



## **January 2006 Issue**

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## Editor's Cut



I trust everyone had a festive holiday season and a fun but safe New Year's celebration. There's one more reason to keep in the partying mode: the Asian Lunar New Year. The Year of The Dog begins January 29 and will be observed by many Asian American groups, including Chinese, Vietnamese and Korean Americans. I mention this because the Lunar New Year is a time for reunion, renewal and revitalization with family, friends and business colleagues. That's a great goal for all of us to strive for in 2006.

And speaking of reaching out, the CMO Council is putting the final touches on our 2006 agenda, and it includes outreach in faraway places. Our CMO Summit dates are set, and we're up to a trifecta. The 5th Annual U.S. CMO Summit is scheduled for Oct. 4-5 in San Francisco; our 1st Annual Asia Pac Summit will be held Oct. 23-24 in Tokyo; and the 2nd Annual European Summit are set for Nov. 15-16 in Munich. The CMO Council's march toward world domination continues! Check our site for more Summit information, as well as other events, as it becomes available.

The Council is also close to launching an exciting new program that promises to be a valuable tool for you, the Solution Certification and Sourcing Center (SCSC). Here's how it will work: Leading providers of marketing solutions and hosted services will be invited to have their offerings appraised by a team of independent, experienced marketing consultants. Those that pass a stringent set of CMO Council evaluation criteria, meet corporate procurement guidelines (based on member input), and complete a due diligence process (including customer interviews) will become "CMO Council Certified" (like the Good Housekeeping Seal!). For details visit <http://www.cmocouncil.org/registrations/solutionscenter/>.

Certified marketing solutions will be profiled in the CMO Council's new Online Sourcing Center, offering an aggregated and trusted service to members. Users will be able to search for qualified applications, evaluate product offerings, compare features and functions, read competitive reports and product reviews, garner third-party references and comments from peers, and source insight from experts, media, publishers and analysts. It's a great way for you to efficiently identify and evaluate solutions that will work for your organization.

We're also forging ahead on a variety of thought leadership initiatives, including one that just launched called "Select & Connect: Strategies for Targeted Acquisition and Retention." This online audit will assess how well your company harvests the right customers, delivers the right messages and retains or reactivates the right relationships. The comprehensive benchmark study will profile systems and practices used by companies to identify, activate and retain valued, long-term customers. Take the survey here: <http://www.cmocouncil.org/surveys/select.asp?index=1&id=mm1>

We're also set to launch the quantitative survey for "Define & Align the CMO," a study that explores the role and responsibilities of the top marketing position, fielded in partnership with researchers at the Kellogg School of Management and underwriter MarketBridge. Kellogg and the Council have conducted qualitative interviews with 40 top marketers so far, and the quantitative portion of the research is underway. For a preview, see my report in this issue on our preliminary findings from an executive recruiter survey undertaken recently with the Association of Executive Search Consultants.

We'd love for you to participate in programs such as these, as a sponsor, a task force member or simply by taking the surveys. Check out all of our programs at [www.cmocouncil.org/programs.html](http://www.cmocouncil.org/programs.html).

So here's to your New Year being as exciting and fruitful as the CMO Council's year is shaping up to be.

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## **What Are Your Competitors Telling You?**

By Lawson Abinanti

*SAP has a new marketing campaign, so what does it mean if you are a competitor, a prospective buyer or a B2B marketing professional? This case study explains what to look for, and why it's important to dig deeper when a company of interest to you changes its marketing campaign.*

You need to pay close attention to your competitors' marketing campaigns, and not just to stay on top of their positioning strategies. If you detect a change, it signals the need to thoroughly re-evaluate the competitor and how the change may affect you. It could indicate a management change at your competitor, a new company strategy, a change in target market, pressure from other competitors, or other factors. I'll use SAP's new marketing campaign as a case study of what a change can mean, and how to investigate it, whether you're a competitor, a prospective buyer or a business-to-business (B2B) marketing professional.

Your competitors in business-to-business software, like most companies, will go to almost any lengths to guard their marketing communications strategies. But sooner or later they've got to go public. They run ads, revamp their Web sites, change their presentations and sales pitches. They're giving you a signal. Are you tuned in to receive it?

It's critical that you stay on top of your competitors' marketing communication for two reasons. First and foremost, this is the only way you can determine how they are positioning their company and its products, and whether your own positioning strategy is unique. Also of critical importance is that a new marketing message is a signal that something might be changing in your competitor's camp, and you need to do some investigative work.

### **What Is SAP Telling Its Competitors?**

SAP's massive new marketing campaign in the United States – you may have seen the print and television ads – claims that companies that “run SAP are 32 percent more profitable than those that don't.” Of course, there's a qualifier. A tiny footnote in the ads running in major business and information technology (IT) publications says that the claim is based on an “analysis of publicly available fiscal results of all non-financial companies listed on NASDAQ and NYSE.” As you can see, it's important for competitors and buyers to read footnotes, disclaimers or any other qualifier.

