



From Stretched to Strengthened

Insights from the
Global Chief Marketing
Officer Study

The illustration on the cover of this report represents more than 1,700 Chief Marketing Officers (CMOs) who spoke with IBM as part of this study. Each facet represents approximately 23 participants and the colours on the front cover represent the three imperatives identified in our analysis: deliver value to empowered customers; foster lasting connections; and capture value, measure results. For more information, please turn to page 9.

This study is based on face-to-face conversations with more than 1,700 CMOs worldwide.



Jon Iwata
Senior Vice President, Marketing & Communications
IBM Corporation

A note to fellow CMOs

All of us are aware of the forces changing business and markets today. But it is not so easy to see what the marketing profession is turning into in response.

To understand this, IBM undertook our first-ever Global CMO Study. We aimed for 1,000 participants. More than 1,700 CMOs from 64 countries spoke face to face with us for an hour. We believe it is the largest survey of its type ever conducted. It clearly speaks to a broad awareness of how our roles have evolved over the past decade.

What did we find?

Interestingly, your perspectives are in line with your colleagues across the executive suite. We know, because we have conducted more than 15,000 interviews with Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), Chief Information Officers (CIOs), CHROs and CSCOs over the past seven years, as part of our C-suite research programme.

Like CEOs, you told us that *market* and *technology* factors are the two most powerful external forces affecting your organisation today. You expect them to drive increasing levels of complexity over the next five years in how we market not just our products and services, but all dimensions of our organisations.

The four biggest challenges you identified were the explosion of data, social media, the proliferation of channels and devices and shifting consumer demographics. These factors are serving as catalysts for change in our function and the struggle we all face is how to turn those challenges into opportunities. The good news is that you also provided numerous practical ways marketing can manage the increasing complexity of today's environment - pointing the way toward a new marketing profession for a new century.

As a CMO, I found both the high level of participation and the specific results validating, enlightening and useful. I can safely say you wouldn't have seen IBM - or any other technology-focused company - initiate a study of this kind ten years ago. But with the proliferation of smart devices, social media and 'big data,' clearly today the time is right.

I would like to thank the 1,734 CMO peers who graciously contributed their time and thinking for this study. Going forward, the perspectives shared within the 2011 IBM Global CMO Study offer the foundation for dialogue, which can begin the transformation of marketing in today's digital age. I look forward to engaging with you in this discussion.

A handwritten signature in black ink, reading "Jon Iwata". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Jon Iwata
Senior Vice President, Marketing & Communications
IBM Corporation

Contents

	Executive summary	6
Introduction	Swimming, treading water or drowning?	11
Chapter One	Deliver value to empowered customers	21
Chapter Two	Foster lasting connections	33
Chapter Three	Capture value, measure results	45
The CMO Agenda	Get fit for the future	57
	How our research was conducted	62
	For further information	68

'Customers today have more control and influence with the brand than ever. We need to make sure it's give and take - a two-sided conversation, with both parties having responsibilities in the interaction.'

Ann Glover, Chief Marketing Officer, ING Insurance U.S.

Executive summary

Today's customers can shop around the globe, find out more than ever before about the organisations they're dealing with and share their views with hundreds of thousands, if not millions, of fellow customers. Their expectations - be they consumers, citizens or business customers - are soaring. And they can make or break brands overnight.

So how are CMOs faring amid such turbulence? We conducted face-to-face interviews with 1,734 CMOs, spanning 19 industries and 64 countries, to find out what they are doing to help their enterprises cope with the fundamental shifts transforming business and the world.

Our CMO Study is the latest in IBM's series of C-suite Studies, encompassing interviews with more than 15,000 top executives over the past seven years. The study casts light on the challenges public and private sector CMOs confront - and the opportunities they envision - in increasingly complex times. It also illustrates how closely CMOs' perception of the marketplace mirrors previous assessments by CEOs.

Market and technology factors driving pervasive change

Like the business leaders we interviewed in our CEO study, CMOs think market and technology factors are the two most powerful external forces affecting their organisations. And, like CEOs, they feel anxious about the complexity that's on the horizon. Four out of five CMOs we talked with anticipate a high or very high level of complexity over the next five years, but only half feel ready to handle it.

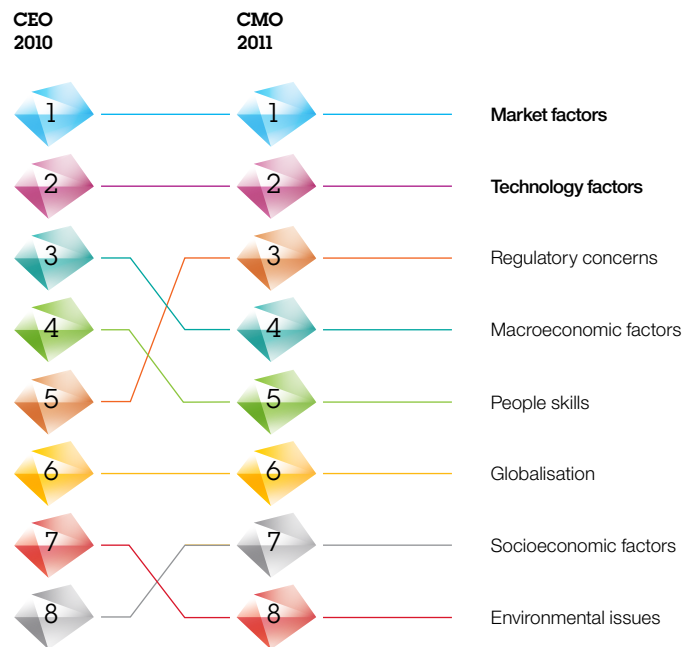


Figure 1
Shared agenda CMOs agree with CEOs about the two biggest external forces affecting their organisations.

Our key findings

Our interviews reveal that CMOs see four challenges as pervasive, universal game-changers: the data explosion, social media, proliferation of channels and devices and shifting consumer demographics. But CMOs from outperforming organisations address these challenges differently from other CMOs.¹

The most proactive CMOs are trying to understand individuals as well as markets. Customer intimacy is crucial - and CEOs know it. In our last CEO study, we learned CEOs regard getting closer to customers as one of three prerequisites for success in the twenty-first century.² This sits squarely in the CMO's domain.

But the advent of social media is challenging older, mass-marketing assumptions, skill sets and approaches. CMOs everywhere are acutely aware of the distance they have to cover. In addition to using traditional information sources, such as market research and competitive benchmarking, the most proactive CMOs are mining new digital data sources to discover what individual customers and citizens want.

CMOs in the most successful enterprises are focusing on relationships, not just transactions. They are using data to stimulate interest in their organisations' offerings and form bonds with customers to a much greater extent than their peers in less successful enterprises.

The outperformers are committed to developing a clear 'corporate character.' CMOs in such organisations recognise that what a business believes and how it subsequently behaves are as important as what it sells. And they make it their job to help management and employees exemplify the company's values and purpose.

Most CMOs are struggling in one vital respect - return on investment (ROI). Our research shows the measures used to evaluate marketing are changing. Nearly two-thirds of CMOs think return on marketing investment will be the primary measure of their effectiveness by 2015. But proving that value is difficult. Even among the most successful enterprises, half of all CMOs feel insufficiently prepared to provide hard numbers.

Where next?

In the course of our conversations with CMOs worldwide, an overwhelming consensus emerged. The vast majority of CMOs believe there are three key areas for improvement. They must understand and deliver value to empowered customers; create lasting relationships with those customers; and measure marketing's contribution to the business in relevant, quantifiable terms.

Deliver value to empowered customers

The digital revolution has forever changed the balance of power between the individual and the institution. If CMOs are to understand and provide value to empowered customers and citizens, they will have to concentrate on getting to know individuals as well as markets. They will also have to invest in new technologies and advanced analytics to get a better grasp of how individual customers behave.

Foster lasting connections

To effectively cultivate meaningful relationships with their customers, CMOs will have to connect with them in ways their customers perceive as valuable. This entails engaging with customers throughout the entire customer lifecycle, building online and offline communities of interest and collaborating with the rest of the C-suite to fuse the internal and external faces of the enterprise.

Capture value, measure results

Lastly, CMOs will have to quantify and analyse the financial results of their marketing initiatives and communicate them to the wider organisation to enhance the marketing function's credibility and effectiveness. They also will have to inject new skills into the marketing function by expanding the digital, analytical and financial capabilities of existing employees and by hiring staff or by partnering with specialists to fill the gaps. And since it's important to lead by example, CMOs will need to invest in enhancing their own expertise in these areas as well.





Swimming, treading water or drowning?

The digital revolution is transforming the marketplace. Empowered customers can see-and say-more about the organisations that serve them than ever before. But this revolution has also left CMOs struggling to respond.

