



Forbes insights

THE MODERN CMO:

New Goals.

New Metrics.

New Markets.

IN ASSOCIATION WITH:

 theTradeDesk®

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INTRODUCTION



We are living in the “interesting times” of lore—as advanced technologies sweep across businesses, transforming marketing as well as the job of chief marketing officers.

It was once acceptable for CMOs to gauge retrospective results and progress by using vanity metrics such as page views and clicks. In this day and age, however, CEOs and boards are looking to marketers to manage and measure more touchpoints throughout the business, drive customer experience and scale revenue. Vanity metrics cannot meet these needs when CEOs are demanding measurable business results.

Increasing efficiency and revenue is not an easy feat with today’s fickle consumers. Attention spans are getting shorter and spreading across a variety of media. Marketers admit that these changing media habits are their principal challenge. While staying on top of technologies and driving growth for the organization, CMOs are also venturing across the whole connected, global, digital universe, with a special focus on China.

To understand how CMOs create and prove the value of marketing to the enterprise, Forbes Insights teamed up with The Trade Desk and surveyed more than 200 chief marketing officers in global companies with more than \$500 million in annual revenues. The survey results underscore that the demands on CMOs are evolving as the digital space changes and that aligning marketing with business goals is critical to bringing value to the organization.

KEY FINDINGS



- **TECH AND ROI ARE TOP OF MIND FOR 2019.** Efficiency in marketing and investing in technology are key goals for nearly half of CMOs surveyed.
- **BYE-BYE PROXY METRICS.** Return on investment, customer retention and sales revenue are the top metrics for CMOs to demonstrate business value to the C-suite.
- **CHANGING MEDIA CONSUMPTION CHALLENGES CMOs.** As cord-cutter and cord-never numbers continue to rise, CMOs must adapt to customers’ changing habits.
- **GROWTH OPPORTUNITIES DRIVE INVESTMENT IN CHINA.** Eighty percent of CMOs plan to increase investment in marketing in China over the next 12 to 18 months.

TOP GOAL: EFFICIENT MARKETING TECHNOLOGY

There is no stopping the clock. With its advanced technologies, the Fourth Industrial Revolution is sweeping across companies and upending how things are done. “There isn’t an organization that’s not in the midst of, or well on their way to, digital transformation,” says Alicia Tillman, chief marketing officer at SAP. Marketing is undergoing an unprecedented foundational change driven by this transformation. The winners will be brands that most efficiently leverage technology, data and digital media to reach and engage individual customers.

The research revealed that high-performing marketers are faster and more effective at shifting marketing resources and investments across media, channels and stages of the customer journey to optimize performance and adapt to the market. CMOs are investing in tools to reduce the time, cost and complexity of managing and measuring marketing performance. And they understand what will separate winner from loser. Top of mind for CMOs: efficiency in marketing and investing in technology (Figure 1).

The two—efficiency and technology investment—are connected: The combined goal is to use technology efficiently for marketing ROI improvement. On one hand, technology budgets are rising, with 86% increasing investment in marketing technology over the next year. These will be significant investments, as almost half (46%) of CMOs expect to increase their investment in marketing technology by at least 25%.

On the other hand, efficiency comes from making the right technology investments. Simply put, CMOs will need to account for how well their technology investments are performing. Roughly a third of CMOs surveyed say their roles have moved toward having more accountability. In recognition of this responsibility, they’re focusing their own professional development on efficiency in marketing and investing in technology (Figure 2).



Figure 1: What’s top of mind for CMOs next year?
(Respondents could select up to three answers.)

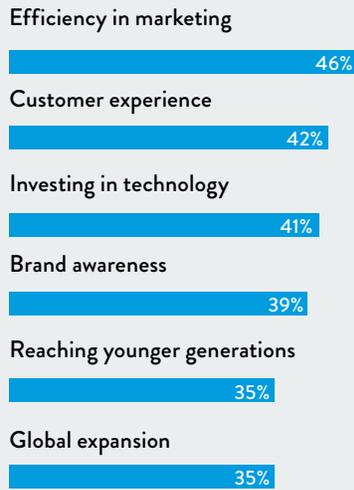
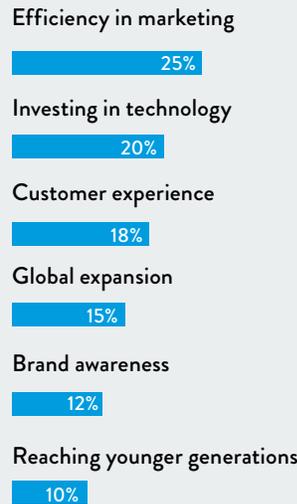


Figure 2: What is the biggest thing CMOs need to focus on for their own development?
(Respondents could select only one answer.)



