What Keeps CMOs Up at Night?
Second Annual CMO Survey

Kathryn S. Hanson
Red Herring CMO Conference
February 4-6, 2007
CMOs and VPs of Marketing

- CMOs 75% of respondents
- Longevity:
  - 57% < 2 years in current job
- Background:
  - 90% product management
  - 84% marketing communications
- Industry:
  - 60% high tech software or Internet
  - 14% communications
  - 14% high tech hardware
The Role of the CMO is Changing

Broader Role Integrating All Functions

- “Moving more towards end-to-end operational optimization, since all functions—customer care, fulfillment, billing—are aspects of the customer product/service experience that impact customer satisfaction.”

- “The CMO is transitioning from marketing leadership towards being the ‘master clock’ of the organization.”
CEO Business Partner and Strategist

- “The CMO is becoming much more of a business partner to the CEO and the COO.”
- “Acting as a COO more than a SVP of Marketing.”
- “More leadership in strategic decisions.”
- “More responsibility and broader leadership role”
Innovate and Sell

- “The CMO is increasingly accountable for the two critical functions of the business: to innovate and to sell.”
- “I am responsible for new service creation and roll-out”
Catalyst to Customer-Driven Brand Business

- “The CMO role is changing from search-centric marketing to catalyst transforming the enterprise…to a customer-insight and brand driven organization.”
- “Move from a raw start up to a company with a good customer base and brand.”
Top Strategic Issues for 2006

1. Revenue Generation
   - “Driving revenue from marketing programs”
   - “Revenue growth”
   - “Creating a predictable stream of revenue for our company- from inquiry to closed contract.”
   - “Lead generation”
Top Strategic Issues for 2006

2. Positioning/Branding

- “Changing the brand perception of the company and product”
- “Repositioning the company”
- “Blending a fragmented brand in numerous disassociated businesses into a cohesive story for our customers”
Top Strategic Issues for 2006

3. Customer Acquisition/Customer Focus

- “Customer acquisition”
- “Diversification of my client base”
- “Growing customers in two businesses at the same time”
4. Alignment of sales and marketing

- “Designing integrated sales and marketing demand generation processes and goals”
- “Reinforce marketing and planning function more aligned to market/customers”
5. Alignment across geographies

- “Ensuring cross-functional and global alignment”
- “Positioning the company for global expansion”
- “Growth and value of the brand globally”
Crucial Challenges in 2006

<table>
<thead>
<tr>
<th></th>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Growing revenue</td>
<td>64%</td>
</tr>
<tr>
<td>2.</td>
<td>Building my company’s brands</td>
<td>45%</td>
</tr>
<tr>
<td>3.</td>
<td>Aligning marketing with sales</td>
<td>42%</td>
</tr>
<tr>
<td>4.</td>
<td>Entering new markets/channels</td>
<td>38%</td>
</tr>
<tr>
<td>5.</td>
<td>Accountability for marketing programs</td>
<td>33%</td>
</tr>
<tr>
<td>6.</td>
<td>Growing/developing staff</td>
<td>26%</td>
</tr>
<tr>
<td>7.</td>
<td>Fighting new competitors</td>
<td>22%</td>
</tr>
<tr>
<td>8.</td>
<td>Integrating an acquisition</td>
<td>19%</td>
</tr>
<tr>
<td>9.</td>
<td>Moving marketing toward Internet focus</td>
<td>12%</td>
</tr>
<tr>
<td>10.</td>
<td>Automating marketing function</td>
<td>12%</td>
</tr>
</tbody>
</table>

Growing revenue dominated the CMO challenges for 2006
# Measures of marketing effectiveness