Prior to this current campaign, SAP's primary message to the market was that the leader in enterprise resource planning (ERP) software can meet the needs of any size company, whether very big, very small or anywhere in between. SAP spent about a year, and heaven knows, how much money on a well-executed ad campaign based on the claim that SAP software is designed to meet the needs of literally every industry and every size company. That's why SAP makes more than one kind of software, the ads proclaimed, “...We have an SAP solution for you – and it's grounded in our years of working with the best-run businesses in your industry. Because we know business fundamentals. And we know what makes your business fundamentally different. And so does our software...”

### **Look Beyond SAP's Marketing**

Today, a vestige of that claim is tucked into the current ad copy – “businesses of all sizes.” Could it be that business and IT people familiar with SAP found it hard to believe the claim? After all, the word on the street is that SAP software – used by many of the largest companies in the world – is extremely complex, difficult to install and very, very expensive (Note that SAP's brand tracking study indicates this image is changing). Hmmm. What does it mean to you when a company like SAP tries to expand its market and change its message to the market?

- New management wants to assert itself
- A new strategy is evolving
- The company is targeting a new market
- The old marketing message was not working
- Competitive pressures are taking their toll
- The VARs are getting restless
- New sales tactics are being implemented
- New research provided new marketing ammunition

Once you have determined how your competitors are positioned, you need to remain vigilant. Continue to monitor their marketing campaigns, Web site content and press releases on a regular basis. If you detect a change, it signals the need to thoroughly re-evaluate the competitor and how the change affects your marketing and sales. It could be a clue that will help you compete more effectively, and stay one step ahead of the competition.

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You may have to look beyond SAP's marketing communications. In this case, you would notice some interesting developments in the way SAP sells its products. Over the last two years, SAP has been recruiting VARs (value added resellers) for its new small and midsize enterprise products, Business One and mySAP Business Suite. Obviously, the marketing message strategy was in support of this effort. Then, just before SAP unleashed its new profitability campaign, an article in the October 31 issue of *CRN* magazine, the largest publication targeted at the solution provider community, reported that several SAP VARs were dropping Business One. Again, paying attention pays dividends. Time to dig more to see if something is changing at SAP.

### **A Little Investigative Work Goes a Long Way**

SAP's new campaign made me wonder if the company might be de-emphasizing its mid-market strategy. Did SAP find it too difficult to overcome the market's perception of the giant international company? Or perhaps SAP discovered that the appeal to small and medium businesses was hurting what is, I am sure, a very profitable enterprise business.

A quick visit to the SAP Web site tells you that SAP is definitely NOT giving up on the pitch that it has solutions for any size business. In fact, the SAP Web site is set up to encourage small and medium size businesses to dig deeper and find out how SAP can help them. The SAP Web site may be too cleverly crafted, however, because it doesn't do a good job of telling this new audience that it now has several different products, thus the informed buyer could quickly get turned off and leave the site.

So what is going on at SAP? As outsiders, we cannot be certain, perhaps nothing, but my guess is that once SAP had some compelling numbers to weave into a claim, it decided to apply them across the board – enterprise, mid-market and small business. Indeed, SAP's TV and Internet ads claim that any size business can get a big payback by implementing an SAP solution. And, after all, who reads the footnotes and qualifiers?

### **SAP's Gift To Its Competitors**

Well, if you read them, you'll see that the new message to the market is not actually all-inclusive. It's actually exclusionary, since it's based on facts that apply only to non-financial public companies on the NYSE and NASDAQ. If this gap is not immediately obvious to most buyers, no doubt SAP's competitors (Microsoft Business Solutions, Sage and Oracle) will bring it to their attention, and use it against SAP. If your company markets software to financial businesses or others that fall outside the scope of SAP's claim, you may have been handed an opportunity. While I think this to be true, SAP's research found that companies not on NYSE and NASDAQ still relate to the message.

It's obvious to me that SAP is still casting a very wide net, so I'm sure that SAP is not changing its mid-market strategy. It must be up to something else; but what? Sorry, I don't know for sure. But if I were a competitor, or a buyer, I'd want to gather all the evidence I can to form an educated opinion, right now. Then, I'd pay close attention to what develops. As I said, sooner or later, marketing position and message strategies have to go public.

### **What A New Marketing Campaign Is Telling You**

For a marketer, this is a classic example of why it's important to pay close attention to your competitors' marketing campaigns, and not just when you're going through a positioning process. When the message to the market changes, immediately start investigating because you might gain valuable competitive intelligence. For example (these are general, not specific to SAP):

## Who Are You? The Government Needs To Know The Problem: Who Makes the Rules?

By Gal S. Borenstein, The Borenstein Group



Imagine this: the sounds of Pete Townshend and The Who playing in the hallways of our Federal Government in Washington, DC. The song "Who Are You?" is getting repeat plays and is becoming a big hit...