NEW METRICS: VANITY METRICS DON'T MAKE THE GRADE

Marketing represents 11% of a company's overall budget, so it's easy to see why CEOs look to their marketing chiefs to connect that level of investment to revenue and enterprise value in as straight a line as possible. Research into CMO accountability shows that marketing strategies, investments and actions can contribute over 50% of enterprise value in many organizations, with brand alone contributing an average of 19% of that value in B2C companies and 10% in B2B enterprises.

That level of value generation puts the onus on the CMO to be a leader of business growth within the organization. This is reflected in management expectations, with increasing revenue being the top sought-after result by far (Figure 3). A word of caution here: As the charts show, while management and CMOs agree on their goals and expectations overall, CMOs seem to be underestimating the importance of delivering revenue.



Figure 3.

What are the expectations of management?
(Respondents could select up to three answers.)



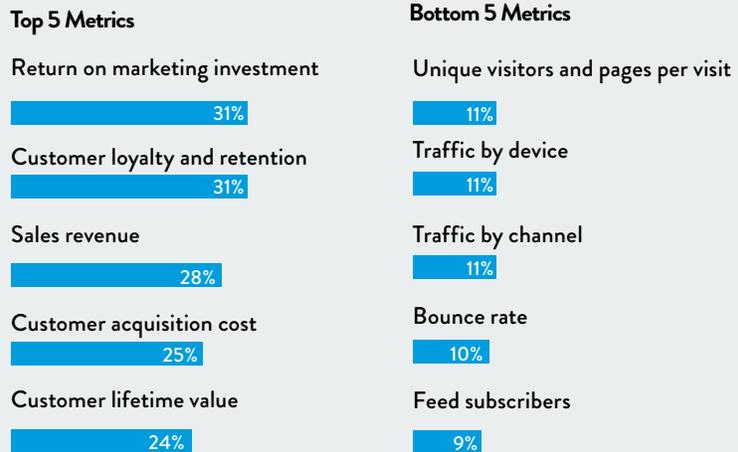
What do you see as the top goals of your marketing organization?
(Respondents could select up to three answers.)



SAP's Tillman definitely sees increasing revenue as part of her role. "Ultimately, the leading driver of success is marketing's contribution to revenue," says Tillman. "Everything we do has to show a positive contribution. We measure our marketers on opportunities and conversions. It's a fundamental shift and helps raise the credibility of the marketing organization in terms of contribution to revenue and partnership with the sales organization. Historically, we were measured on the number of activities that marketing generated, not necessarily on how the opportunities converted into new business or revenue."



Figure 4. Most and least important metrics to demonstrate the value of marketing to the enterprise



With management's expectations of delivering hard-core business results, vanity metrics such as clicks and page views no longer meet organizations' needs to justify that budget outlay. Nor do they provide enough insight for the CMO to develop a truly comprehensive marketing agenda, address strategic and long-term organizational goals, or understand the revenue consequences of specific activities.

Marketers are clearly moving toward business-focused metrics to demonstrate the value of marketing across their campaigns. The top five metrics are all financial and outcome-based. Topping that list: return on marketing investment and sales revenue. This focus further underscores why CMOs are so intent on making sure their investments in technology result in efficient marketing. The bottom five metrics, on the other hand, are all activity-based, which may or may not translate into measurable financial outcomes (Figure 4).

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ALICIA TILLMAN,
CMO, SAP

To deal with these multiple marketing forces and executive expectations, it's helpful for marketers to develop a common language with the C-suite, to demonstrate alignment with core business goals. "CMOs can't just bring marketing smarts," says David Edelman, chief marketing officer at Aetna. "It's important to really understand the guts of the business and how it operates, to have the credibility to talk about the decisions you're making and how they will impact the business. You have to truly understand the second- and third-order implications of your decisions."

For CMOs on the ground, it means that having a common source of data across all channels is key. "When we are all pulling from a common data lake, then the baseline is the same," says Tillman. "This unified data model makes it easier and more achievable to create appropriate goals across brand, purchasing, decision, customer loyalty, etc."

Accessing and using this unified data is critical to marketing success. More than three-quarters of the companies surveyed make marketing decisions based on data-driven insights more than half the time. And almost all (95%) use data to inform their audience segmentation strategy. With numbers like this, it is evident that investment in data and analytics resources is critical. Indeed, companies with larger ad budgets are using data to inform strategy 52% more often than their counterparts with smaller ad budgets.

Working with data effectively requires partnerships within the organization. The survey indicates that CTOs and CEOs are the top two most important partners in achieving marketing goals. SAP's Tillman understands the reality of these kinds of partnerships in the executive suite: "So much of the ability to create a unified experience depends on process and technology. I work closely with our IT executives on the technology required to run our operations effectively."