'We live in a world where no secret lasts five minutes. Today, it is impossible to control any confidential information. Everything leaks. We need to be better and faster, constantly. This is the agenda we need to apply in marketing and business as a whole.'

Monica Gregori, Marketing Director,
Natura Consumer Products

Swamped by change

Just as X-rays transformed medicine by letting doctors see through human tissue, so the new information and communication technologies are revolutionising business by letting customers and citizens peer through corporate walls. As a result, the relationship between people and the institutions that serve them is changing dramatically.

Consumers' expectations are rising. They want better products and services, more choice and more value. And they expect organisations to act in a socially and environmentally responsible manner. Business customers are also buying more carefully, haggling harder over prices, demanding greater customisation and looking for opportunities to pass risk back to their suppliers.³

Meanwhile, globalisation has given customers everywhere many more options. Witness the fact that world export flows have soared from \$7.9 trillion to \$18.9 trillion in current U.S. dollars over the past ten years.⁴

And, with social media, anyone can become a publisher, broadcaster and critic. For example, Facebook now has more than 750 million active users and the average user posts 90 pieces of content a month.⁵ Twitter's registered users send about 140 million tweets a day.⁶ And YouTube's 490 million users upload more video content in a 60-day period than the three major U.S. television networks created in 60 years.⁷

In short, customers can see - and say - more about the organisations they deal with than at any time in history. If an organisation stumbles, there's nowhere left to hide.

The digital ocean

At the same time, the digital revolution is providing unprecedented opportunities to engage with customers. But any business that wants to realise the potential of new information and communication technologies faces a daunting task. It must, first, intercept and interpret vast quantities of data to find the meaningful parts.

The volume and variety of data are increasing with ferocious velocity.

We now create as much information every two days as we did from the dawn of civilisation to 2003.⁸ Navigating through this digital ocean to get a clear picture of customers is very difficult indeed.

CMOs, therefore, have to do more than ever before. They have to manage more data, understand and engage with more demanding customers and ensure their employees consistently exemplify the organisation's values. They have to use tools and technologies their children often understand better than they do. And they have an average tenure of just three to four years in which to make their mark.⁹

Complexity multiplies

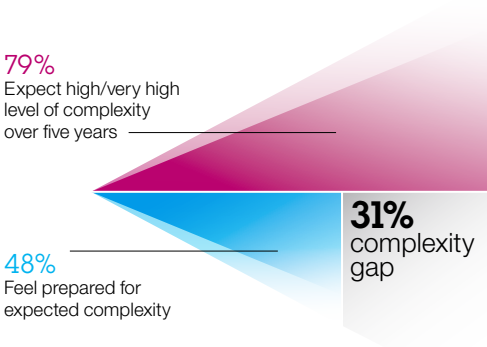
CMOs are well aware of the challenges that confront them. They recognise, like CEOs, that the world in which they operate is much more volatile, uncertain and complex.¹⁰ Increasingly interconnected economies, enterprises, societies and governments have given rise to huge new opportunities. But greater connectivity has also created strong - and often unpredictable - interdependencies. And like CEOs, CMOs don't feel completely ready to handle the situation.

A full 79 percent of the CMOs we talked with believe the level of complexity will be high or very high over the next five years. But only 48 percent feel prepared to cope with it. These percentages mirror those from the 2010 CEO study, when we asked CEOs the same questions about future complexity. A telecommunications CMO in Brazil described the prevailing view when she said: 'The empowerment of the consumer is generating more complexity. The mental model is changing. We are facing a major social transformation.'

Figure 2

A torrent of complexity CMOs feel unprepared for the amount of complexity they face.

Expected level of complexity and preparedness to handle



What's hurting most?

So, what are the main sources of concern? We probed more deeply to find out whether CMOs feel equipped to manage the impact of 13 key market factors. Alarming, more than 50 percent of respondents think they are underprepared to manage all but two: regulatory considerations and corporate transparency.

Percent of CMOs reporting underpreparedness

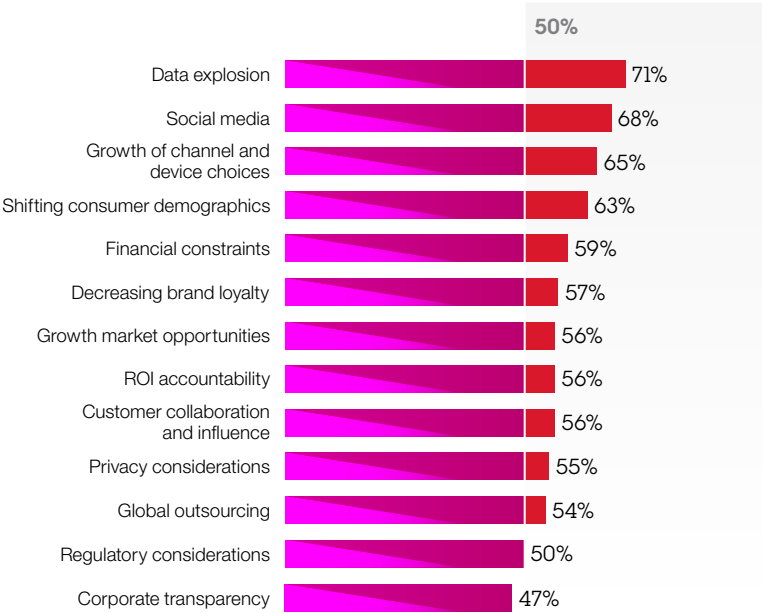


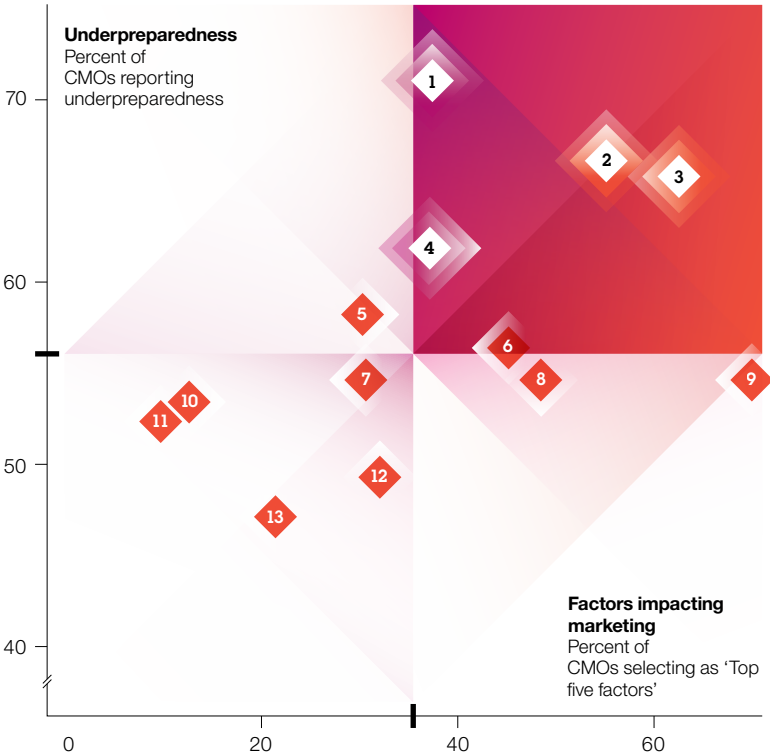
Figure 3

Feeling the pain Most CMOs are underprepared to manage the impact of key changes in the marketing arena.

Worse still, some of the changes CMOs are least prepared to manage are those likely to cause the biggest upheavals. We asked respondents to rank each factor in terms of its expected impact on the marketing function over the next three to five years. Then we looked at how this related to the level of confidence they feel about managing each factor. As Figure 4 illustrates, four critical issues surfaced.

Figure 4
The biggest headaches The four most prominent challenges for CMOs are the data explosion, social media, proliferation of channels and devices and shifting consumer demographics.

- 1 Data explosion
 - 2 Social media
 - 3 Growth of channel and device choices
 - 4 Shifting consumer demographics
 - 5 Financial constraints
 - 6 Decreasing brand loyalty
 - 7 Growth market opportunities
 - 8 ROI accountability
 - 9 Customer collaboration and influence
 - 10 Privacy considerations
 - 11 Global outsourcing
 - 12 Regulatory considerations
 - 13 Corporate transparency
- Mean



The data explosion tops the list of headaches. More than 70 percent of the CMOs who think it's important say they aren't fully prepared to deal with its impact. 'One of our biggest challenges is in data analysis. For the complexity and size of our organisation, we are way behind,' a consumer products CMO in the United States admitted.

He's certainly not alone. 'We're drowning in data. What we lack are true insights,' a life sciences CMO in Switzerland commented. An energy and utilities CMO in the Netherlands put the problem even more bluntly: 'At this moment, I don't know how our marketing department will cope with the expected data explosion.'