### Repeat after me, chorus:

Well, who are you? (Who are you? Who, who, who, who?)  
I really wanna know (Who are you? Who, who, who, who?)  
Tell me, who are you? (Who are you? Who, who, who, who?)  
'Cause I really wanna know (Who are you? Who, who, who, who?)

Why, you ask? Information Security is the answer. Or to use an inside-the-beltway lingo: HSPD-12, the new presidential homeland security directive which created a policy for a Common Identification Standard for Federal Employees and Contractors.

Yes, just like Y2K, HIPAA, Sarbanes-Oxley, and a bevy of other compliance acronyms which meant a windfall for savvy information security and records management applications providers, HSPD-12 promises to present one of the most challenging tasks to meet and definitely one of the most expensive initiatives to deliver.

The new HSPD-12 is the first pivotal recognition by the Department of Homeland Security that controlling and managing the physical and virtual security of government employees and contractors (estimated in the Millions when aggregated as collective workforce) is close to mission impossible as of now. That's because just like Fortune 500 companies, government agencies have developed "silo-based" systems that are only collaborative on the intra-agency level. Try to have one record checked across two agencies? Forget about it. While most government agencies have proprietary networks with means to identify and authenticate "Who Are You" within their bounds, our nation demands an integrated approach to sharing that data across the government enterprise. This is a monumental undertaking that equals the building of the a new bi-coastal railroad system that will take you from the Eastern part of the country to West. And by the way, compliance for government agencies is due by October 2006. So, they better get to work...

HSPD-12 requires government agencies to create Personal Identity Verification Cards (PIV) that will have to be not just "Smart" but "Super-Smart Cards." They should be able to swipe at the access control to the federal building, have biometric security features such as fingerprints, and then be used as the standard-grade IT security key for accessing all information on the network, whether you are working directly for the government or for outside consultants or contractors. Here or abroad. Day or night. 24/7/365.

The problem is that in order to design an effective PIV, you are going to have to standardize the rules of security across the board. And who makes up the rules? It is as big of a quandary in Washington as is "whom should gain access" and how to "authenticate identities in a multi-dimensional world of security." Should the CIO or the Chief Security Officer make those decisions? And how about the director in charge of physical facilities? Most importantly, how "real time" and "dynamically-linked" will the information be once captured?

**Capital Opportunity Translation to CMO Council members:**

1. Identify where your information or physical security application/system fits to meet some or all of requirements of federal agencies.
2. Identify key players that are already "in-play" with Department of Homeland Security as well as individual agencies. Each agency will develop its own approach to integrating its business processes and physical and virtual security systems. Present your vision of integration as a "big picture solution" that recognizes that technology on its own is not going to "sell." Business Process is critical.
3. Deadlines in government compliance, historically, have often been missed. October 27th, 2006 is the official compliance date.

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## Get to Know: Larry McIntosh, VP of Corporate Marketing at McAfee



As the leader of McAfee Security's corporate marketing initiatives, Larry McIntosh is responsible for worldwide marketing communications, PR/corporate communications, market intelligence and Internet strategy.

Now with McAfee for approximately 16 months, McIntosh brings more than 28 years of executive marketing experience to the position. He previously served as CMO of vulnerability management software company Foundstone, Inc. which was acquired by McAfee in October 2004. Prior to Foundstone, he served as group vice president for HNC Software Inc. and led strategic marketing efforts for the Internet's most comprehensive shopping network, CBS StoreRunner, Inc.

McIntosh has considerable consumer, corporate and advertising agency experience, building on major brand names. While at PepsiCo for 12 years, he held the position of vice president of branding and advertising for Frito-Lay, Inc. and Pepsi-Cola International. He was the principal driver behind the transformation of Pepsi to "blue." McIntosh also presided over the Coors, Ford and Pontiac advertising accounts at Foote Cone & Belding, J. Walter Thompson, and DMB&B, respectively.

As a task force member of the CMO Council's recent *Renovate to Innovate: Building Performance-Driven Marketing Organizations* initiative, McIntosh's marketing insights were instrumental in shaping the study. We recently spoke to him about his first year at McAfee and some points around the *Renovate to Innovate* research.

### **Marketing Magnified: What have been your most significant accomplishments in reshaping and building your organization since you arrived at McAfee?**

Larry McIntosh: The most important thing is we now have corporate objectives, strategy and direction in place. We've built up a new marketing organization—when I arrived we had approximately four people and now we're fully staffed up to 21, including Corporate Communications.

We're on our way towards an entirely new Web experience for our customers; we've developed a new identity, a cohesive PR strategy and better alignment with sales and channel partners. All of the important pieces are falling into place.