As SAP demonstrates, even with the heightened expectations for CMOs to be growth drivers, delivering on that promise requires cross-functional collaboration. Partnerships with executives and departments throughout the organization enable

DATA AND THE EVOLUTION OF THE CMO

With the CMOs responsible for proving efficiency and growth, increase in digital analytics is the most pronounced change in their roles over the last few years. As the core of the digital economy and the CMO's mandate within the business, data drives a lot of insight for the marketing organization.



Figure 5. How has your role changed in the last few years?



CMOs to achieve their growth mandate in several ways—they can increase the level of trust in the underlying data, improve access to necessary data and ensure that the marketing team has enough of the customer data they need to do their jobs. The survey indicates that most company environments are able to support this kind of collaboration—only about a quarter of CMOs have trouble with accessing and trusting the data they use, and even less than that suffer from information silos that prevent effective collaboration.

NEW MEDIA HABITS: CONNECTING WITH CONSUMERS ON THEIR TURF

Customers reign supreme, making their constantly changing media habits the top challenge for marketers (31%). While they cannot control the evolving digital landscape, savvy marketers can control how the company uses digital and media platforms and tools.

The [Forbes Marketing Accountability report](#) indicates that 89% of CMOs are prioritizing customer experience, as that is where the majority of new customer growth comes from. And the most effective marketers are faster at shifting marketing resources and investments across media, channels and stages of the customer journey, so they can optimize performance and adapt to changing market conditions to reach individual customers where they are.

Where are the customers? The short answer is: everywhere, and in a constant flux. Over the last three years the number of cord-cutters has been growing by around 30% per year. At the same time, the number of pay TV viewers has been decreasing, albeit much more slowly—from 100 million pay TV households in 2015 to 95 million in 2020. Smartphones have become almost ubiquitous, with 77% of U.S. adults owning one, and about two-thirds using social media sites.

While some of these movements are more dramatic than others, it's clear that customers are more dispersed across different media, picking new ones and sometimes still holding on to traditional outlets. One thing is certain: Consumers expect marketers to reach them on their turf, whether it's a social media site, a streaming service or television (Figure 6).



Figure 6. How has your advertising media mix changed with the increased connectivity of your audience?



For marketers, this means a careful dance to keep in step with customers, using technologies such as programmatic buying to reach individual customers on whatever media they're glued to at any given moment. "We're doing more in digital—targeting, programmatic buying, location-based buying, pre-rolls, etc." says Aetna's Edelman, adding that television still performs very well for the company.

In fact, TV remains a significant channel for brands. Like Aetna, 89% of the companies surveyed continue to include TV. Demonstrating that significance, 81% of CMOs plan to increase their budget on upfronts, which now include digital inventory through smart TVs, gaming consoles, connected devices and apps.

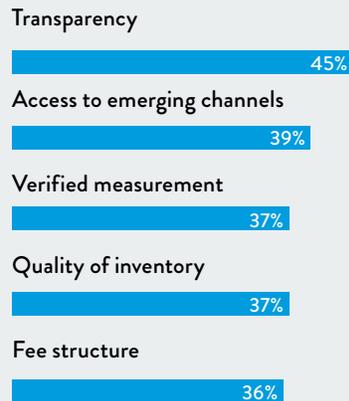
To reach the fickle customer, CMOs can use the help of artificial intelligence—programmatic media applying machine learning to media buying. It works across any digital media format, including display, social, video, mobile, audio and connected TV, for more precise targeting and real-time measurement.

Programmatic is the marketer's holy grail—extraordinary efficiency, thanks to its ability to target individual customers. Already, two-thirds of surveyed CMOs spend at least a quarter of their advertising budgets on programmatic technologies. They recognize that third-party marketing partners do provide value for companies who use them—they help four out of 10 companies stay competitive and access new customers, and they help another 35% learn about emerging trends and tactics.

CMOs choose their programmatic partners based on a number of factors, including the level of transparency in campaigns, the amount of access the partner provides to emerging channels such as connected TV, quality of inventory and their ability to provide verified measurement (Figure 7).



Figure 7. Biggest factors in choosing a programmatic advertising partner



NEW MARKETS: A FUTURE IN CHINA

All, or at least many, roads lead to China. As a significant percentage of the Chinese population is online and analysts point to the rapid growth of broadband access and online video in the country, it makes sense that companies are looking to gain in this market. Three of five companies currently include China in their global ad campaigns, and half the companies not yet focused on this market expect to invest there in the next one to three years. Almost all plan to grow there: 80% of CMOs are increasing investment for marketing in China over the next 12 to 18 months.

While the push to build market share in this Asian powerhouse is driven by the swing of global economic forces and the sheer size of the market (Figure 8), effective marketing is not always as easy to come by as in other geographic areas. Two factors in particular present challenges for organizations seeking to effectively include China in their global ad campaigns: political barriers and censorship (30%) and lack of media transparency (28%).

