



From Stretched to Strengthened

Insights from the
Global Chief Marketing
Officer Study

Executive Summary



This is a summary of the IBM Global CMO Study entitled "From Stretched to Strengthened: Insights from the Global Chief Marketing Officer Study."

The full report is available at: ibm.com/cmstudy2011

"Customers today have more control and influence with the brand than ever. We need to make sure it's give and take—a two-sided conversation, with both parties having responsibilities in the interaction."

Ann Glover, Chief Marketing Officer, ING Insurance U.S.

Executive summary

Today's customers can shop around the globe, find out more than ever before about the organizations they're dealing with, and share their views with hundreds of thousands, if not millions, of fellow customers. Their expectations — be they consumers, citizens or business customers — are soaring. And they can make or break brands overnight.

So how are chief marketing officers (CMOs) faring amid such turbulence? We conducted face-to-face interviews with 1,734 CMOs, spanning 19 industries and 64 countries, to find out what they are doing to help their enterprises cope with the fundamental shifts transforming business and the world.

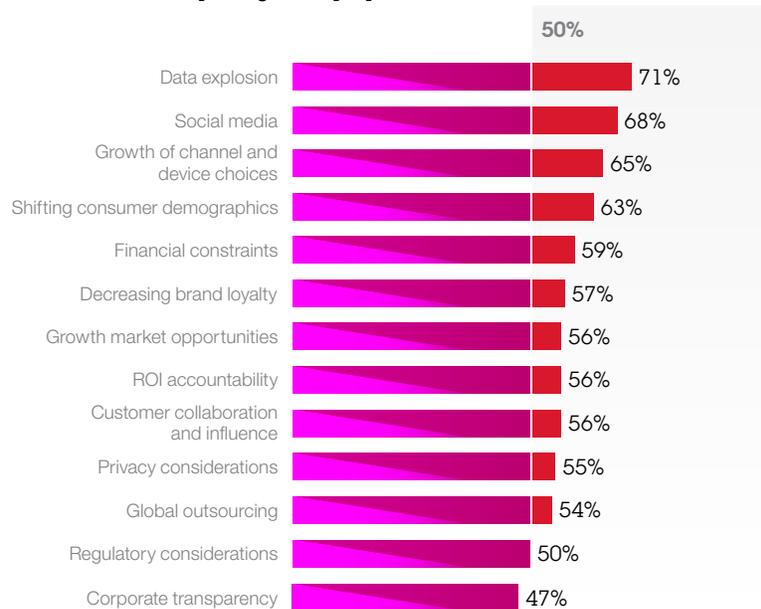
Our CMO Study is the latest in IBM's series of C-suite Studies, encompassing interviews with more than 15,000 top executives over the past seven years. The study casts light on the challenges public and private sector CMOs confront — and the opportunities they envision — in increasingly complex times.

One of the most surprising findings to emerge from our study is the degree of consensus among the respondents. No matter where they work, their industry, or how large or successful their organizations are, CMOs are facing many of the same challenges and most feel underprepared to manage them.

Figure 1

Feeling the pain Most CMOs are underprepared to manage the impact of key changes in the marketing arena.

Percent of CMOs reporting underpreparedness



Our interviews reveal that CMOs see four of these challenges as pervasive, universal game-changers: the data explosion, social media, proliferation of channels and devices, and shifting consumer demographics. Additionally, most CMOs are struggling in one vital respect — providing the numbers that demonstrate a return on investment (ROI) for marketing.

The most proactive CMOs are responding to these challenges by trying to understand individuals as well as markets.¹ They are focusing on relationships, not just transactions. Outperformers are also committed to developing a clear “corporate character.”

In the course of our conversations with CMOs worldwide, an overwhelming consensus emerged. The vast majority of CMOs believe there are three key areas for improvement. They must understand and deliver value to empowered customers; create lasting relationships with those customers; and measure marketing’s contribution to the business in relevant, quantifiable terms.



Deliver value to empowered customers

The first imperative for CMOs is to deliver value to empowered customers. That means finding out who these customers are, what they want and how they would like to interact with the organization. It’s not just a question of understanding their immediate needs and preferences. It’s also a question of understanding what they value and how they behave.

At least 80 percent of CMOs rely on traditional sources of information, such as market research and competitive benchmarking, to make strategic decisions. But these sources only show customers in aggregate, offering little insight into what individual customers need or desire. By contrast, relatively few CMOs are exploiting the full power of the digital grapevine. While 75 percent of CMOs use customer analytics to mine data, only 26 percent are tracking blogs, only 42 percent are tracking third-party reviews and only 48 percent are tracking consumer reviews. Yet these provide rich sources of information about customer sentiment, with context, that can help companies more accurately predict demand patterns.

“We have to get scientific about the customer experience.”