### **One of the key areas in the Renovate research is alignment between the various functions. How is that working at McAfee?**

In large organizations, it's difficult to reach complete alignment across all functions given the speed and complexity of our business. We don't get it right all the time, but over the last few months, we've made some dramatic improvements in the way in which we introduce new products to the market. We're reducing the complexity and focusing efforts against the most important market drivers and initiatives. We're well on our way of extracting much more leverage and efficiency from our marketing resources across corporate, product and field marketing. It's a huge challenge, and corporate marketing has had a great deal of room for improvement. But it's very rewarding to see the business discipline and functional expertise come together and we're starting to see the results.

**What are the most important and valued skills and competencies needed by marketing professionals today?**

True functional expertise is important but it's the price of entry. We look beyond the core communication capabilities and ask additional questions I consider as important when looking at new staff. Have they spent enough time practicing their craft—are they seasoned? And, have they been in the right types of organizations—not just technical companies but organizations that value marketing and have already established high expectations for marketing? I look for character and behavioral qualities—are the candidates resourceful, determined, and ethical? You must have a positive attitude. Additionally, we don't need layers of supervision—we have to actually get some work done, even if you're senior staff.

**What about performance measurement? How difficult is it for you to justify and account for marketing spend?**

We're developing systems to track customer perceptions, pre- and post-campaign. It's more difficult to attach the results of those campaigns to inbound call volume, RFPs, opportunities, revenue, etc. While many companies are making great progress, I have not yet seen any company that's been able to develop a perfect CRM model and apply it practically. Every company I've worked for has had some difficulty with inaccurate or stale data, and correlating it to any single marketing lever is very tough.

That said, if you believe that you're here to drive revenue, then you better be able to measure the marketing activities behind it. All the things that we're doing—strategy, Web, identity, messaging, sales tools, etc.—it all needs to add up to something, and that's our ultimate goal. We have not completely solved this, but we're heading in the right direction.

**Going back to a *Renovate to Innovate* point, considering your wealth of marketing experience, what is your view on the perception of marketing by the CEO and executive management team?**

Much of it depends on what organization you're part of – and in what stage of the lifecycle your group is in. I've been at companies where marketing is not very well respected. Sometimes marketing just isn't respected for the value this function can create around brand elevation—and ultimately shareholder value. I believe the perception here is good—McAfee has a desire to achieve great things through marketing and the sales organization is hungry for results. Now corporate marketing is beyond the rebuild mode, and moving toward a much more financial and accountable mindset. When we get through this block and tackle phase, we'll be set to contribute at a much higher strategic level.

**What are your top three strategic objectives or deliverables going forward?**

First, our marketing organization needs to inextricably tie into the corporate objectives around shareholder value, customer and partner experience, and internal culture. Second, we will continue to drive for excellence around the CRM piece, connecting sales and marketing data and then mining insights. And finally, we need to achieve great results via the Web and strive for the best possible customer and partner experience on the Web. It is a very complex and difficult challenge but the web teams are doing extraordinary work in this area. We need to focus on the most important and relevant assets to improve our web presentation layer and constantly improve the end user experience.

**What is your strategy in positioning McAfee in such a competitive space?**

We truly believe McAfee has a unique position in the marketplace given our deep expertise and focus on security, and our continued dedication to bring to market solutions that proactively protect our customers in a highly manageable way. By applying strategies to people, process, and technology—this is our risk management strategy—and better integrating these capabilities than others, we believe we can drive sustainable competitive advantage.

**Tech's The Top Frustration for Worldwide Senior Execs**  
**Survey shows that trust in technology is major hurdle to leap for company leaders all over**

The good news: More company leaders worldwide say they're willing to start spending again on technology. The bad news: they're still not sure which tech supplier they can trust. "Over-promising and under-delivering" was noted by the global group as one of their primary frustrations.

So states a study fielded by communications company Doremus and the *Financial Times*, which recently conducted a worldwide survey of 374 senior level corporate executives. Part of the survey focused on the role of technology in the eyes of the respondents. "Over-promising and under-delivering" was noted by the global group as one of their primary frustrations.

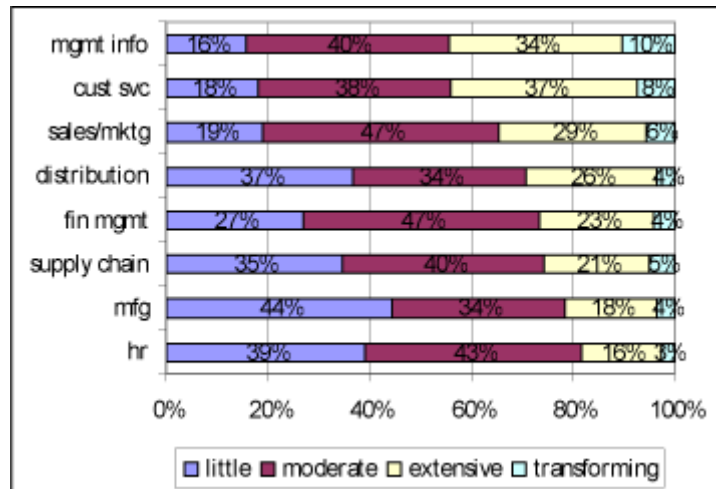
Other reasons cited for the lack of trust include:

- Bad service
- Quality and reliability
- Technology that is about the technology, not about the user

**As one respondent to the survey said:** "We still have COBOL programs from the '70s that are easily maintained and continue to work. But whatever new technology we buy we seem to have to replace after two years."

