



*MARKETERS SHARPEN PENCILS AND FOCUS IN '09; BUDGETSHOLDING UP BUT PERFORMANCE, EFFICIENCY AND INSIGHT ARE KEY MANDATES*

*CMO Council's Marketing Outlook '09 Report Reveals Retaining and Training of Key Staff Critical in New Digital World; Limited Agency Turnover and Changes Are Planned*

**PALO ALTO, Calif. (March 17, 2009)** – Customer anxiety and cutbacks are the biggest factors influencing marketing budget allocation in 2009, reports the Chief Marketing Officer (CMO) Council in its annual Marketing Outlook study. Despite a restrained economy, however, marketers see budgets holding up fairly well with dollars being stringently controlled and directed against growing and retaining market share.

The CMO Council audit of over 650 marketers across all regions of the world indicated a disconnect between management mandates for '09 and marketing's limited plans to invest in automation, collaboration and process improvement. More surprising, senior marketers expressed limited aspirations to elevate their positions and forge tighter links with line-of-business executives, finance, the CIO, and IT groups. This year's report was sponsored by the sales and marketing practice of Deloitte Consulting LLC, the Jigsaw business community, and Ad-ology.

Half of the marketers responding to the survey report they're either holding firm on budgets or anticipating increases. Nearly one third plan at least a small budget increase, with 8.2 percent planning a bump of more than 10 percent. However, almost half say they will decrease spending at least somewhat, with 18.8 percent anticipating cuts of more than 15 percent. While there are some signs of retrenchment, marketers are committed to their personnel, which represent 42 percent of budgets, and plan to invest in retraining employees for the digital age, rather than replacing them with new talent. Their efforts to harvest greater efficiency from current operations emphasize sharpening internal processes and alignments within their organization instead of instituting broad restructuring plans or cutting ties with current agency partners.

"Marketers are not running scared from the economy. Broad concerns about the economic, stock market and credit downturn are not the leading forces shaping this year's budget planning process", said Donovan Neale-May, the CMO Council's executive director. "Instead marketers are paying close attention to their customers and responding to changes in the selling cycle. The emphasis is on building internal efficiencies and strategic cost cutting, increasing customer insight, and strengthening integration with sales to drive revenue and market share. There's good news for agencies, too, as marketers are not viewing these relationships as a key to cost reductions."

According to the CMO Council, senior management is mandating that marketing contribute to the bottom line by retaining and growing market share and lowering costs through greater go-to-market efficiencies. Most important is that marketers are confident they can deliver by focusing on execution via clearly defined goals, improving operational controls, and analytics to help guide resource allocation. While hunkering down, marketers are also gaining increased confidence in the effectiveness of digital marketing investments as digital begins to comprise the majority of demand generation spend.

"Digital marketing has moved well beyond search as social media and experiential marketing continue to grow and evolve. Savvy marketers are applying collaboration marketing methods as a central component of their efforts to maximize customer lifetime value in the digital economy," said Dave Couture, a principal with Deloitte Consulting LLP.

Despite marketer's general confidence, their investment plans in simple, task-specific marketing software applications, and lack of spend in more comprehensive operational and data management systems, suggest a critical disconnect in how they hope to achieve executive goals. Also, disconcerting is a limited interest in forging deeper relationships with the IT function. Only 9 percent say they are looking to work more closely with the CIO and IT department.

"Senior marketers clearly need to elevate their game when it comes to integrating IT and data management into their operations and insights," said Neale-May. "At the same time, this year's study indicates senior marketers may be failing to build line of business and executive suite relationships required to build their status and influence in their organizations. In fact, only 7.4 percent of respondents are even considering positions on their corporate boards."

Key findings reveal:

- Global marketers say realigning operational processes and capabilities to better support sales and drive demand generation was their top accomplishment for in 2008, followed by improving performance and accountability for their organizations.
- Customer anxiety and cutbacks are the number one force impacting budget allocations in 2009, followed by slower selling cycles and reduced consumer spending. Only 14.9 percent point to financial market disarray as a determining factor.
- Retraining and developing existing staff is the leading strategy for acquiring or sharpening expertise in digital marketing competencies, with 62.9 percent of respondents electing training over recruiting new talent (28.6 percent) or outsourcing (17.1 percent).
- When it comes to investments in marketing automation, tactical capabilities and point solutions dominate. The top two target areas of investment for 2009 are email marketing (44.9 percent) and online surveys and research (33.2 percent). Only 10.1 percent are investing in master data, 12.8 percent in marketing operational systems, and 9.3 percent in marketing resource or process management solutions.
- Grow or retain market share is the leading executive mandate for marketers, which 47.6 percent, followed by lowering costs and improving go-to-market efficiencies (43.5 percent) and improving customer insight and retention (32.5 percent).
- Only 8.2 percent respondents plan to build new linkages with line of business executives and just 7.4 percent are seeking a board member position, suggesting limited aspirations to rise within the corporate hierarchy.

Online media and digital channels of engagement are taking center stage like never before according to marketers, who are universally looking to enhance talent, expand competencies and sharpen measures and metrics for performance.

"This year's survey shows increased spending in online and digital at the expense of traditional media budgets will continue in 2009. Digital marketing metrics such as page views and click through rates give at least the perception of accountability, making online marketing increasingly attractive as the industry focuses on performance measurement," said C. Lee Smith, president and CEO of Ad-ology. "Our recent consumer research shows online and emerging media's influence on customers' buying decisions now rivals that of traditional media, which corresponds with this shift," Smith said.

The majority of marketers are sticking to old online measures like page views and registrations (64.6 percent), site traffic and volume (58.4 percent) and search prominence (45.2). However, a growing number are measured customer engagements including translating online traction to the acquisition of new accounts and customers, tracking content consumption transactions or subscriptions and measuring word-of-mouth advocacy.

- Digital marketing and new media dominates demand generation and advertising spend allocation priorities for the coming year, with budgets aimed at online and Web 2.0 initiatives almost 50 percent higher than spend earmarked for traditional media.
- Just 9.3 percent of marketers rate their e-metrics and measurement capabilities as excellent. 35.6 percent of marketers are questioning spend, struggling to quantify value or are simply not doing a good job of converting visitors to leads or to customers.

"The positive news is that marketers will be investing in connecting with key influencers through social communities, even as 32 percent are struggling to gain a full understanding of these new solutions," said Kevin Akeroyd, Chief Operating Officer of Jigsaw. "However, considering that 45 percent of marketers are also saying that their key goal is to reach out to advance customer insight, their intended increased investment – some allocating an increase of 5 percent over 2008 – in social media will be an exciting step into new customer engagements."

Overall the picture looks positive for marketing in 2009, yet the broad outlook for the role of the CMO continues to be clouded by performance and bottom line driving issues and a general lack of validation by the C-Suite continuum.

The Marketing Outlook report is available for download through the CMO Council ([www.cmocouncil.org](http://www.cmocouncil.org)) including a complimentary executive summary along with a comprehensive findings report (\$99), an expanded findings report that highlights key markers by size, type and region of company (\$199) and a Marketing Trend report that highlights a 3-year historical background of marketing outlook and intentions data (\$299).

#### **About the CMO Council**

The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership and

personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide-range of global industries. The CMO Council's 4,000 members control more than \$120 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include over 17,000 global executives in nearly 100 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia Pacific, Middle East and Africa. The Council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Brand Management Institute, and the Forum to Advance the Mobile Experience (FAME). More information on the CMO Council is available at [www.cmocouncil.org](http://www.cmocouncil.org).

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