Nick Barton, Vice President Sales & Marketing,
Greater China, InterContinental Hotel Group

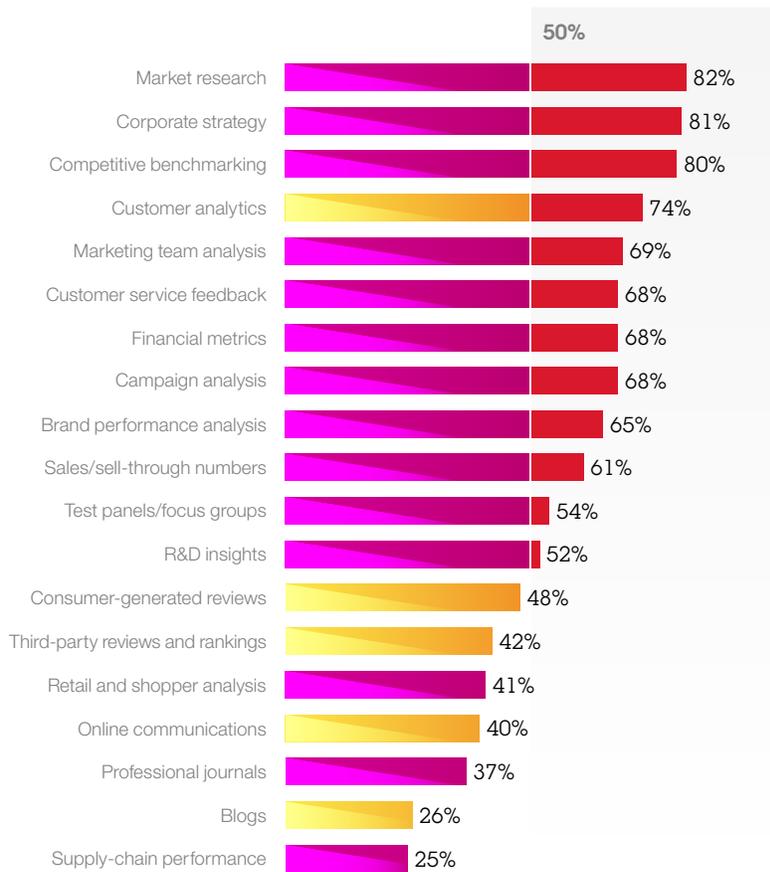
CMOs are also overwhelmingly underprepared to take charge of the growing volume, velocity and variety of data. More than two-thirds believe they will need to invest in new tools and technologies and develop new strategies for managing big data. Four-fifths of respondents plan to use customer analytics, customer relationship management (CRM), social media and mobile applications more extensively over the next three to five years. Further, the increasing emphasis on demonstrating return on marketing investment will increase the need of CMOs to quantify the value they bring to the business through the use of these tools and others.

Sources used to influence strategy decisions

Figure 2

Missing the personal touch Most CMOs pay more attention to markets than individuals.

■ Key sources to understand individuals



Questions to consider

How are you gearing your marketing people, programs and processes to understand individuals and not just markets?

Which tools and processes are you investing in to better understand and respond to what individual customers are saying and doing?

How do you safeguard your customers' data and privacy in a multi-channel, multi-device world?

Foster lasting connections

It's not enough just to understand customers or citizens, of course. An organization also has to act on what it learns — and do so faster than its competitors. In today's age of digital technology, it's easy for disaffected customers to go elsewhere, as CMOs are intensely aware. Hence, their top priority is to enhance customer loyalty and encourage satisfied customers to advocate their brands.

More than half of all CMOs think social media is a key channel for engaging with customers. However, engaging with customers is not just about communicating with them. It's also about helping them enjoy the products and services they've bought, with the intention of building customer loyalty. To do this, marketing needs to look beyond the transaction and focus on the full customer relationship. Most CMOs, though, report using data primarily to segment and sell, not to generate awareness or stimulate interest.

Interacting effectively with customers in the digital era has implications beyond marketing products and services. Customers can now find out where and how a company makes its products; how it treats its employees, retired workers and suppliers; how much it pays its top executives; how seriously it takes its environmental responsibilities and the like. This knowledge can affect their buying decisions. Each company has a corporate character — the differentiating attributes that make it a distinct enterprise. In other words, what an organization stands for is as important as what it sells. While more than half of the CMOs we talked with think their organization's corporate character is well understood in the marketplace, only 20 percent believe they have succeeded in getting their employees fully on board. Seventy-five percent of CMOs believe marketing must manage brand reputation within and beyond the enterprise.

“We have to increase customer loyalty. The digital technologies represent an important channel with which to interact with clients and attract them to our service.”

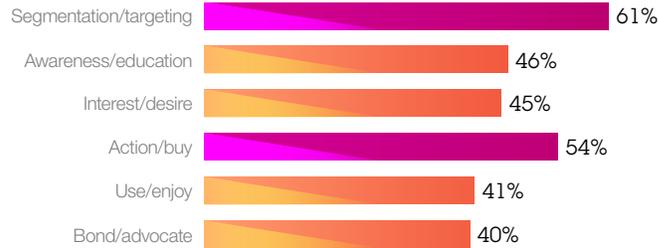
Jeannette Schmitteckert, Head of Marketing and Public Relations, Bardusch GmbH & Co. KG

Figure 3

Peddling, not partnering Most CMOs are using data to manage the customer transaction, not the relationship.