Social media and the growing number of channels and devices from which customers can choose, come a close second and third in terms of the anxiety they generate. 'We need to manage the 'open box' of social media and the transparency it brings. Communication via social media is completely different from traditional communication tools or channels,' a consumer products CMO in Poland said.

Reflecting on the impact of social media, an aerospace and defence CMO in the United States warned, 'The risk is huge, whether you touch it or not. Don't make the mistake of thinking you reduce the risk by not trying to manage it.'

The changing characteristics of consumers also feature prominently among CMOs' biggest concerns. Sixty-three percent believe shifting consumer demographics will have a significant impact on their marketing functions. However, only 37 percent feel substantially or fully prepared to deal with the shift. 'A new generation with totally different needs and consumption habits is coming. Companies will have to adapt to this change in order to survive in the marketplace,' an insurance CMO in Turkey observed.

'In this coming age of complexity and uncertainty, there is a serious risk of 'losing our north,' of being intoxicated by data overload and suffering from indigestion.'

Carlos Velazquez, Senior Managing Director,
Marketing, Roca Corporación Empresarial

'I see more demand for innovation than I ever have in the past 30 years.'

Steve Robinson, Senior Vice President,
Chief Marketing Officer, Chick-fil-A

Indeed, the marketplace itself is fracturing, as several respondents pointed out. 'Mass markets don't exist anymore; they are splintered,' an insurance CMO in Australia noted. A consumer products CMO in Singapore commented similarly, 'The perfect solution is to serve each consumer individually. The problem? There are seven billion of them.'

The pressure is universal

To sum up, CMOs are stretched. Even those who work for the most successful organisations are struggling. In the course of our research, we asked respondents to assess their organisation's position within the industry in which it competes. (We statistically corroborated their self-assessments using publicly available information. Further details are available on page 63.)

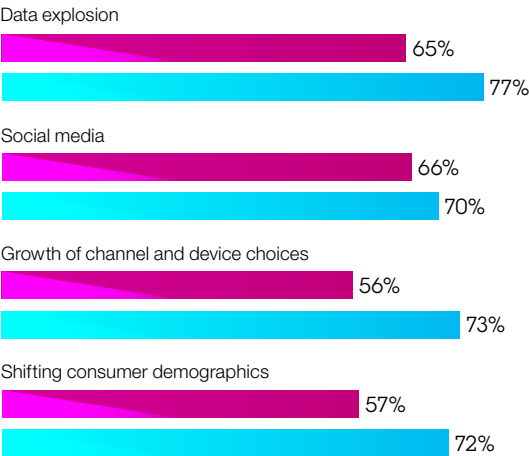
Our analysis shows CMOs in outperforming organisations are better prepared to manage some of the most critical pain points. Yet less than half of them feel completely ready. Those in underperforming organisations are even more uncertain of their ability to cope.

Figure 5

Outperformers struggle too Outperformers are battling almost as much as others to deal with the four most critical pain points.

- Outperforming organisations
- Underperforming organisations

Level of underpreparedness to manage market factors



In fact, one of the most surprising findings to emerge from our study is the degree of consensus among the respondents. No matter where they work, their industry, or how large or successful their organisations are, CMOs are facing many of the same challenges and most feel underprepared to manage them.

This picture holds true even between CMOs working for business-to-consumer companies and business-to-business organisations, where we expected to see some variations in perspective. Of course, a growing number of manufacturers are selling directly to consumers, as well as through retailers, blurring the historical demarcation between the two business models. Yet that, alone, is insufficient to account for the similarity.

The common thread among the responses we received testifies, rather, to the magnitude of the changes now occurring in the marketplace - changes so momentous they have flattened out most differences. In the midst of this major shift, CMOs' responses collectively point to three key areas in which they and their marketing staff need to improve. They must:

- Deliver value to empowered customers
- Foster lasting connections
- Capture value and measure the results of their efforts.

Fortunately, there are several steps CMOs can take to strengthen their organisations and themselves. In the following chapters, we discuss each of these issues - and promising solutions.

'Being able to collect the right information, making sure the right people have access to it, can analyse it and make recommendations based on insights - this is where marketing needs to lead, invest, engage.'

Denis Cochet, Senior Vice President, Sales & Marketing,
Alstom Power



Deliver value to empowered customers

The most effective CMOs focus on getting to know individuals, not just markets. They mine new digital information sources. And they use customer analytics to turn data into insights on which their organisations can act.

'We have to get scientific about the customer experience.'

Nick Barton, Vice President Sales & Marketing,
Greater China, InterContinental Hotel Group

Immerse yourself in the evidence

The first imperative for CMOs is to deliver value to empowered customers. That means finding out who these customers are, what they want and how they would like to interact with the organisation. It's not just a question of understanding their immediate needs and preferences. It's also a question of understanding what they value and how they behave.

Moreover, the clues can be very subtle, since the way in which customers act is sometimes at odds with their stated preferences. Online dating agency Match.com is well versed in this phenomenon. Much of its success comes from watching what users do as well as what they say. It tracks the choices they make, using cluster mechanics to analyse the data and adjusts the profiles it sends them accordingly.¹¹

Most, if not all, senior executives assert they want to understand their customers better. Indeed, in our last CEO study, 88 percent of business leaders - and an astounding 95 percent of those heading the most successful organisations - said getting closer to their customers was the top priority for realising their strategy over the next five years.¹²

However, as many of the CMOs we interviewed admit, that's much easier said than done. 'Our mission is helping customers save time and money, but having the customer insights to understand how to do this is our biggest challenge,' a telecommunications CMO in Canada noted.

Tap the digital grapevine

One reason most organisations struggle to get the customer insights they need is that they still focus on understanding *markets* rather than *individuals*. At least 80 percent of CMOs rely on traditional sources of information such as market research and competitive benchmarking to make strategic decisions. Similarly, more than 60 percent rely on sales, campaign analysis and the like.

Sources used to influence strategy decisions

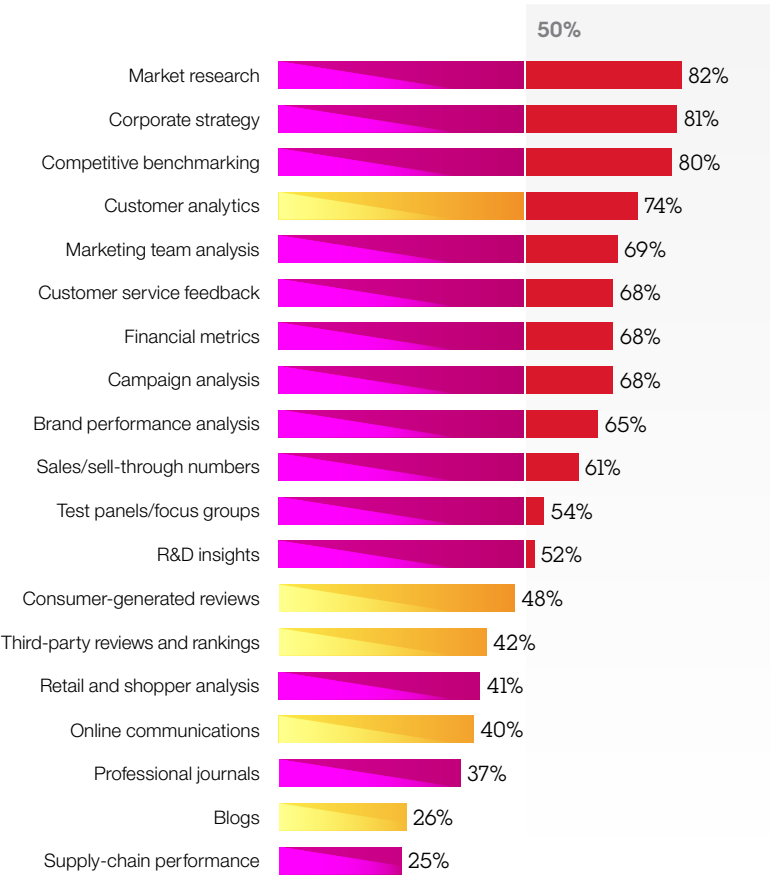


Figure 6

Missing the personal touch Most CMOs pay more attention to markets than individuals.

■ Key sources to understand individuals

'A year ago, one in ten clients asked us about social media. This year, it's nine in ten. We're in an environment where negative blogs can lead to an emergency board meeting. That is the power of social media.'

Edmond Moutran, Chief Executive Officer, Memeac
Ogilvy & Mather MENA (Middle East & North Africa)

Traditional sources of information are important, of course. However, most of them have one big drawback. They can only show customers in aggregate, offering little insight into what individual customers need or desire.

Relatively few CMOs, by contrast, are exploiting the full power of the digital grapevine. Although nearly three-quarters use customer analytics to mine data, only 26 percent are tracking blogs, only 42 percent are tracking third-party reviews and only 48 percent are tracking consumer reviews. This is largely because the tools, processes and metrics they use are not designed to capture and evaluate the unstructured data produced by social platforms.