Even with the unique challenges presented by this market, companies are positioning themselves in the Chinese digital landscape. A quarter are working with or actively seeking a marketing or advertising partner to expand there, while a third are working to build their capacity there in anticipation of a future presence in that market.



Figure 8. Top 3 Reasons to Market in China

Global economic trends

46%

Geographical diversification

41%

The market size overall

39%

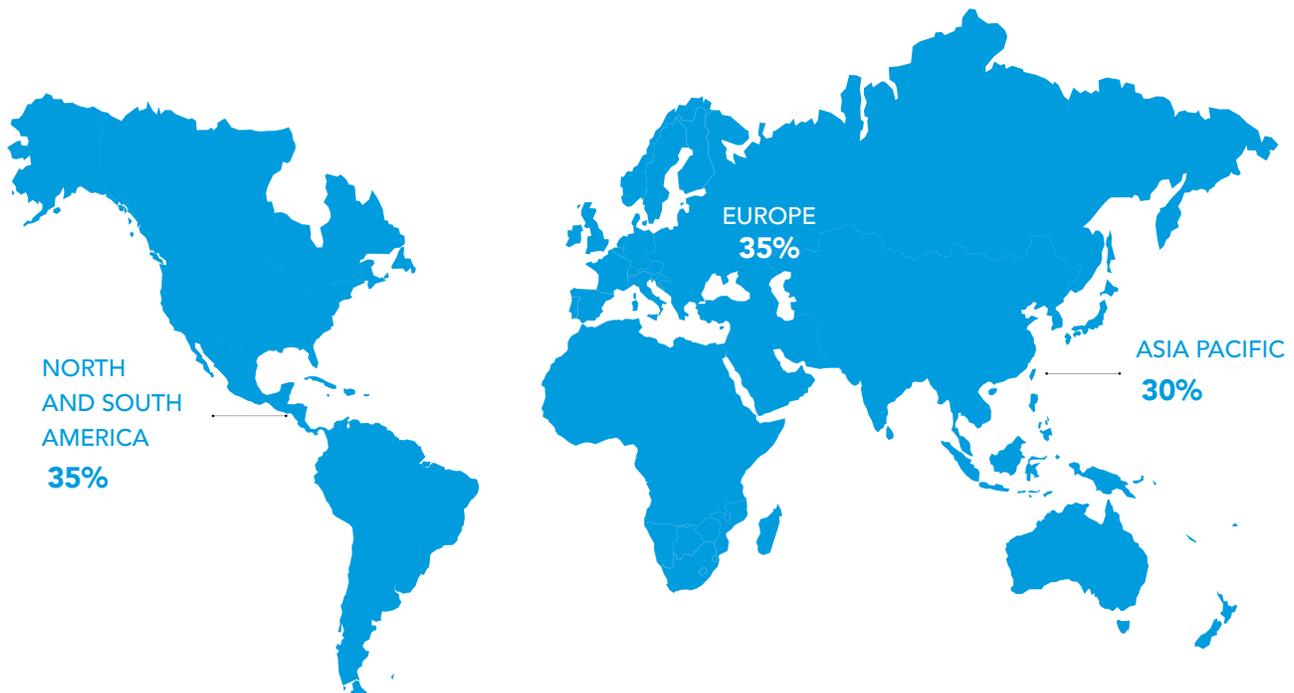
DRIVING VALUE AND GROWTH

The digital world continues to change the business environment and customer expectations. In line with that evolution, the role of CMOs and their marketing teams continues to expand—to touch more areas of the business, to have more responsibility for the entire customer journey and to generate revenue. All this continuous change means that the value of marketing to the enterprise is not always clear or widely understood. This makes it ever more important for CMOs to continue to evolve and to more closely align the marketing function with the goals and bottom line of the enterprise.

To that end, successful CMOs are speaking the language of the C-suite: They are looking to business metrics like return on investment and sales revenue to demonstrate value. They are building their understanding of the digital and geographic landscapes that impact their marketing strategies. They're also adapting their media mix as they better understand the consumer journey and marketing's role in that journey. What makes this valuable to the enterprise is that marketers are now increasingly able to tie business performance metrics to their improved insight, to validate the connection between the actions of the marketing team and the organization's bottom line.

METHODOLOGY

The findings in this report are based on a survey conducted by Forbes Insights, in partnership with The Trade Desk, of 226 CMOs about the issues they are facing today. The survey included responses from North and South America (35%), Europe (35%) and Asia-Pacific (30%). Respondents included CMOs across a range of sectors including technology (16%), manufacturing and industrial products (16%), retail (13%), banking and financial services (12%), healthcare (11%) and consumer goods (10%). All organizations have annual revenue of at least \$500 million.



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