The CMO survey: Social media spending by marketers to skyrocket

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Social media spending as a percentage of marketing budgets will more than double over the next five years, according to a survey of 468 U.S. chief marketing officers.

The CMOs noted they are spending 8.4 percent of their budgets on social media. Over the next year, that number is expected to increase to 11.5 percent, and in the next five years it will reach 21.6 percent, survey respondents said.

"Companies are searching for novel ways to interact with their customers that will drive the growth of their companies," said Christine Moorman, director of The CMO Survey and T. Austin Finch, Sr. professor of business administration at Duke University's Fuqua School of Business. "Unfortunately, marketers are behind the curve with their current levels of social media expenditure, given the amount of time customers spend engaged with one another and with companies online. The good news is that marketers are seeing the imperative to rectify this through increased investment in social media marketing in the upcoming years."

The dramatic increases in social media spending were universal across different business sectors: business-to-business (product), business-to-business (services), business-to-consumer (product), and business-to-consumer (services).

Social media spending in all four categories is now less than 10 percent and is expected to be more than 20 percent in the next five years, the

survey found. The business-to-consumer (product category), including companies such as Procter & Gamble (P&G) and The Coca-Cola Company, expects the most dramatic increase, from 9.6 percent to 24.6 percent.

Along with the expected increases, marketers will need to continue addressing how social media is integrated in their organization's overall marketing strategy, Moorman said. On a scale of 1-7, only 9.9 percent of respondents believe that social media is "very integrated" to the firm's strategy (the highest rank for the question), while 15.2 percent believe it is not integrated at all (the lowest rank for the question).

The average is 3.8, which is the exact number recorded the first time this question was asked two years ago in the February 2011 CMO Survey.

"This 'integration gap' is a legacy of the way in which social media was adopted in many companies—outside of strategy, outside of typical organizational structure and outside of typical pathways of development for marketing managers," Moorman said. "It is therefore not surprising that firms still cannot figure out how to use social media to achieve organizational objectives. Leaders have not reconciled that this strategy should be planned, implemented and controlled like all marketing strategies. The integration gap findings should serve as a call to action."

One reason for this lack of integration is that companies are still struggling with how to measure the impact of social media. "Given that 'what is measured gets managed,' a more complete integration will occur when social media begins paying for some of the bills," Moorman said.

The CMO Survey finds that companies have, over time, shifted from direct financial measures of social media's impact, such as sales and profit, to intermediate referral metrics, such as willingness to refer the brand to others, buzz and friends and followers.

Moorman commends this direction, noting, "These social measures are now rightly viewed as leading indicators of company revenues."

Fueled by the big data emerging from social media and digital marketing, CMOs expect their companies to increase their marketing analytics expenditures by 66 percent in the next three years. However, the number of projects using marketing analytics is expected to drop from 37 percent now to 30 percent over the next 12 months.

"Marketing analytics will only fill its 'strategic shoes' by impacting firm decisions, so CMOs will need to work on the use, not just the generation, of marketing analytics," Moorman said.

With the rise of social media and other forms of digital marketing, spending on traditional advertising continues to plummet as CMOs expect a 2.7 percent decline.

The CMOs in the survey expressed cautious optimism for the overall economic outlook. When asked to rank their optimism for the economy on a scale of 0 (lowest) to 100 (highest), the survey respondents registered a 62.7 score.

In a separate question in which the CMOs were asked to state whether they were more optimistic, less optimistic or no change compared to the prior quarter, CMOs who were more optimistic increased from 29 percent of the sample in August 2012 to 56 percent in the current survey. Moorman observed, "This 93 percent increase offers a strong signal that economic uncertainty is resolving."

Moorman also notes this improvement in economic outlook coincides with improvements in many of the customer metrics tracked by the survey. "Marketers expect improvements in purchase volume, price paid and purchase of related offerings. They also predict that customer

priorities will shift away from low-price to focus on quality, innovation, trust and brand."

Other noteworthy findings from the survey include:

- Growth strategies are expected to take on more risk as diversification is up 28 percent.
- Canada (25 percent), Western Europe (22 percent) and China (15 percent) are the highest revenue growth markets for U.S. marketers.
- Marketing hiring is expected to increase 5.4 percent, down 1.1 percentage points from the last time the survey was administered.
- The outsourcing of marketing remains flat (3.5 percent).
- Apple once again was the top marketing company across industries, while P&G, GE, IBM, Coca-Cola and Google led their respective industries.

Provided by Duke University

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