Yet blogs, consumer reviews and third-party reviews disclose what discrete customers want. They provide a rich source of information about customer sentiment, *with context*, that can help companies more accurately predict demand patterns.

Real-time conversations between informed individuals are also a valuable source of new ideas. When an organisation monitors these social sources for brand mentions, it can rapidly respond to threats of negative exposure before they spiral out of control. As one energy CMO in India pointed out, 'What we think will take 24 hours to affect our brand may only take two hours. So our speed of reaction needs to increase tremendously.'

In short, new digital data sources can provide crucial insights into how customers and influencers think and behave. But to scale this effectively, organisations need to consider building fundamentally different relationships. They need to enable employees to engage with customers and provide customers and other constituents the ability to help one another. Only a small number of CMOs are currently capitalising on such opportunities to enhance their understanding of these dynamics.

Deal with big data

CMOs are also overwhelmingly underprepared to take charge of the growing volume, velocity and variety of data. The majority of respondents recognise this. More than two-thirds believe they will need to invest in new tools and technologies and develop new strategies for managing big data.

Likewise, nearly two-thirds believe they will need to change the mix of skills within the marketing function and enhance its analytics capabilities. A telecommunications CMO in China summed up the general view when he noted, 'Re-thinking our skills mix within the marketing function and aligning with IT are priorities for us.'

More surprisingly, though, relatively few CMOs are thinking about the profound policy implications of big data - especially those relating to privacy and security. Only 28 percent consider it necessary to change their privacy policies, for example, despite the numerous ways in which customers' privacy can now be compromised.

With browser-tracking cookies, global positioning system receivers in mobile devices and interorganisational data sharing, an enterprise can collect far more sensitive customer information than ever before. Greater use of multichannel approaches and devices such as smart phones and tablets is also making many companies' infrastructure and data more vulnerable.

Some regulators and lawmakers have already expressed anxiety on this score. The European Union has, for example, introduced a directive requiring all organisations, as of May 2012, to secure the individual's permission before installing any cookies on visitors' computers.¹³

Many customers are also aware of the risks. In a recent IBM study on social media, consumers told us privacy concerns were the main reason they avoided interacting with businesses on social sites.¹⁴ Given such a strong response, CMOs may want to consider what they can do to inspire greater customer confidence as they think about how to manage big data for their own purposes.

'The biggest challenge isn't the amount of data that's available, but interpreting the data and making business decisions based on the insights it provides. Data analytics will allow us to test our assumptions.'

Bartosz Dobrzyński, Chief Marketing Officer,
P4 Sp. z o.o.

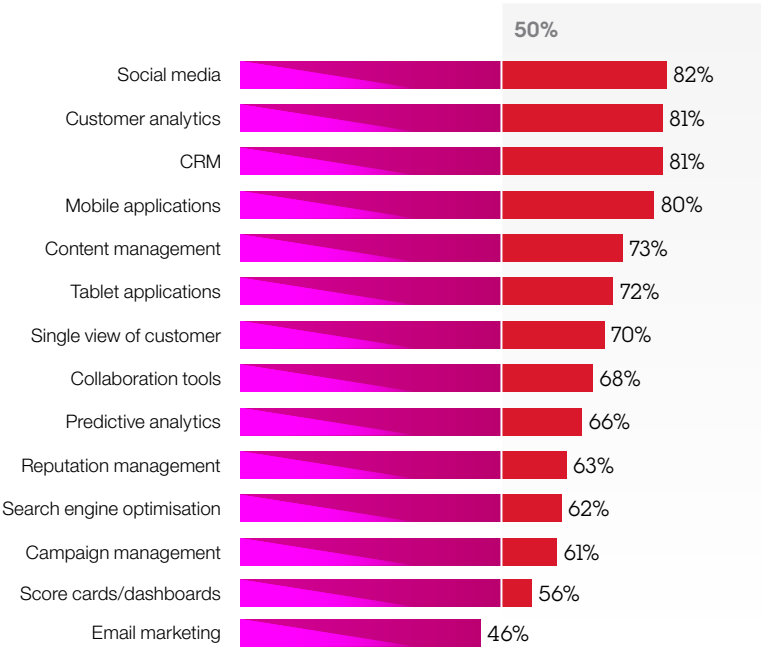
Managing big data is certainly high on their list of ‘must-dos.’ Four-fifths of respondents plan to use customer analytics, customer relationship management (CRM), social media and mobile applications more extensively over the next three to five years.

‘We are redirecting money from advertising to develop and build CRM systems,’ an engineering and machinery CMO in the United Kingdom told us. A professional services CMO in Germany likewise remarked, ‘We need to replace our CRM system and are actively looking at a new system that will address our future plans, including social media, ROI analytics and the global company strategy.’

Figure 7

Taking charge of the terabytes Most CMOs plan to deploy new technologies to grapple with big data.

Plans to increase the use of technology



Break down the barriers

Despite the urgency to change, why haven't more CMOs already adopted new tools and technologies? The two biggest barriers are cost and lack of certainty about ROI - both issues that are becoming increasingly important in the marketing domain.

Most CMOs have not traditionally been expected to provide hard financial evidence of their ROI. But given the current economic volatility and pressure to be profitable, organisations can no longer afford to write a blank cheque for their marketing initiatives. CMOs recognise they now need to quantify the value they bring to the business, be it from investing in advertising, new technologies or any other activity.

This increasing emphasis on ROI also reflects the scrutiny the marketing function is currently attracting, itself a reflection of the function's growing prominence. Today's CMOs are in much the same position as CFOs were a decade ago, when their role was evolving from guardian of the purse strings to strategic business adviser.

Barriers to using technology

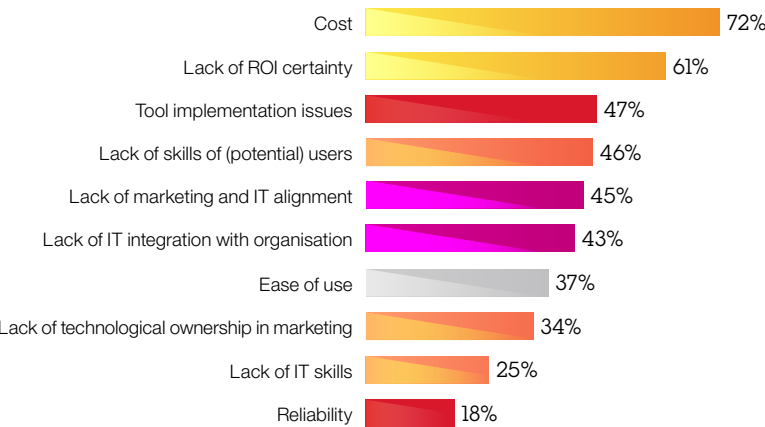


Figure 8

Roadblocks What's preventing CMOs from using new tools? Building the business case, IT issues and lack of technology skills in the marketing function.



'Marketing people will need unique skills in the near future. They'll need to be capable of integrating marketing and IT - like footballers who can kick with both feet.'

Jeroen de Punder, Chief Marketing Officer, Ricoh
Netherlands

However, CMOs who need to make decisions about technology investments may find themselves in unfamiliar territory. This would explain why worries about implementing new technologies loom so large. Four of the remaining eight obstacles CMOs cite are related to IT and marketing's relationship with the IT function.

'It's easy to see the potential of many new tools, but it's rarely simple to integrate them with the organisation's existing systems,' a food, beverage and tobacco CMO in the United Kingdom warned. 'The complexity of integrating [a new system] with other systems too often destroys the ROI of the new system,' she added.

Concerns about the level of skill and lack of technology ownership within the marketing function also suggest CMOs will have to work much more closely with CIOs in the future. An industrial products CMO in the United States spoke for many when she said: 'I don't see how we can go forward without embedding IT into marketing.'

Recommendations

Begin with the big business question.

Focus on the opportunity to create value for customers as individuals.

Open the aperture.

Reprioritise your investments to analyse digital channels, such as blogs, tweets, social networks, peer reviews and consumer-generated content, to access customers' honest, unmediated views, values and expectations. Use advanced analytics to recognise preferences, trends and patterns across every touch point.

Safeguard data.

Work with IT to assess potential data and infrastructure exposures, employ tools to secure customer data and update privacy policies to address customers' concerns.



more than
10 million

views on YouTube



From Stretched to Strengthened

Case study: Mahou-San Miguel

Customer engagement is key to success

Spanish brewer Grupo Mahou-San Miguel, S.A. developed a new brand of beer, 'Mixta,' to appeal to the younger drinking-age customer. Capturing a loyal following for a new brand is never easy. 'Brand awareness is not enough today,' says Javier Herrero-Velarde, Mahou-San Miguel's CMO. 'You have to build an emotional link as well.'