**Very High Importance (9 or 10 on scale of 1-10)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Measure</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer satisfaction and loyalty</td>
<td>55%</td>
</tr>
<tr>
<td>2</td>
<td>Customer experience with product/service</td>
<td>50%</td>
</tr>
<tr>
<td>3</td>
<td>Tracking leads all the way through sales</td>
<td>44%</td>
</tr>
<tr>
<td>4</td>
<td>Lead generation, with qualification of leads</td>
<td>38%</td>
</tr>
<tr>
<td>5</td>
<td>Product/service innovations</td>
<td>36%</td>
</tr>
<tr>
<td>6</td>
<td>Brand awareness and equity (increase/decrease)</td>
<td>31%</td>
</tr>
<tr>
<td>7</td>
<td>Specific marketing campaign success</td>
<td>24%</td>
</tr>
<tr>
<td>8</td>
<td>Marketing employee retention</td>
<td>22%</td>
</tr>
<tr>
<td>9</td>
<td>PR effectiveness</td>
<td>22%</td>
</tr>
<tr>
<td>10</td>
<td>Market share by customer segment</td>
<td>17%</td>
</tr>
<tr>
<td>11</td>
<td>Advertising effectiveness</td>
<td>12%</td>
</tr>
<tr>
<td>12</td>
<td>Cross-selling across business units</td>
<td>7%</td>
</tr>
<tr>
<td>13</td>
<td>Search engine optimization</td>
<td>5%</td>
</tr>
</tbody>
</table>
The “Gap”

Gap between the importance of marketing measures and satisfaction with current effectiveness

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Customer satisfaction and loyalty</td>
</tr>
<tr>
<td>2.</td>
<td>Customer experience with product/service</td>
</tr>
<tr>
<td>3.</td>
<td>Tracking leads all the way through sales</td>
</tr>
<tr>
<td>4.</td>
<td>Lead generation, with qualification of leads</td>
</tr>
<tr>
<td>5.</td>
<td>Brand awareness and equity (increase/decrease)</td>
</tr>
<tr>
<td>6.</td>
<td>Product/service innovations</td>
</tr>
<tr>
<td>7.</td>
<td>PR effectiveness</td>
</tr>
<tr>
<td>8.</td>
<td>Specific marketing campaign success</td>
</tr>
<tr>
<td>9.</td>
<td>Advertising effectiveness</td>
</tr>
<tr>
<td>10.</td>
<td>Cross-selling across business units</td>
</tr>
<tr>
<td>11.</td>
<td>Marketing employee retention</td>
</tr>
<tr>
<td>12.</td>
<td>Search engine optimization</td>
</tr>
</tbody>
</table>
CMOs Feel The Heat

How much pressure do you feel from your CEO and other C-Officers to prove the value of your work in the marketing function and your value to the company?

40% of CMOs feel high pressure to prove their value to the CEO
CMOs: Most Satisfying Part of Job

Success: Delivering results, growing the company

- “Winning converts to the role marketing can play in business success”
- “Market success and growth”
- “Creating the market that leads to changes in the economy and society”
- “Affecting 125 million people and making a positive impact on our culture”

Team

- “Working with a great team of talented people”
- “Developing the team”
CMOs: Least Satisfying Part of the Job

Administrivia: from meetings to phone calls to managing the admin to paperwork

Justifying existence, providing proof of success

- "Proving ROI of marketing functions/activities that I KNOW work"
- "Justifying my team’s existence to the Business Units"
- "Insufficient respect from other C-level execs for marketing contributions, skill and expertise"

Budget and resource management

- "Budget management"
- "Fighting for resources"

Staffing, personnel issues

- "Being understaffed"
Biggest Challenge in 2007

Revenue Growth (>50% of open-ended answers)
- “Accelerating revenue growth through acquisition”
- “Customer acquisition, increasing market share”
- “Generating demand for products and services”

“Aligning marketing to strategic direction”

Positioning/Branding
- “Continuing to change brand perception. It’s a long road.”
- “Integrating new acquisitions and brands”

Growing Globally
- “Building awareness on an international basis”
- “Entering international markets, especially Japan”
THANK YOU
Survey Methodology

- Internet Survey, December 2006-January 2007
- 42 Respondents, 15% response rate
- CMOs- 75%
- 14 Questions
  - 6 Open-Ended
  - 4 Rating Questions (up to 20 ratings)
  - 4 Descriptive Questions