Yet even with widespread distrust, technology is expected to have a significant impact on some company functions such as management information, customer service and sales/marketing, particularly in larger companies. Other functions, such as human resources, are expected to be less affected.

**Predictions for impact of technology within their own organization:**



**But the buying process gets tougher**

Perhaps related to the lack of trust, the process of buying technology continues to get tougher with half of the worldwide senior execs demanding more performance guarantees, 46 percent getting tougher in negotiating prices, and a third developing better or stricter metrics. This trend is strongest among the large companies, with 68 percent demanding performance guarantees, 64 percent negotiating more and 50 percent developing new metrics.

**So how do tech suppliers get a buyer's attention?**

Options cited for getting in the door with a prospective new customer were seminars, conferences and trade shows because these offer a chance to check out both the products and the people. Sending an article that appeared in the press about their company's new product is another way.

"The opportunity is out there for technology suppliers," says Howard Sherman, managing director of Doremus. "About half of the companies in the survey said they are willing to give new suppliers a chance. But once in the door, it's up to the supplier not to blow it."

Once in the door, technology suppliers who want to avoid making the same mistakes as their predecessors should study their prospects' real needs and offer solutions, but refrain from over-promising. As one respondent put it: "Think less about technology. Focus on the business needs and the users."

## Metrics and the Buying Pipeline

By Laura Patterson

Metrics are a part of our everyday lives. There are metrics for everything from our heart rate to our pay rate; from earnings per share to market share. Just as in everyday life, business life metrics indicate effectiveness and impact. Without metrics to track performance, business, marketing and sales plans are ineffective.

How can metrics impact sales?

For most companies, sales is the name of the game. Companies work on building their sales pipeline, reviewing it regularly, sometimes daily. It's important to look at your business from your customer's and market's perspective, so we refer to the sales pipeline as the buying pipeline. People are buying from you. The more you understand your customer's needs and wants the more you can satisfy them. And the more you understand how they buy — that is, their buying decision process — the greater the likelihood your sales and marketing efforts will be successful. Understanding the buying process allows you to build a buying pipeline. By thinking this way you are not only taking a market and customer viewpoint, you are also aligning your sales and marketing efforts. A sales pipeline sounds as if it belongs to a specific part of the organization, namely, Sales. A buying pipeline helps everyone in the company realize they have a role in moving an opportunity.

Let's pause for a moment, and examine the buying pipeline. It is made up of the incremental behavioral commitments prospective buyers demonstrate that indicate they are moving from contact to suspect to prospect and ultimately, to customer. A behavioral commitment is something you can observe that signals the prospect's interest and consideration. The idea behind the pipeline is, as customers move from one end to the other, each additional behavioral commitment indicates increased interest, or consideration.

Think about your own buying behavior when you're considering a new car. You might do some preliminary research to narrow down your choices. You may then look at the cars on the lot – and even test drive a few. You might even bring a car home as a trial. Each incremental behavior along the way brings you closer to your purchase decision. These incremental behavioral commitments can be grouped into stages. More on stages later.

How does this knowledge relate to metrics? Marketing organizations within companies are increasingly scrutinized, and asked to substantiate their revenue and lead generation effectiveness through metrics. The buying pipeline provides marketers and sales with a view into the buying process. It also allows you to align your marketing metrics accordingly. A solid pipeline tool details the many steps and the time involved in each stage. At each step in the process, metrics can be established and monitored to help measure progress and steer your efforts in the proper direction. Over time, you can assess how well you are moving targets from one stage to the next, and begin to fine-tune your efforts, propelling more opportunities to conversion faster.

There are five steps to developing an effective pipeline tool and the associated metrics.

**Step 1:** Construct the pipeline by defining and mapping the incremental behavior commitments, which can vary by industry and buyer. An example of an incremental behavior commitment is when the target provides information about the size of their problem, their degree of interest in solving the problem and asks for a follow-up conversation. Another example is a request for an RFP. It is important that the marketing and sales organizations agree upon which behaviors are desired in the target and demonstrate increased consideration.

**Step 2:** Establish the stages, determining which behaviors fall into what stage in the pipeline: contact, suspect, lead, qualified lead, prospect and customer. Using the examples in Step 1, the first behavior might establish the target as a suspect and the second as a prospect in the pipeline. A key benefit of this step is that both marketing and sales will be able to agree on exactly what behaviors indicate the stage a target is in.

