Businesses find it difficult to prove impact of social media investments

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Chief marketing officers (CMOs) are increasingly allocating resources to social media, but an alarming number are not seeing concrete return on this investment, according to The CMO Survey.

Only 15 percent of the 410 CMOs surveyed by professor Christine Moorman of Duke University's Fuqua School of Business said they have proven quantitative impact on their social media marketing expenditures. Another 36 percent responded they have a good sense of the qualitative impact, but not the quantitative impact.

Almost half of the CMOs surveyed (49 percent) have not been able to show that their company's social media activities have made a difference. Despite this, marketers are expected to increase expenditures in social media from 6.6 percent to 15.8 percent over the next five years.

Demonstrating the impact of overall marketing spending remains a more general problem for companies, according to the CMOs surveyed. Only one-third of top marketers surveyed report their companies are able to demonstrate quantitatively the impact of their spending on marketing. It is therefore not surprising, according to Moorman, that 66 percent of CMOs report they are experiencing more pressure to prove the value of marketing from their CEOs and boards. Of these, two-thirds report that this pressure is increasing.

"Marketing leadership requires that CMOs offer strong evidence that strategic marketing investments are paying off for their firms in the short and long run. CMOs will only earn a 'seat at the table' if they can demonstrate the effect of their marketing spend," said Moorman, director of The CMO Survey.

Marketing analytics, marketing's version of big data, is currently 5.5 percent of marketing budgets and is expected to increase to 8.7 percent over the next three years. The use of this big data remains a challenge, however, as the reported percentage of projects using available or requested marketing analytics has decreased from 35 percent a year ago to 29 percent at present.

This coincides with the finding that CMOs report only "average" contribution of marketing analytics to company performance (3.5 on a 7-point scale where 1 is "not at all" and 7 is "very highly"). This number has decreased from its first measurement a year ago when it was at 3.9.

Marketers are also increasing their efforts in collecting data about online customer behaviors. Approximately 60 percent collected online customer behavior data for targeting purposes, and 88.5 percent are expected to increasingly do this over time.

Despite growing outcry about surveillance in both public and private sectors, privacy doesn't seem to be a worry for marketers. Fifty percent of the respondents had low levels of concern, while just 3.5 percent answered they were "very worried" about privacy.

"Marketers need to strike an honest bargain with customers on the issue of privacy—customers need to know they are being observed, agree to those observations, and get more value from marketers in return," said Moorman.

CMOs report their highest levels of optimism for the overall U.S. economy in four years. On a scale of 0-100, with 0 being the least optimistic, CMO scores came in at 65.7, which is nearly a 20-point increase over the same measure taken in August 2009, near the low point of the recession. Almost 50 percent of top marketers answered they are "more optimistic" about the overall U.S. economy compared to last quarter. Back in 2009, the optimists came in at just 14.9 percent.

Other key findings are:

- Growth in marketing budgets is expected to increase 4.3 percent during the next 12 months. CMOs reported that changes in spending would increase 9.1 percent two years ago, indicating that this spending level is moving in a countercyclical fashion to the overall economy.
- The change in digital marketing expenditures has also leveled off to 10.1 percent (three years ago, this figure was 13.6 percent).
- Twenty-four percent of respondents noted Western Europe as the highest international revenue growth market, followed by China and Canada (18 percent each).

More information: www.cmosurvey.org/

Provided by Duke University