Capitalising on the passion this targeted generation has for all things digital, the company decided to bypass traditional media at product launch and dedicate its resources to social media. To engage and entertain these 'digital natives' and exploit the power of viral networking, Mahou-San Miguel developed more than 30 Mixta commercials for YouTube and Internet outlets.

The results to date have been truly impressive. Herrero-Velarde said the Mixta campaign, with more than 10 million views, is in a battle for second place among all YouTube brand views in Spain. The company is also active in social media with its other brands. The company's flagship brand, 'Mahou,' for example, has more than 100,000 Facebook fans, he said.

The impact of social media goes beyond the numbers of views or fans, however. Particularly gratifying for Herrero-Velarde is the engagement of consumers with the brand, such as the emergence of user-generated imitations of Mixta ads and a social media 'club' of Mixta fans.

Mixta has clearly connected with its audience and the active engagement of customers with the brand is key to its continued success. 'We are receiving ideas and initiatives from our consumers with original brand concepts,' he said. 'For us, that level of interactivity and affinity is a big part of the ROI of social media.'

Tough questions to consider

How are you gearing your marketing people, programmes and processes to understand individuals and not just markets?

Which tools and processes are you investing in to better understand and respond to what individual customers are saying and doing?

How do you safeguard your customers' data and privacy in a multichannel, multi-device world?



Foster lasting connections

Proactive CMOs forge customer relationships that continue after the sale. And they fortify these bonds by creating a corporate character that manifests itself in everything their employees do and say.

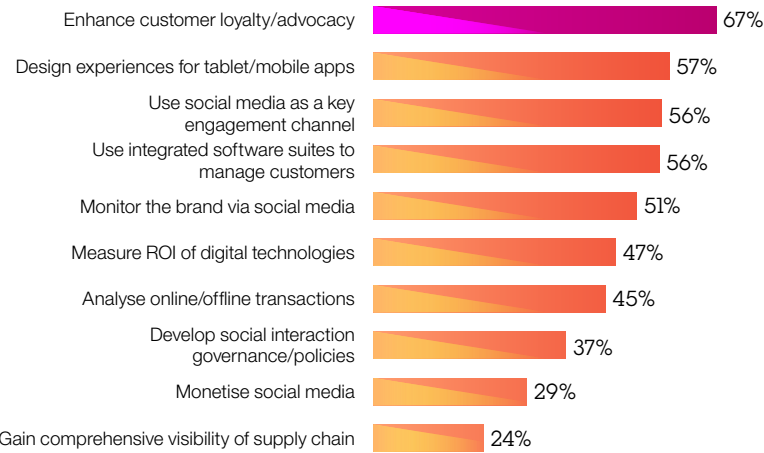
Act on insights

It's not enough just to understand customers or citizens, of course. An organisation also has to act on what it learns - and do so faster than its competitors. Nowadays, it's easy for disaffected customers to go elsewhere, as CMOs are intensely aware. Hence, their top priority is to enhance customer loyalty and encourage satisfied customers to advocate their brands.

Figure 9

Encouraging customers to stay engaged
CMOs see customer loyalty as their top priority in the digital era.

Priorities for managing the shift toward digital technologies



‘We need to take measures that improve the customer’s points of contact and customer loyalty and enlarge our fan base,’ a telecommunications CMO in Japan told us. ‘Loyalty and customer satisfaction are critical because advocates online provide you with immeasurably valuable free marketing,’ a banking CMO in the United States elaborated.

The question is: how do you earn that loyalty? More than half of all CMOs think social media is a key channel for engaging with customers, as Figure 9 indicates. Yet, an earlier study by IBM shows that many executives don’t understand what triggers customers to ‘follow’ their organisations. Nearly 70 percent assume that customers interact with them via social media to get information, express an opinion and feel connected to their brand - whereas, in reality, customers are most interested in receiving tangible value. Indeed, when asked why they choose to follow a company, the top reasons consumers cite are ‘getting discounts’ (61 percent) and ‘making purchases’ (55 percent). Only 33 percent seek out companies to ‘feel connected.’¹⁵

Moreover, engaging with customers is not just about communicating with them. It’s also about helping them enjoy the products and services they’ve bought and collaborating with them to co-create new products and services. But our research shows less than half of the organisations surveyed currently use social media to perform these activities.¹⁶

‘We have to increase customer loyalty. The digital technologies represent an important channel with which to interact with clients and attract them to our service.’

Jeannette Schmitteckert, Head of Marketing and Public Relations, Bardusch GmbH & Co. KG

Create genuine connections

In fact, most CMOs are still focusing on the transaction instead of the relationship. They are using data primarily to segment and sell, not to generate awareness, stimulate interest and ‘create customer tribes,’ as an industrial products CMO in Finland put it.

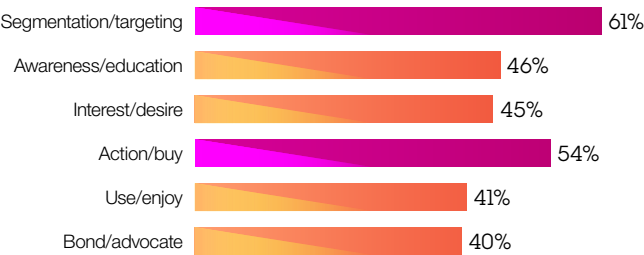
This is partly because, historically, it usually has been easy to get segmentation and sales data. Market analysis firms have provided the former and companies have collected the latter themselves. Obtaining data on the rest of the customer lifecycle has, by contrast, been much more difficult.

However, organisations that only look at segmentation and sales data are missing the opportunity to learn from the other phases of the customer lifecycle. And those phases are becoming increasingly important as customers connect with brands in totally new ways.

Figure 10
Peddling, not partnering Most CMOs are using data to manage the customer transaction, not the relationship.

- Transaction focused
- Relationship focused

Extensive use of customer data



In the past, customers typically started the purchasing process by looking at a large number of brands. Then they systematically narrowed down their choices. But the traditional marketing ‘funnel’ has now become a series of loops. Customers evaluate a shifting array of options. They consult (off- and online) peers, family members, independent experts and retailers or manufacturers, although the latter come last on the list.¹⁷

Most importantly, once the transaction is complete, they often enter into an open-ended relationship with the brand, sharing their experience widely online.¹⁸ The ‘funnel’ typically fails to capture this, because it ends at the moment of sale. Approaches that focus solely on sales therefore miss the opportunity to build shared beliefs and lasting connections, or even inspire customers to be brand or company advocates.

CMOs from the most successful organisations have already adjusted their marketing strategies to reflect this change. Outperforming organisations use data much more extensively than underperforming organisations throughout the entire customer lifecycle. The differences are particularly marked in the phases devoted to stimulating awareness and desire and building advocacy after the sale. As a telecommunications CMO in Belgium commented, ‘Marketing performance tracking is driven by customer loyalty. End-to-end (E2E) lifecycle management is key.’

‘Each bit of feedback is an opportunity to do new things or enhance the customer experience.’

Mehmet Sezgin, CEO, Garanti Payment Systems

Figure 11

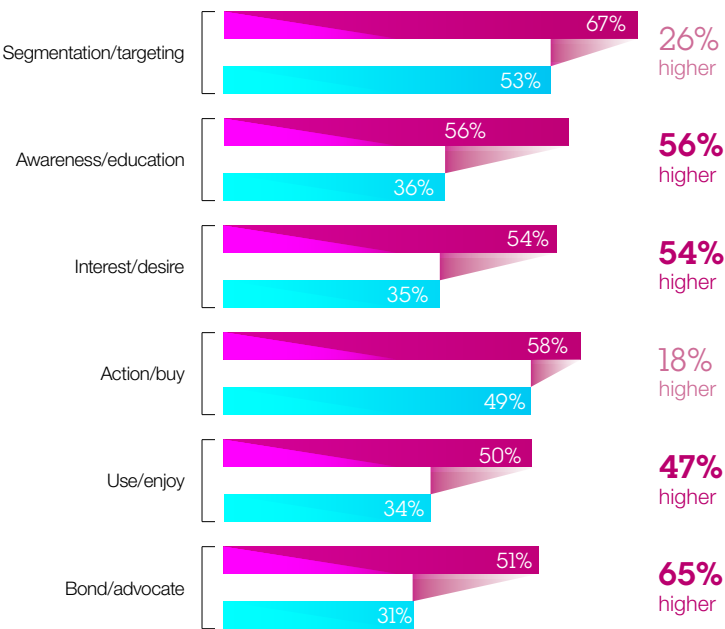
Winning ways CMOs in outperforming organisations invest more effort in capturing and using data to foster customer relationships.

- Outperforming organisations
- Underperforming organisations

‘We need to understand where the money is and where the growth is. Which places, which segments? How do people enjoy and display their wealth and what’s our role in this?’

