MARKETERS LIVE in what academics like to call a boundary role. Like the Roman god Janus, they have to face in two directions—outward toward the customer (to understand unmet needs) and inward toward the firm (for what it can offer customers). Janus is also thought to face the future and the past with an eye toward the interconnections. The best marketers can do both of these well. Who else around the table interacts with customers, sees competitors, and interacts with partners at such a high frequency or with such a tuned ear or trained eye?

The CMO Survey, a joint project of the American Marketing Association and Duke University, taps marketers’ Janus-like qualities. The survey, now in its third administration, asked top marketers to report on what has happened to markets over the last year, as well as to predict where they think markets are going in the next year. Marketers also shared what they think customers want and what their firms are willing to provide. More than 500 top marketers responded during the August 2009 administration.

Makings of a Rebound

Marketers are optimistic about the future! Over the course of the year, marketers’ views about the overall U.S. economy have changed from August 2008 with a score of 50 (where 0 is least optimistic and 100 is most optimistic) to 47 (February 2009) and rebounded to a score of 56 (August 2009). More impressive is the fact that marketers think their own companies will share in the bounty. Optimism about revenue growth from customers (60 out of 100) returned back to August 2008 levels (59), after dropping in February 2009 (53). Revenue growth from channel partners has rebounded in the same way (see Exhibit 1).

Where do marketers think the growth will come from? Among end customers, 48 percent of marketers expect an increase in purchase volume (vs. 30 percent in February 2009), 44 percent look forward to customers buying more related products and services (vs. 32 percent), and 35 percent predict an increase in new customers entering the market (vs. 27 percent). Among channel partners, similar patterns are expected: an increase in purchase volume (36 percent vs. 25 percent), and partners will buy more related products and services (24 percent vs. 19 percent).

Learning About Markets

Conventional wisdom is that companies should build and harvest more knowledge about the market in tough times. This countercyclical spending helps companies survive the downturn and be poised to leap ahead with a rebounding economy. Therefore, although firm growth strategies, such as entering new markets, have been “on hold,” we see companies making investments in marketing knowledge. When asked to report their firms’ percentage change in spending in the next 12 months (compared to the prior year), marketers reported an increase in spending on marketing research and intelligence from 1.8
percent to 3.2 percent and on marketing consulting services from -4.5 percent to +1.3 percent. Both projected increases in spend indicate firms are making preparations for future growth (see Exhibit 2 for details).

Across the February and August surveys, investments in building knowledge about how to do marketing and in integrating what the firm knows about marketing have remained positive and among the highest levels (~4 percent in each area across time).

Innovation, customer acquisitions, and product development remain among the highest levels of investments (7.3 percent in each area across time) for firms, indicating the focus remains on internal processes needed to improve performance and enhance the customer experience. The emphasis on “marketing know-how” points to building marketing capabilities. The emphasis on “integrating marketing knowledge” indicates firms have customer information, but need help pulling it all together into a meaningful portrait. The biggest push in these two areas is coming from B2B-service firms.

Investments in marketing hires remained flat, but positive (from 0.9 percent to 0.6 percent). Training, on the other hand, dipped from +1.2 percent to -0.7 percent. Together with the emphasis on building knowledge about how to do marketing, these results indicate that such improvements will be achieved through back-end operational changes that do not require additional training, or that companies are learning now and will implement as the economy brightens.

**Marketers report their companies will continue to shift in spending away from traditional advertising.**

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**Social Media Explosion**

Over the next year, marketers report their companies will continue to shift in spending away from traditional advertising (-8 percent of marketing budgets) and toward Internet marketing, where they expect to increase investments by 10 percent. This shift, which was also observed in the prior CMO survey, will have three important effects. First, the advertising industry will continue to expand its skill set to accommodate the increasing firm emphasis on Internet marketing. Second, firms will likewise require talent with Internet marketing knowledge and skills. It is not

### Exhibit 2

Firms spending on marketing knowledge

<table>
<thead>
<tr>
<th>Service</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing research and intelligence</td>
<td>3.2 percent (1.8 percent)</td>
</tr>
<tr>
<td>Marketing consulting services</td>
<td>1.3 percent (-4.5 percent)</td>
</tr>
<tr>
<td>Developing knowledge about how to do marketing</td>
<td>3.0 percent (3.4 percent)</td>
</tr>
<tr>
<td>Integrating what we know about marketing</td>
<td>4.1 percent (5.1 percent)</td>
</tr>
<tr>
<td>Marketing (non-sales) hires</td>
<td>0.6 percent (0.9 percent)</td>
</tr>
<tr>
<td>Marketing training</td>
<td>-0.7 percent (1.2 percent)</td>
</tr>
</tbody>
</table>
clear that universities have caught up with this need. Finally, firms should anticipate many of the same “clutter” challenges found in mainstream media, as customers experience more and more marketing via the Web.

Marketers report plans to increase spending on social media efforts by more than 300 percent in the next five years! This means increasing marketing budget allocations for social media from 3.5 percent to 13.7 percent. Many of you may be thinking: That’s just the Procter & Gambles, Coca-Colas, and Nikes of the world; social media is not for B2B firms. The data suggest otherwise. Although the levels are higher in the B2C world, B2B firms are keeping pace (see Exhibit 3).

Into what media will these investments be made? Firms are spending most heavily on social networking (65 percent), video and photo sharing (52 percent), blogging (50 percent) and microblogging (e.g., Twitter, 44 percent). However, firms also are using podcasts (25 percent), forums (23 percent), product reviews (17 percent), social bookmarking (e.g., Digg, 16 percent), product design/co-creation (6 percent) and virtual reality (4 percent).

This variety of activities likely reflects different uses for social media. Marketers report the five most frequently reported uses for social media tactics are brand building (81 percent), customer acquisition (56 percent), new product introductions (52 percent), customer retention (48 percent) and market research (46 percent).

**Marketing Excellence**

The survey also asked top marketers to identify firms across all business sectors that they regarded as having exceptional marketing capabilities. The most frequently cited firms were Apple Inc. and The Procter & Gamble Company. These two companies received the August 2009 CMO Survey Award for Marketing Excellence.

These firms have not stood still through this tough economic period. Instead, they have upped the ante on their value propositions by innovating and getting closer to their customers. In fact, Apple introduced the iTouch in June 2009, smack dab in the bottom of the downturn. P&G has been relentless in its pursuit of customer value. Through programs such as “Living it” (where P&G employees live on its customers’ budgets) to “Working it” (in which P&G employees work at small stores to observe and interact directly with customers), P&G looks deeply into the customer’s experience to innovate.

Companies receiving honorable mentions include: Amazon, The Coca-Cola Company, General Electric, Geico, Google, IBM, McDonald’s, Microsoft, Nike and Target Stores.

**From Rebound to the Bottom Line**

Firms have taken a beating over the last six months. All marketing and firm performance indicators are down from six months ago, including marketing return on investment, market share, firm profits, customer acquisition rates, customer retention rates and brand value. If a rebound is in the making, marketer optimism about the overall U.S. economy, customers and channel partners will need to make
its way to the bottom line over the next six months. Spending on brand (+4.5 percent), customer relationship management (6.4 percent), and developing new product (+9.3 percent) and new service (6.7 percent) innovations are all expected to be positive in the next year.

These are the strongest signs in The CMO Survey. As marketers look to the future, they are placing bets on their firms’ most important assets—intangible brand and customer assets. Marketers also are developing innovations to help unlock markets and demonstrate value to frugal customers who want more for less. While none of us can peer into the future, these investments are a good recipe for marketing practice in good times and bad.

About the Author
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