How to paint an economic recovery

Chief marketing officer optimism about the U.S. economy has reached a new two-year high, fueled by improved expectations of customer activity. CMO optimism extends to expected increases in marketing performance, marketing spending and marketing hires. Social media spending increases are expected to remain strong, but many CMOs report that social marketing is not yet well-integrated with their overall marketing strategies. This data is pulled from 421 top marketing executives who participated in The CMO Survey, conducted in January 2011. The CMO Survey is a nationwide poll of top marketers conducted twice a year, in partnership with Duke University’s Fuqua School of Business and the American Marketing Association.

Optimism Reaches Two-Year High

More CMOs reported being more optimistic about the U.S. economy than in past surveys: 63.3 percent compared to 55.6 percent in August 2010. Even more impressive is the fact that on a scale from 0-100, with 0 being the least optimistic, CMOs report their highest level of optimism in over two years—from a low in February 2009 of 47.7 percent to a high of 63.3 percent in February 2011. This 32.7 percent increase is among the best news we have had about the economic recovery (see Figure 1 below).

Why Marketers Are More Confident

Survey results indicate that marketers’ forecasts about the overall economy are based on strong expectations about improved customer activity over the next year. As shown in Figure 2 on page 17, for the next 12 months, CMOs expect customer revenue metrics to improve across the board. This means higher purchase volumes of current and new products and services, higher unit prices, more new customers entering the market and increased customer...
retention. In other results, top marketers expect consumers to pay more attention to innovation (+22 percent) and brand (+31 percent), rather than to price (-15 percent). The expectations are already appearing on the income statements of CMO firms.

Spending Follows Optimism

Overall marketing budgets are expected to increase by 6 percent compared to the previous 12 months. Product sector companies report the largest increases in marketing budgets, with business-to-consumer (B2C) product companies estimating a 20.4 percent budget increase and business-to-business (B2B) product companies estimating a 7.5 percent increase. Service sector increases are expected to be much smaller.

Traditional advertising spending will move into positive territory for the first time since February 2009, with a small 2 percent increase. Otherwise, spending for Internet advertising, brand building and customer relationship management are expected to increase over the coming year.

Marketers expect the following spending increases on marketing knowledge over the next year: marketing research and intelligence (80 percent), marketing consulting (4.7 percent), developing knowledge about how to market (8.8 percent) and marketing training (5.6 percent).

The Social Media Experiment

Marketers expect to continue increases on social media spending over the next five years, lifting spending levels from 6 percent of budgets up to 18 percent over that time period. However, the most recent survey results reveal some changes in patterns by sector. Most notably, B2B and B2C product sector companies have recently decreased spending and anticipate even lower budgets going forward, whereas service-based companies have increased their future budgets to better utilize social media marketing tools.

Despite the continued trend for social marketing to increase in the near term, CMOs don’t believe their social media activities are well-integrated with their companies’ overall marketing strategies. In fact, 42 percent rate this integration as below average and only 11 percent of CMOs say their company was “very effective” in integrating social media into their marketing strategies. This suggests an urgency to utilize social media, even before a comprehensive plan is developed. This approach is also natural for such a profoundly innovative tool for interacting with customers. Firms are in a period of experimentation and observation about social media. Like television advertising in the 1950s, this period will define winners and losers of this generation’s firms.

Employment Landscape Improves

The coming year will improve job opportunities for marketing professionals as CMOs plan to increase marketing hires. CMOs reporting they will increase targeted hiring numbers over the 12 months represent a 50 percent increase over planned hiring from the previous year, echoing the overall optimism of improvements in the U.S. economy. The consulting, banking/finance/insurance, manufacturing and retail/wholesale industries will be the industry leaders in new employment opportunities with hiring prospects in service consulting increasing from 3.8 percent in August 2010 to 21.7 percent in August 2011.

A full set of results related to this recent survey and past surveys can be found at http://www.cmosurvey.org/results/. If you are the marketing leader of your company, you are invited to participate in the survey by registering at: http://cmosurvey.org/participate.