety of tasks including, increasingly, the building of marketing cultures, consensus-building and financials and metrics

Strongly disagree	4.0%
Disagree	4.0%
Neutral	18.0%
Agree	40.0%
Strongly agree	33.0%

Question: The relationship between sales and marketing is ill-defined and this causes frustration and mistrust on both sides.

Strongly disagree	15.0%
Disagree	19.0%
Neutral	23.0%
Agree	26.0%
Strongly agree	17.0%

Question: The marketing function is more closely aligned with core business strategies than it has been in the past.

Strongly disagree	1.0%
Disagree	8.0%
Neutral	23.0%
Agree	41.0%
Strongly agree	28.0%

Question: An increasing percentage of my time is spent managing strategic relationships with vendors and partners.

Strongly disagree	13.0%
Disagree	25.0%
Neutral	31.0%
Agree	25.0%
Strongly agree	6.0%

Question: I'm frustrated with market research as it often does not provide me with clear, actionable marketing insights I can use in the creation of new products.

Strongly disagree	12.0%
Disagree	23.0%
Neutral	28.0%
Agree	27.0%
Strongly agree	11.0%

Question: What is the biggest barrier to your effectiveness in your role right now?

Difficulty in proving the value of marketing	9.0%
Inability to wield effective influence/negotiate favorable terms w/ vendors	1.0%
Inadequate budgets	21.0%
Lack of alignment between business goals and marketing efforts	10.0%
Lack of support from CEO/senior management	7.0%
Lack of time for strategic thinking/planning	24.0%
Overwhelming pace of technology change	3.0%
Risk and uncertainty due to volatile economic conditions	9.0%
Unrealistic expectations from senior management	5.0%
Other	8.0%
No answer	3.0%

Note: Percentages may not add up to 100% due to rounding

Question: How confident is senior management in your marketing leadership?

No confidence	2.0%
Minor confidence	3.0%
Neutral	15.0%
Moderate confidence	46.0%
Complete confidence	30.0%
No answer	4.0%

Question: Which C-level relationship do you need to improve the most?

CEO	32.0%
CFO	21.0%
COO	19.0%
CIO	10.0%
Other	11.0%
No answer	8.0%

Resources

Respondents' 12 month hiring plans focus on building the sales force (34%), creative/graphic design (33%), data analysis (31%), product management (31%), and market research (29%).

Sales force	33.9%
Creative/graphic design	32.9%
Data analysis	30.5%
Product management	30.5%
Market research	29.1%
Marketing operations	26.4%
Competitive intelligence	22.6%
Channel management	21.9%
External communications	20.2%
Strategy	17.8%
Other	6.9%
Pricing	4.5%

Marketing ROI

Marketing Measurement

The top five metrics measured by respondents are customer satisfaction (72%), web site traffic (66%), market share (55%), feedback from sales and channel groups (54%), and advertising effectiveness (51%).

Question: What ROI metrics do you track?

Customer satisfaction	71.7%
Web site traffic	65.8%
Market share	55.1%
Feedback from sales and channel groups	54.1%
Advertising effectiveness	50.8%
Qualified leads	48.9%
Brand awareness	46.3%
Revenue impact of select marketing programs	46.3%
Customer churn	40.4%
Revenue impact of all marketing programs	35.8%
Brand equity	20.5%
Share of wallet	17.9%
Stock price	16.9%
Share of mind	14.7%
We do not have a formal marketing measurement system in place	13.0%
Other	9.1%

Question: Of the metrics you use, which are the most effective? (Rank on a scale of 1 to 5, 1 indicates not at all effective and 5 indicates completely effective)

	1	2	3	4	5
Advertising effectiveness	14.4%	23.3%	32.6%	19.5%	10.2%
Brand awareness	10.0	18.8	35.6	27.7	7.9
Brand equity	20.4	17.2	33.1	22.9	6.4
Customer churn	9.9	11.6	25.4	32.0	21.0
Customer satisfaction	3.7	6.2	22.7	41.3	26.0
Feedback from sales and channel groups	6.2	11.5	27.4	37.0	17.8
Market share	7.3	9.2	24.3	36.4	22.8
Qualified leads	7.7	10.1	26.6	30.9	24.6
Revenue impact of select marketing programs	5.5	9.9	26.0	39.2	19.3
Share of mind	22.0	22.8	33.8	15.4	5.9
Share of wallet	23.9	18.8	26.8	19.6	10.9
Stock price	37.8	13.4	23.6	15.0	10.2
Website traffic	5.6	15.8	33.8	24.8	20.0
Other	35.3	8.8	44.1	5.8	5.9
We do not have a formal marketing measurement system in place	46.6	5.2	27.6	8.6	12.1

Question: Are marketing metrics inhibiting creativity at your company?

Yes	No
20%	80%

Question: I need better marketing tools and metrics to help build the case for marketing ROI and identify areas for enhancement.

Strongly disagree	5.0%
Disagree	12.0%
Neutral	26.0%
Agree	33.0%
Strongly agree	24.0%

Question: Rate marketing's influence on product development/R&D at your organization:

No influence	5.0%
Minor influence	14.0%
Neutral	26.0%
Moderate influence	29.0%
Significant influence	24.0%
No answer	2.0%

Innovation and Competition

Seventy nine percent of respondents believe their companies are either at the same level or are viewed as leaders of driving innovation in their field. As one of the top 3 priorities of marketing executives for 2005 and 2006, they are challenged with staying ahead of the competition and coming up with new, fresh ideas. The survey also indicates face to face time and educating customers as crucial— with 70% spending 3 to 12 hours a month with customers.

Question: How would you rate your company in terms of innovation relative to your competition?

Leader	44.0%
About the same	35.0%
Laggard	18.0%
No answer	3.0%

Question: I am faced with customers who are more aware of competitive offerings and I have to clarify our portfolios of offerings to motivate purchase.

Strongly disagree	3.0%
Disagree	11.0%
Neutral	21.0%
Agree	42.0%
Strongly agree	23.0%

Question: I struggle with how I can differentiate my company from competitors in innovative ways and to sustain this over time.

Strongly disagree	13.0%
Disagree	19.0%
Neutral	16.0%
Agree	32.0%
Strongly agree	19.0%

Question: On average, how much time do you spend with customers per month?

Less than 3 hours	25.0%
Between 3-6 hours	24.0%
Between 6-12 hours	21.0%
Between 12 and 20 hours	12.0%
More than 20 hours	17.0%
No answer	2.0%