**Step 3:** Establish the metrics. These will include the target numbers for each stage, the conversion ratios from one stage to the next, time to sale, and cost to acquire. This step may require gathering historical or industry data.

**Step 4:** Develop your strategies. Marketing and sales strategies and tactics will be used to motivate the targets to take the appropriate behavioral steps to move them through the pipeline. Remember, effective marketing that capitalizes on buying motives and helps the target understand how your offer addresses their needs will be critical to moving targets through each stage.

**Step 5:** Track effectiveness. Without knowing the effectiveness of each strategy and tactic in moving the target through the stages, you cannot know what is working, whether you are meeting your goals, and what adjustments are required.

In today's economic environment appropriately measuring and benchmarking business performance over time impacts success. The metrics you establish associated with the various stages of the buying pipeline provide valuable data points against which the marketing organization can track its progress. Ultimately, metrics help companies successfully navigate the uncharted territory of the buying pipeline.

These five steps will help you better define your buying pipeline and develop metrics more meaningful than click-through rates, show lead cards, or ad response rates. This approach encourages marketing and sales to work together to understand where each opportunity is in the pipeline and who has the primary responsibility to move it forward.

*Laura Patterson is the author of Measure What Matters: Reconnecting Marketing to Business Goals and Gone Fishin': A Guide to Finding, Keeping, and Growing Profitable Customers, and is president and founder of VisionEdge Marketing, Inc, a leading metrics-based strategic and product marketing firm located in Austin, Texas. For more information, go to [www.visionedgemarketing.com](http://www.visionedgemarketing.com).*

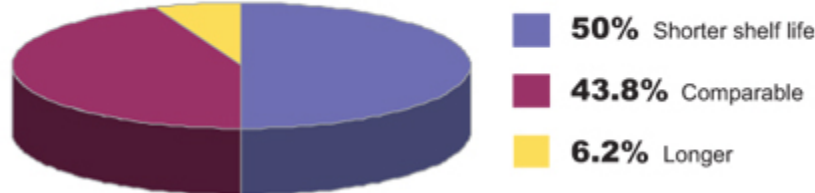
## Executive Recruiters Weight In on the CMO

By Scott Van Camp

As part of the CMO Council/Kellogg School of Management study “Define & Align the CMO,”—an important thought leadership initiative currently being fielded that explores the changing role and responsibilities of chief marketing executives—the Council is polling recruiters from some of the top companies in the executive search market—including Heidrick & Struggles International, Korn/Ferry International and Russell Reynolds Associates—for their insights into qualifications and hiring trends regarding the CMO. Preliminary key findings so far include:

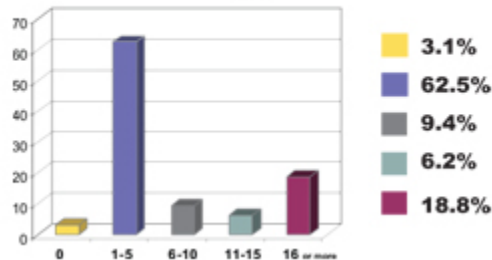
With their role still in the defining stage, CMOs should keep their resumes up to date. Half of recruiters polled said that compared to the shelf-life of other C-level execs at similar large companies, the CMO’s tenure was shorter...

**How does the average tenure of a CMO at a large corporation compare to other C-level executives at similar companies?**



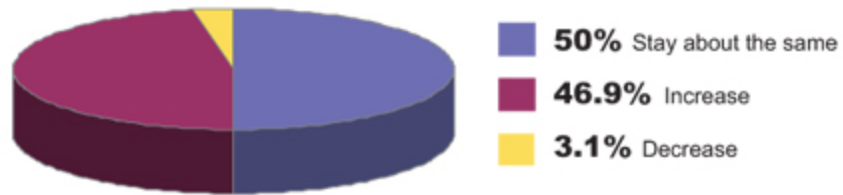
...but opportunities are growing, as recruiters said they are busy filling CMO positions. Nearly two-thirds of firms had conducted up to five CMO engagements in the past 12 months. About 20 percent had conducted 16 or more engagements.

**How many CMO search engagements has your firm conducted in the past 12 months?**



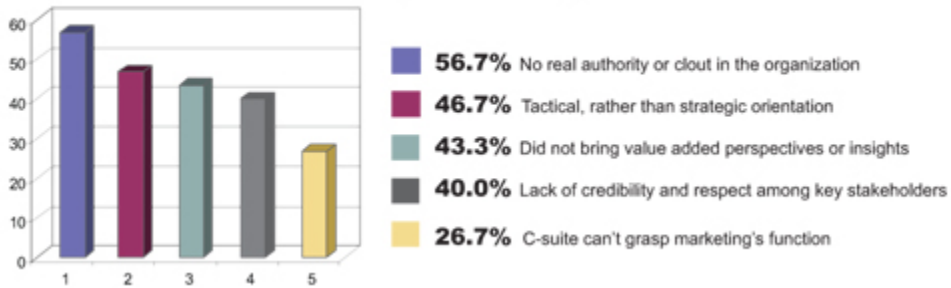
And they expect a high number of CMO openings over the next year. About half of the respondents said the number of new CMO positions will increase, and an equal number believed they will stay about the same as last year.

