

# IBM study indicates marketing executives not prepared for market changes

The 2011 IBM Global Chief Marketing Officer (CMOs) study of more than 1700 CMOs from 64 countries (including South Africa) and 19 industries reveals that most marketing organisations feel ill prepared to manage the change in the way they engage with their customers, recognising that a critical and permanent shift is occurring.

The research found that while 82% of CMOs say they plan to increase their use of social media over the next three to five years, only 26% are currently tracking blogs, 42% are tracking third party reviews and 48% are tracking consumer reviews to help shape their marketing strategies.

"The inflection point created by social media represents a permanent change in the nature of customer relationships," said Carolyn Heller Baird, CRM research lead for the IBM Institute for Business Value and the global director of the study. "Approximately 90% of all the real-time information being created today is unstructured data. CMOs who successfully harness this new source of insight will be in a strong position to increase revenues, reinvent their customer relationships and build new brand value."

According to Nicholas Maweni, marketing communications executive for IBM South Africa, the research also shows that the measures used to evaluate marketing are changing.

"Nearly two-thirds of CMOs think return on marketing investment will be the primary measure of the marketing function's effectiveness by 2015. However, even among the most successful enterprises, half of all CMOs feel insufficiently prepared to provide hard numbers.

"While they identify customer intimacy as a top priority, and recognise the impact of real-time data supplementing traditional methods of channel marketing and gathering market feedback, most CMOs still practice 20th century approaches," says Maweni. Eighty percent or more of the CMOs surveyed are still focusing primarily on traditional sources of information such as market research and competitive benchmarking and 68% rely on sales campaign analysis to make strategic decisions.

Traditionally, most CMOs have not been expected to provide hard financial evidence of their ROI. However, an increasing emphasis on ROI reflects the scrutiny the marketing function is currently attracting.

"Today's CMOs are in much the same position as chief financial officers (CFOs) were a decade ago, when their role was evolving from guardian of the purse strings to strategic business adviser," concludes Maweni.

## Managing four challenges

Collectively, the study findings point to four key challenges that CMOs everywhere are confronting: the explosion of data, social media, channel and device choices and shifting demographics will be pervasive, universal game changers for marketing organisations over the next three to five years. Nevertheless, a large majority of CMOs feel unprepared to manage their impact.

- **Data explosion:** Every day we create 2.5 quintillion bytes of data - so much that 90% of the world's data today has been created in the last two years alone. The increasing volume, variety and velocity of data available from new digital sources like social networks, in addition to traditional sources such as sales data and market research, tops the list of CMO challenges. The difficulty is how to analyse these vast quantities of data to extract the meaningful insights, and use them effectively to improve products, services and the customer experience.
- **Social platforms:** Social media enables anyone to become a publisher, broadcaster and critic. Facebook has more than 750 million active users, with the average user posting 90 pieces of content a month. Twitter users send about 140 million tweets a day and YouTube's 490 million users upload more video content in a 60-day period than the three major US television networks created in 60 years. Marketers are using social platforms to communicate - with 56% of CMOs viewing social media as a key engagement channel - but they still struggle with capturing valuable customer insight from the unstructured data that customers and potential customers produce.
- **Channel and device choices:** The growing number of new marketing channels and devices, from smart phones to tablets, is quickly becoming a priority for CMOs. Mobile commerce is expected to reach \$31 billion by 2016, representing a compound annual growth rate of 39% from 2011 to 2016. Meanwhile, the tablet market is expected to reach nearly 70 million units worldwide by the end of this year, growing to 294 million units by 2015.
- **Shifting demographics:** New global markets and the influx of younger generations with different patterns of information access and consumption are changing the face of the marketplace. In India, as one example, the middle class is expected to soar from roughly 5% of the population to more than 40% in the next two decades. Marketers, who have historically focused on affluent Indian consumers, must adapt their strategies to market to this emerging middle class. In the US, marketing executives must respond to the aging baby boomer generation and growing Hispanic population.

To meet these new challenges, CMOs must boost their own digital, technological and financial proficiency - but many seem surprisingly reticent in this respect. When asked which attributes they will need to be personally successful over the next three to five years, only 28% said technological competence, 25% said social media expertise and 16% said financial acumen.

## Study demographics

The study is IBM's first study of CMOs and the fifteenth in the ongoing series of executive studies developed by its Institute for Business Value. Between February and June 2011, the organisation met face to face with 1734 CMOs to better understand their goals and the challenges they confront. The respondents came from a wide variety of organisations, ranging from 48 of the top 100 brands listed in the 2010 Interbrand rankings to enterprises with a primarily local profile.

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