James Thompson, Chief Marketing Officer, Asia Pacific, Diageo Asia

Extensive use of customer data



Bring your corporate character to life

Interacting effectively with customers in the digital era has even larger implications. At one time, it was enough for a company to market its products or services. But social media has exposed the bones beneath the skin.

Customers can now find out where and how a company makes its products; how it treats its employees, retired workers and suppliers; how much it pays its top executives; how seriously it takes its environmental responsibilities and the like. This knowledge can affect their buying decisions.

In other words, what an organisation stands for is as important as what it sells. It has a ‘corporate character’ - the differentiating attributes that make it a distinct enterprise. And that corporate character is not simply a product of its mission statement, logo or advertising. It is, rather, the sum of everything its management and employees say and do - the beliefs they hold, values they profess and ways they behave, visible for all to see.

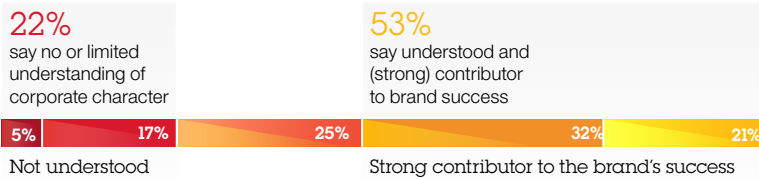
More than half of the CMOs we talked with think their organisation’s corporate character is well understood in the marketplace and contributes strongly to the success of their brands. CMOs in outperforming organisations are especially positive on this score (64 percent versus 37 percent of those in underperforming organisations).

However, further questioning revealed that many respondents are much less confident than their preliminary responses might suggest. Fifty-seven percent of CMOs admit there’s still a lot of work to be done to get employees fully on board. Only 20 percent believe they have already succeeded. Moreover, many CMOs recognise they have a major role to play in helping to ensure the workforce embraces and exemplifies their organisation’s corporate character.

‘In a corporate setting, instilling an entrepreneurial attitude in our own people is the most important challenge. After all, our people are our best marketing tool.’

Vivienne Tan, Executive Vice President, Philippine Airlines

Is your corporate character understood in the marketplace?



Is much more work needed to get employees on board?

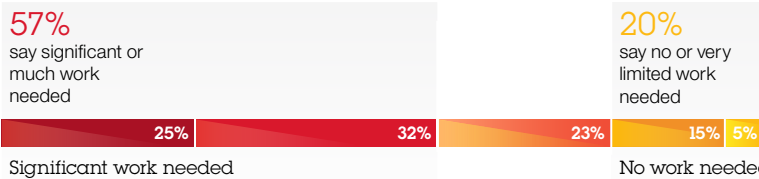


Figure 12

Building an authentic enterprise Many organisations have a clearly defined corporate character but still need to work on instilling that character in the workforce.

‘We have to manage the reputation of the brand in the context of the vulnerability caused by the new digital world, by being honest, transparent and genuine.’

Dev Amritesh, President and Chief Operating Officer, Dunkin’ Donuts (India), Jubilant FoodWorks Limited

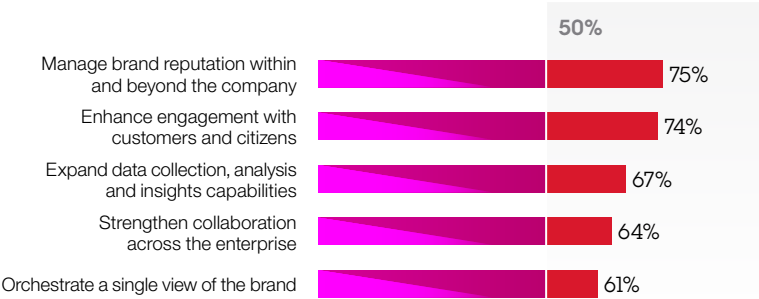
‘Traditionally, corporate culture and character have been managed by HR, but it can’t remain there in a digital environment,’ a financial markets CMO in the United States remarked. ‘The world of separate internal and external messages is gone. Internal actions, memos and decisions can impact your brand just as much as an advertising campaign.’

In fact, the majority of CMOs believe the transparency the digital revolution has engendered requires the marketing function to make at least five key changes, as Figure 13 shows. These changes reflect the way in which the CMO’s role is evolving. For many decades, the CMO’s job was to market an organisation’s products and services. Today, it begins with the marketing of the organisation itself.

Figure 13

Clear vision In a transparent world, an organisation’s corporate character is critical - and the marketing function can play a big part in activating it.

Top five initiatives driven by transparency



Recommendations

Jumpstart relationships.

Capitalise on new digital channels to stimulate conversations with existing and potential customers and create new types of relationships to reveal untapped opportunities. Use tangible incentives to attract followers.

Connect continuously.

Engage with your customers and citizens at every stage in the customer lifecycle and build online and offline communities to strengthen your brand.

Champion your organisation's corporate character.

Help the enterprise define and activate the traits that make it unique. Work with the entire C-suite to meld the internal and external faces of the enterprise.



more than
80%

increase in sales



From Stretched to Strengthened

Case study: Kraft Foods

Customer engagement delivers ‘slam dunk’ for Oreos

Kraft Foods’ Oreo biscuit was first introduced in China in the 1990s. But it wasn’t until the company began actively engaging with consumers that sales began to take off.

In communicating with customers, Kraft found that the original Oreo was too sweet for local palates and the package too big for small Chinese families. So in 2006, after testing 20 different prototypes, Kraft reformulated both the biscuit and its packaging.

To reintroduce the Oreo, Kraft capitalised on the desire of Chinese citizens to interact with national celebrities and their affinity for digital media. The company tapped NBA basketball star Yao Ming - then China’s most famous export to the United States - as a brand ambassador.

Using online gaming, the company encouraged younger consumers to ‘compete’ with Yao Ming in Oreo ‘Twist, Lick and Dunk’ contests. Mothers in China, the ultimate audience, were encouraged to share their ‘Oreo Moments’ in an online diary on China’s popular QZone social network.

The results of these two campaigns have been astounding. The total number of clicks on the online gaming site has topped 1.2 billion, with nearly five million page views and 1.5 million unique visitors. The first six months of the social media campaign on QZone saw 38 million unique visitors and more than 40 million user-generated ‘Oreo Moments.’

Since the inception of the first digital campaign, Kraft representatives report that sales of Oreos in China have increased by more than 80 percent and in-store sales in some regions have tripled. By listening to consumers, understanding their product wants and communicating with them through the media they prefer, Kraft has made the Oreo the best-selling biscuit in China.

Tough questions to consider

How do your marketing tactics and investments work in sync to create and grow a pervasive and innovative total customer relationship?

What steps are you taking to connect customer insights with product and service development and to stimulate your customers to become brand or company advocates?

How are you collaborating with your C-level peers to activate your 'corporate character' across all touch points and experiences?



Capture value, measure results

The pressure is rising. CMOs have to show a real return on their marketing expenditure. They also have to hire people with technical, digital and financial skills and become savvier in such areas themselves.

Demonstrate accountability through ROI

The CMO's last challenge is to measure the success of the marketing function's efforts. At one stage, it was enough to point to advertising recall, brand perception or website traffic. But CMOs are under increasing pressure to provide quantifiable evidence of how their marketing expenditure is helping the organisation achieve its goals.

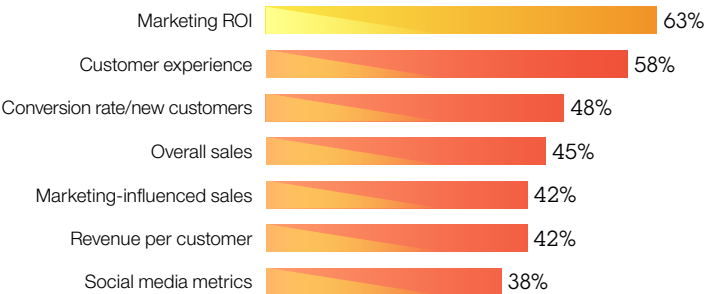
If they are to use their budgets as wisely as possible, CMOs also need to know which initiatives deliver the best returns. In other words, they need to know what to *stop* investing in, as well as what to ramp up.

CMOs are well aware they will have to be much more financially accountable in the future. In fact, 63 percent of respondents believe marketing ROI will become the most important measure of success over the next three to five years.

Figure 14

Hard measures CMOs believe ROI on marketing spend will be the number one method for determining the marketing function's success by 2015.

Seven most important measures to gauge marketing success



Importantly, though, only 44 percent of respondents feel sufficiently prepared to manage the increasing importance of ROI. Even those in outperforming organisations are finding it hard. 'It's difficult to measure the ROI of our marketing effort because we don't have the right tools to provide us with the analysis,' an electronics CMO in Belgium admitted. An industrial products CMO in the United States agreed. 'Marketing ROI is the 'Holy Grail,' he observed. 'We're not there today and we're trying to find the formulas to figure this out.'