**What is your expectation for new CMO openings over the next 12 months?**



Why do CMOs appear to have such a hard time? In our recent "Renovate to Innovate: Building Performance-Driven Marketing Organizations" study, marketers sensed a lack of influence and credibility within the corporate hierarchy. Our recruiters' insight confirms this:

**What are the top reasons why CMOs fail?**



We hope these preliminary findings will whet your appetite for the full "Define & Align the CMO" report scheduled for release in March, and an accompanying Webinar. Check our Web site for more details.

## The Download

### eMarketer's Seven Predictions for 2006

January is here again and with it comes the usual slew of projections and forecasts for the coming year. Not to be left out, eMarketer joins the fray.

Here's what to look for in 2006:

#### 1. Online Advertising Passes the 5 Percent Mark:

5.4 percent of all U.S. advertising spending will be devoted to the online channel in 2006. This is the first time the figure has exceeded 5 percent. The Internet's share of advertising spending will be greater than that of the yellow pages. In fact, some of the money going online comes from the yellow pages, as certain Web sites replicate its functions.

By 2009, despite a fall in total ad spending, Internet ad spending will rise to over \$22 billion. This will represent 7.5 percent of all advertising spending, and be greater than radio's 7.3 percent share of the market in 2005.

#### US Online and Total Media Advertising Spending, 2000-2009 (in billions and online as a % of total media spending)

|      | Online | Total   | Online as a % of total media |
|------|--------|---------|------------------------------|
| 2000 | \$8.1  | \$247.5 | 3.3%                         |
| 2001 | \$7.1  | \$231.3 | 3.1%                         |
| 2002 | \$6.0  | \$236.9 | 2.5%                         |
| 2003 | \$7.3  | \$245.5 | 3.0%                         |
| 2004 | \$9.6  | \$263.8 | 3.6%                         |
| 2005 | \$12.9 | \$277.5 | 4.6%                         |
| 2006 | \$15.6 | \$288.0 | 5.4%                         |
| 2007 | \$17.8 | \$294.0 | 6.1%                         |
| 2008 | \$20.2 | \$303.0 | 6.7%                         |
| 2009 | \$22.3 | \$298.0 | 7.5%                         |

*Note: eMarketer benchmarks its US online ad spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2004; eMarketer benchmarks its US total media ad spending projections against Universal McCann data, for which the last full year measured was 2004*  
Source: eMarketer, August 2005

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#### 2. Retail E-Commerce Grows (Even More):

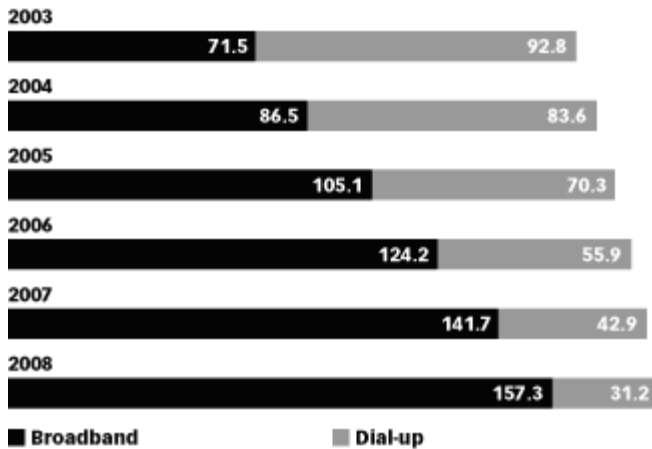
U.S. online retail sales will grow from \$87 billion in 2005 to \$105 billion in 2006, a healthy 21 percent increase. More spending by affluent baby boomers and the rising buying power of Web-savvy young consumers, coupled with the spread of high speed broadband Internet access, are the key factors that will drive retail e-commerce sales to new heights.

#### 3. Broadband Continues to Spread:

The U.S. broadband market reached an important inflection point in late 2004 and early 2005 when the number of broadband Internet users overtook dial-up users for the first time. eMarketer estimates that there are now over 105 million broadband users in the U.S. This will rise to over 124 million in 2006 and will exceed 157 million in 2008.

Rising broadband penetration is contributing to e-commerce growth, helping transform the Web into a truly multimedia environment and making new Internet services such as VoIP telephony a reality. The implications and opportunities for online advertising and marketing are extensive.