- Transaction focused
- Relationship focused

Extensive use of customer data



Questions to consider

How do your marketing tactics and investments work in sync to create and grow a pervasive and innovative total customer relationship?

What steps are you taking to connect customer insights with product and service development, and to stimulate your customers to become brand or company advocates?

How are you collaborating with your C-level peers to activate your “corporate character” across all touch points and experiences?

Capture value, measure results

CMOs today are under increasing pressure to provide quantifiable evidence of how their marketing expenditure is helping the organization achieve its goals. They also have to hire people with the right mix of financial, technical and digital skills and become savvier in such areas themselves.

CMOs are well aware they will have to be much more financially accountable in the future. In fact, 63 percent of respondents believe marketing return on investment (ROI) will become the most important measure of success over the next three to five years. Importantly, though, only 44 percent of respondents feel sufficiently prepared to manage the increasing importance of ROI.

However, if CMOs are to be held responsible for the marketing returns they deliver, they must also have significant influence over all four Ps of marketing: promotion, products, place and price. Surprisingly, this is often not the case. CMOs told us they exert a strong influence over promotional activities such as advertising, external communications and social media initiatives. But, in general, they play a smaller role in shaping the other three Ps.

“The success of my role is far more about analytics and technology than it is about hanging out with my ad agency, coming up with great creative campaigns. We must increase campaign ROI.”

Rob Colwell, Executive Manager — Commercial and Marketing, Qantas Frequent Flyer

Seven most important measures to gauge marketing success

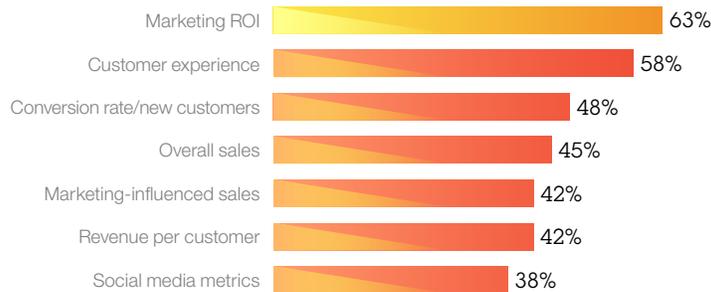


Figure 4

Hard measures CMOs believe ROI on marketing spend will be the number one method for determining the marketing function's success by 2015.

Questions to consider

How are you measuring and analyzing the results of your initiatives and communicating them to advance your marketing function's credibility and accountability?

What are you doing to enrich the skills mix in the marketing function and build technical, financial and digital acumen?

In what ways are you personally investing to broaden your capabilities?

Get fit for the future

The practice of marketing is going through a period of unparalleled change, putting CMOs everywhere to the test. However, you can seize the opportunity to transform your marketing function. The combined insights of the 1,734 senior marketing executives participating in our study point to three strategic imperatives that can strengthen your likelihood of success:

Deliver value to empowered customers	Foster lasting connections	Capture value, measure results
<ul style="list-style-type: none"> Focus on creating value for customers as individuals Reprioritize investments to analyze digital channels to access customers' views and use advanced analytics to recognize preferences and trends across every touch point Work with IT to assess potential data and infrastructure exposures, employ tools to secure customer data and update privacy policies to address customers' concerns 	<ul style="list-style-type: none"> Capitalize on new digital channels to stimulate customer conversations and new relationships; use tangible incentives to attract followers Engage with customers throughout the customer lifecycle; build online/offline communities to strengthen your brand Help the enterprise define and activate traits that make it unique and engage the C-suite to meld the internal and external faces of the enterprise 	<ul style="list-style-type: none"> Use advanced analytics and compelling metrics to improve decision making and to demonstrate accountability Adjust your talent mix to increase technical and financial skills, and grow digital expertise by finding new partners to supplement in-house resources Expand your horizons by enhancing your personal financial, technical and digital savviness

“Marketing is a balanced combination of art and science. A good approach blends human creativity and logical thinking based on the data insights technology offers.”

Le Quang Thuc Quynh, Marketing Director, Saigon Co-op



For further information

For more information about this study, please send an e-mail to the IBM Institute for Business Value at iibv@us.ibm.com. We will arrange for you to be contacted by the appropriate IBM industry or regional expert.

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About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This Global Chief Marketing Officer Study is part of our ongoing C-suite Study Series.

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Note

- 1 The terms "chief marketing officers" and "CMOs," when used in this report to qualify or quantify our study findings, refer exclusively to the 1,734 executives interviewed for the 2011 IBM Global Chief Marketing Officer Study.