In order to identify the right metrics and use them accurately, many CMOs will need to work more closely with their colleagues in the finance function, starting with the CFO. They will also need to provide financial training for their staff and recruit marketing people with strong financial acumen.

Extend sphere of influence

However, if CMOs are to be held responsible for the marketing returns they deliver, they must also have significant influence over all four Ps: promotion, products, place and price. Surprisingly, this is often not the case.

CMOs told us they exert a strong influence over promotional activities such as advertising, external communications and social media initiatives. But, in general, they play a smaller role in shaping the other three Ps. Less than half of all respondents have much sway over key parts of the pricing process, for example. Similarly, less than half have much impact on product development cycles or channel selection.

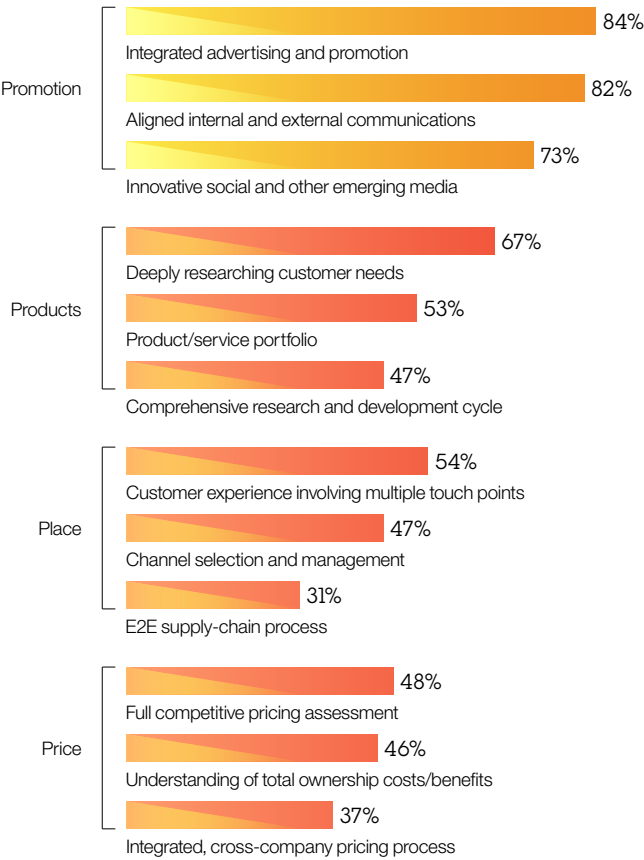
'The success of my role is far more about analytics and technology than it is about hanging out with my ad agency, coming up with great creative campaigns. We must increase campaign ROI.'

Rob Colwell, Executive Manager - Commercial and Marketing, Qantas Frequent Flyer

Figure 15

Pulling all the levers CMOs must be able to influence all four Ps significantly, if they are to realise the best return on their marketing spend.

Percent of CMOs citing significant influence



CMOs based in growth markets typically have somewhat more influence over the remaining three Ps than their peers in mature markets. This is possibly because they are more likely to be making markets than capturing a share of existing markets.

Yet, as all CMOs know, price, product and place significantly influence customer preference. At the same time, actions taken by marketing impact the organisation. A special promotion, for example, may drive up demand, with implications for the supply chain. The CMO is uniquely positioned to capture and disseminate such customer insights throughout the organisation.

Improve your digital IQ

So, how can CMOs extend their sphere of influence? They can start by 'improving the digital IQ of the marketing team,' as a consumer products CMO in Singapore remarked.

Many respondents already recognise the importance of acquiring fresh talent. 'We need a new mix of skills, especially with the advent of web and mobile technologies,' a chemicals and petroleum CMO in France said. 'Our employees have very traditional skills. They know about things that mattered in the past, but they don't necessarily understand the new picture.'

However, recruiting people with suitable abilities won't be easy. Time and again, the CMOs we interviewed referred to the shortage of talent. 'Finding the right people is very difficult. There's a mood of individual entrepreneurialism right now,' an airline CMO in Canada commented.

'We have to reinforce the marketing function's role in product development to ensure that our customers' needs and wants are reflected in the design of the new products we make.'

HyungSuk Cho, Senior Manager, Marketing Strategy Team, Fashion Business, Samsung Cheil Industries Inc.

This may explain why a substantial number of CMOs also plan to call on external expertise. At present, most CMOs use partnerships primarily to augment their promotional activities, such as advertising and event management. But when we asked respondents where they intend to tap external resources more heavily over the next three to five years, there was a marked shift in emphasis.

The increase in the percentage of CMOs planning to use outside agencies for lead management, customer and data analytics and direct or relationship marketing was especially pronounced. The percentage of CMOs planning to get help with IT, call or service centre management and tracking and measurement also rose by more than half.

Companies must be able to track what their customers say and do, extrapolate from the data and manage touch points systematically. This change of focus suggests that CMOs are eager to move beyond traditional marketing. Since that's uncharted territory for many organisations and the talent they require isn't readily available, they are looking for new partners to help them.

CMOs' use of external partnerships

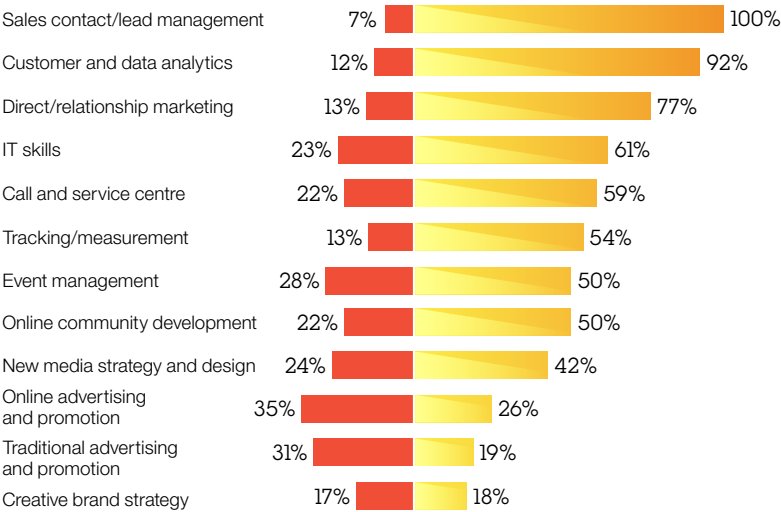


Figure 16

Increasing use of partnerships In the future, CMOs plan to use external resources to strengthen their capabilities.

- Percent of CMOs using partners extensively today
- Percent increase of partnerships in three to five years

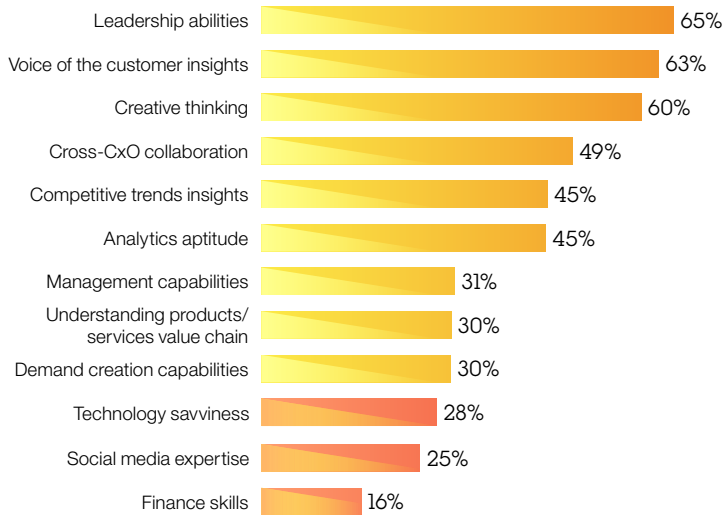
Lead from the front

But it's also important that CMOs lead the way by boosting their own digital, technological and financial proficiency - and many CMOs seem surprisingly reticent in this respect. When we asked respondents which attributes they thought they would need to be *personally* successful in the future, technological competence, social media expertise and financial acumen came last on the list. They placed much more emphasis on traditional leadership traits.

Figure 17

New skills for new opportunities CMOs can grow their influence by acquiring new capabilities that focus on technology, social media and ROI.

Capabilities for personal success over next three to five years



Clearly, CMOs need those traits, too. However, the weight of the evidence from our survey - describing what CMOs themselves see as the crucial issues facing their companies and profession - suggests that traditional skills won't be enough. To excel in an era that's defined by its use of technology, innovative forms of social interaction and financial accountability, CMOs will have to become much more savvy in these key areas.

Recommendations

Capitalise on new tools to measure what matters.

Use advanced analytics and compelling metrics to improve decision making and to demonstrate your accountability.

Enhance business acumen.

Adjust your talent mix to increase technical and financial skills and grow your digital expertise by finding new partners to supplement your in-house resources.