### Internet Users in the US, by Connection Type, 2003-2008 (in millions)



Note: eMarketer's 2003 baseline is from the Department of Commerce's estimate of Internet users age 3+ who have accessed the Internet in the last month

Source: eMarketer, February 2005

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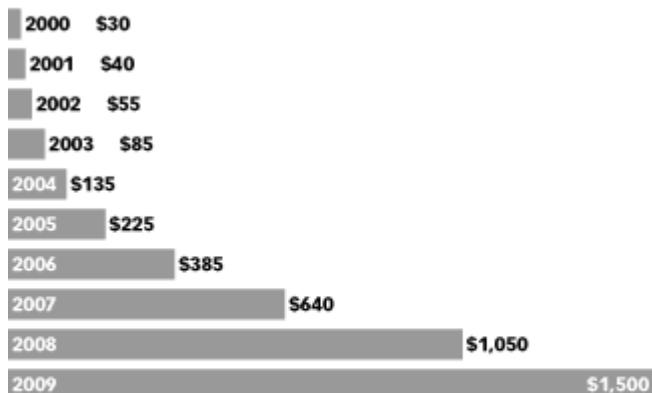
www.eMarketer.com

#### 4. Online Video Thrives:

Online video distribution and consumption will grow significantly in 2006. The Internet is increasingly seen by consumers as an entertainment platform, helped by increased broadband penetration and the adoption of improved digital rights management (DRM) technologies by content providers. The trend is also reinforced by supply-side moves such as increasingly sophisticated video search services from Google and Yahoo! and Apple's drive to distribute video content through iTunes.

Opportunities for video-based online advertising will rise on the back of this trend. U.S. spending on Internet video advertising will increase by a stunning 71 percent in 2006, to reach \$385 million. 2007 is likely to see similar growth.

### Internet Video Ad Spending in the US, 2000-2009 (in millions)



Note: eMarketer benchmarks its US Internet ad spending projections against the Interactive Advertising Bureau (IAB) - PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2004; the rich media category includes interstitials (tracked separately by the IAB/PwC until 2004)

Source: eMarketer, November 2005

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## 5. Video on Phones Comes to Life:

The rise of the very small screen will start in 2006. It is difficult to gauge exactly how many mobile TV subscribers there are, since none of the wireless operators is sharing numbers. But based on the data that is available, eMarketer estimates that in 2005 there were 1.2 million U.S. consumers who watched TV programming on their mobile phone (either live programs or pre-recorded video). This number will more than double in 2006 to 3 million phone users. By 2009, there will be 15 million phone video viewers, an estimated 6.2 percent of total mobile phone subscribers.

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### US Consumers Who Watch TV Programming on Their Mobile Phone\*, 2005, 2006 & 2009 (in millions and as a % of mobile phone subscribers)

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Note: \*includes live and pre-recorded programming as well as downloads from a DVR

Source: eMarketer, December 2005

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## 6. Search Engine Portals Expand Their Reach (Even Further):

About one half of all U.S. Internet users visit Yahoo! every month. Globally, the "Big Four" portals (Yahoo!, Google, MSN and AOL) have an audience of close to 30 percent of all the world's Internet users. These astounding figures will not diminish in 2006. Content-hungry, broadband-connected Internet users will turn to these portals in increasing numbers.

At the same time, locked in competition over audience size, the search engine providers will deliver more — and increasingly powerful — ad-supported web applications. They will also enhance and push their local search capabilities. These efforts will help drive the total number of US search engine users up from 138 million in 2005 to 146 million in 2006. This 5 percent increase will be more than double the increase seen in the total number of U.S. Internet users.

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### US At-Home and At-Work Search Engine Users, 2002-2007 (in millions)

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Note: based on eMarketer's total US Internet user projections

Source: eMarketer, January 2005

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## 7. IP Telephony Enters the Mainstream:

By 2006, a substantial migration to VoIP services will be underway in the U.S. The number of VoIP access lines will grow from an estimated 10 million in 2005 to just under 14.5 million in 2006. A significant transformation of the telecommunications industry is inevitable. Cable providers and established telecoms companies will go head-to-head in the battle for residential and business VoIP subscribers. eMarketer expects the cable operators to win market share at the expense of the telcos' traditional phone businesses.

Newcomers include dedicated VoIP providers such as Vonage and Skype, as well as the major search engines (AOL, MSN, Yahoo! and Google), who offer low-grade telephony via their instant messaging platforms. However, all of these still require that end-users have broadband Internet access, virtually all of which is supplied by the cable companies and telcos.

*eMarketer ([www.emarketer.com](http://www.emarketer.com)) gives marketing and e-business executives the big picture by continuously gathering and analyzing vast amounts of data from over 1,700 sources. This data is complemented by eMarketer numbers and compiled into the eStat Database, providing the raw material for a wide range of reports by eMarketer analysts, who put the most important information into perspective.*