Lead by example.

Expand your horizons by enhancing your personal financial, technical and digital savviness.



more than
90%

increase in sales of
cross-sell items



From Stretched to Strengthened

Case study: FootSmart

Analytics help deliver cross-sell success

Online commerce provides empowered customers with the opportunity to conveniently shop for products and services that precisely meet their needs. At the same time, marketers are challenged by the sheer number of customers whose buying habits they must understand. Businesses can meet this challenge by applying automated customer interaction systems shaped by sophisticated analytics.

FootSmart, a direct-to-consumer retailer of foot and lower-body health care products with more than 1.9 million customers, knew there was untapped potential in online sales. But to capitalise on this, the company needed algorithms that parse both individuals' previous behaviour and overall patterns in the firm's customer data.

To more efficiently identify the most relevant and profitable cross sells, while weeding out the underperformers, FootSmart engaged an analytics partner to capture the lifetime behaviour of customers on its site and the comprehensive browsing, shopping and purchasing information stored in the system.

Carefully targeted offers are now generated automatically, resulting in online customers receiving relevant products much more likely to delight them. Analytics have helped FootSmart realise impressive numbers as a result: a 147 percent increase in cross sells as a percentage of total online sales; a 97 percent increase in sales for cross-sell items; a 31 percent increase in its cross-sell conversion rate; and a 19 percent increase in average order value when cross-sell products are purchased. Satisfied online customers now generate 65 percent of FootSmart's sales.

Tough questions to consider

How are you measuring and analysing the results of your initiatives and communicating them to advance your marketing function's credibility and accountability?

What are you doing to enrich the skills mix in the marketing function and build technical, financial and digital acumen?

In what ways are you personally investing to broaden your capabilities?



Get fit for the future

The CMO's role is expanding, as the digital revolution transforms the orthodoxies of marketing. We learned from more than 1,700 CMOs how they are addressing new opportunities and challenges and strengthening themselves to succeed.

'Marketing is a balanced combination of art and science. A good approach blends human creativity and logical thinking based on the data insights technology offers.'

Le Quang Thuc Quynh, Marketing Director,
Saigon Co-op

Feel strengthened, not stretched

The practice of marketing is going through a period of unparalleled change, putting CMOs everywhere to the test. So how should you respond?

You can carry on as before - and continue to feel stretched. Or you can seize the opportunity to transform your marketing function by responding to these new realities:

- The empowered customer is now in control of the business relationship
- Delivering customer value is paramount - and an organisation's behaviour is as much a part of the value equation as the products and services it provides
- The pressure to be accountable to the business is not just a symptom of hard times; it is a permanent shift that requires new approaches, tools and skills.

The combined insights of the 1,734 senior marketing executives who participated in our study point to three strategic imperatives you can act on to strengthen your likelihood of success:

Deliver value to empowered customers	Foster lasting connections	Capture value, measure results
<ul style="list-style-type: none">• Focus on creating value for customers as individuals• Reprioritise investments to analyse digital channels to access customers' views and use advanced analytics to recognise preferences and trends across every touch point• Work with IT to assess potential data and infrastructure exposures, employ tools to secure customer data and update privacy policies to address customers' concerns.	<ul style="list-style-type: none">• Capitalise on new digital channels to stimulate customer conversations and new relationships; use tangible incentives to attract followers• Engage with customers throughout the customer lifecycle; build online/offline communities to strengthen your brand• Help the enterprise define and activate traits that make it unique and engage the C-suite to meld the internal and external faces of the enterprise.	<ul style="list-style-type: none">• Use advanced analytics and compelling metrics to improve decision making and to demonstrate accountability• Adjust your talent mix to increase technical and financial skills and grow digital expertise by finding new partners to supplement in-house resources• Expand your horizons by enhancing your personal financial, technical and digital savviness.

Start here

Where should you begin? Create a small action team composed of eager marketing futurists - individuals within your organisation who have the potential to be CMOs themselves someday. Give these people a short timeframe to review the issues and develop recommendations for resolving them.

Breaking the challenges into smaller chunks will enable you to address the big picture as well as the details and dependencies. It can also help you identify opportunities for small wins and boost support for more radical initiatives.

In addition to creating a task force, schedule time to talk with your C-suite peers. Consult the CIO about how you can improve your marketing tools and technologies. Confer with the CHRO about how to empower employees to better represent your organisation's corporate character. Enlist the CFO as a partner in developing the appropriate marketing metrics.

Lastly, look at the organisation through your customers' eyes, as they progress through the full relationship lifecycle. While you may believe you already capture this information, all the data in the world cannot replace the personal experience of walking in your customers' shoes.

Be a customer. Drop in on stores and sites. Go to your call centres and sit in with randomly selected customer representatives or access recorded conversations. Join the customer conversation via social media. When you experience your brand as a customer, think about what can further differentiate it from the competition.

What are customers learning about your organisation and offerings from blogs, reviews and other customers? Where do your products and services rank in price comparison lists? How easily can customers interact with your organisation - before, during and after the sale? What are you doing to create communities of interest and build long-term bonds?

Think, too, about how your employees interacted with you. Did they exhibit the qualities that exemplify the unique corporate character your customers value? Did the sum of the online and offline touch points leave you with an accurate impression of your organisation's corporate character?

Armed with this personal understanding of your customers' experience, the insights of your C-suite colleagues and the findings from your task force, you will be able to start building a marketing function with the sinews to succeed in the digital era.

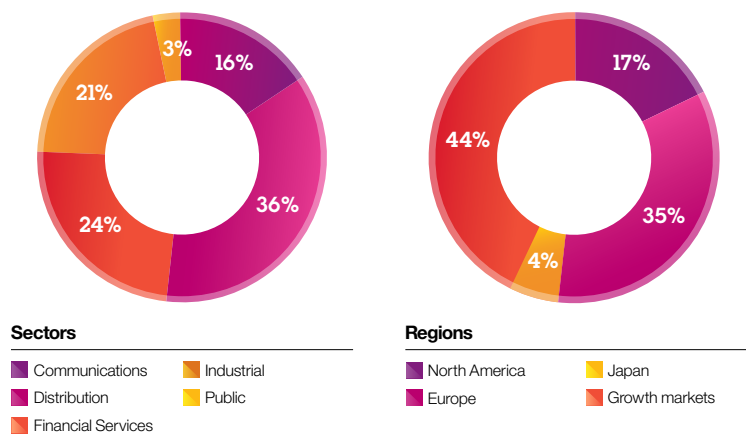
Continue the conversation at ibm.com/cmstudy2011

How our research was conducted

This report is IBM's first study of CMOs - and the fifteenth in the ongoing series of C-suite Studies developed by the IBM Institute for Business Value. Between February and June 2011, we met face to face with 1,734 CMOs in 19 industries and 64 countries 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 latest Interbrand rankings to enterprises with a primarily local profile.¹⁹

Figure 18
About our research More than 1,700 CMOs worldwide participated in this study.

Participants represent organisations from 64 countries and 19 industries



We drew on various techniques, including descriptive statistics and multivariate analysis (both factor and cluster analysis), to scrutinise the responses of the entire survey population. This showed only small regional or industry performance differences, with almost no statistically significant variances among CMOs from organisations of various size.

We also sought to identify and understand, any disparities between CMOs in outperforming organisations and those in underperforming organisations. To this end, we asked respondents to assess their organisation's position within the industry in which it operates, on a scale ranging from one to five. Organisations ranked as fours were classified as average performers, while those ranked one to three were classified as underperformers and fives were classified as top performers. (We took four as our midpoint to compensate for any cognitive bias respondents might have in favour of their own organisations.)

We cross-validated responses by comparing them with two objective financial measures - compound annual growth in operating margins and profit before taxes between 2006 and 2010 - where the information was publicly available. Our analysis confirmed there was a very high correlation between self-assessed and actual performance, thereby eliminating the potential for distortion from a systemic 'halo effect.' All references to outperforming and underperforming organisations in our study are based on how CMOs assessed their own enterprises.

Acknowledgments

We would like to thank the 1,734 CMOs around the world who generously shared their time and insights with us. Special thanks go to the CMOs who allowed us to illustrate major themes in this report by quoting them or drawing on their expertise in case studies.

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And more than 1,000 IBM leaders worldwide who conducted the face-to-face interviews with CMOs.

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About the IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical industry-specific and cross-industry issues. This Global Chief Marketing Officer Study is part of our ongoing C-suite Study Series.

Notes and sources

- 1 The terms 'chief marketing officers' and 'CMOs,' when used in this report to qualify or quantify our study findings, refer exclusively to the 1,734 executives interviewed for the 2011 IBM Global Chief Marketing Officer Study.
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For further information

For more information about this study, please send an email to the IBM Institute for Business Value at iibv@us.ibm.com. We will arrange for you to be contacted by the appropriate IBM industry or regional expert.

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