

RESEARCH FEBRUARY 2009

epsilon[®]
CMO Survey

INSIDE THE MIND OF THE AMERICAN CMO

These indeed are challenging times for U.S. companies and the marketing executives in charge of guiding their organizations through the murky waters of the worst economic recession in the post-World War II era. Senior level marketing decision makers will be forced to consider budgets wisely and be more contemplative when it comes to making choices in critical areas such as hiring and outsourcing. The following profile, based on Epsilon’s survey of 180 senior marketing executives at America’s leading corporations, provides unique insight into the makeup of these executives, the viewpoints that underscore the difficult decisions they confront, their political leanings and even the companies they revere as models for success.

Who’s in charge?

In a rare glimpse into the demographic makeup of America’s C-level marketing executives, the average tenure of senior marketing leaders at their current companies is impressive. Today’s culture of job-hopping and ladder-climbing appears not to have permeated this seemingly loyal group, evidenced also by surprisingly few stops per resume, indicating more time spent at each company.

While far from even, the gender gap for CMOs is closing appreciatively, especially considering recent research reporting that only 3% of U.S. CEOs are female.

Marketing Executives at a Glance

Number of companies worked for: 3.3
 Years at current company: 8
 Gender: Male 61% Female 39%

Companies and candidates to admire

When it comes to companies that CMOs feel display “best practices” in their marketing efforts, it’s Apple and then everyone else. Trying times may lie ahead for the tech innovator, but it’s hard to ignore the overwhelming amount of admiration for Apple’s marketing prowess.

With the exception of Procter & Gamble, Apple, Bank of America and American Express, CMOs viewed most companies as stagnant and lacking innovation in their marketing efforts. That’s likely to change as U.S.

companies, faced with a tough economy and more critical consumers, are challenged to become more progressive in their marketing efforts in the coming years.

And a belated, but still interesting nugget – John McCain edged Barack Obama as the CMOs’ preferred presidential candidate. Nearly 10% of the marketing executives said they wouldn’t vote for anyone.

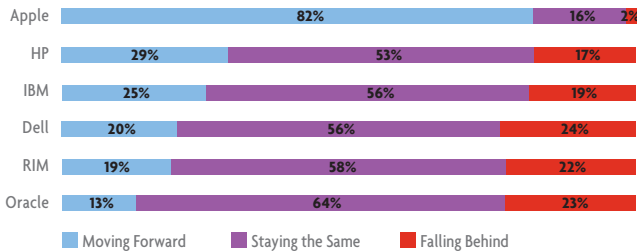
Apple Leads Overall for “Best Practices” When It Comes To Marketing Efforts

Asked on an open-ended basis, which company, from any industry sector, exemplifies “best practices,” Apple is cited by almost 3 in 10.

| | Total % | | Total % |
|------------------|---------|-----------------------------|---------|
| Apple | 28 | Chase | 1 |
| Coca Cola | 4 | Chick-Fil-A | 1 |
| Procter & Gamble | 4 | Ford Motor Co. | 1 |
| American Express | 3 | HP | 1 |
| Geico | 3 | M&M Candy | 1 |
| Google | 3 | Southwest Airlines | 1 |
| Microsoft | 3 | Target | 1 |
| Nike | 3 | Toyota | 1 |
| AT&T Wireless | 2 | Visa | 1 |
| Charles Schwab | 2 | Volkswagen | 1 |
| Disney | 2 | Wells Fargo | 1 |
| Fidelity | 2 | Other | 26 |
| GE | 2 | Nothing/Not Any/None | 2 |
| IBM | 2 | Don’t Know | 1 |
| Verizon | 2 | Decline to Answer/No Answer | 3 |
| Anheuser Busch | 1 | | |

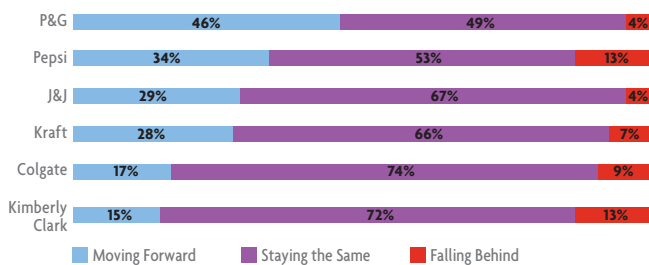
Apple Marketing Out In Front of Other Tech Companies

Based on overall impressions of marketing efforts, Apple is the clear leader in the technology field, rated by 8 in 10 as "moving forward" in terms of marketing.



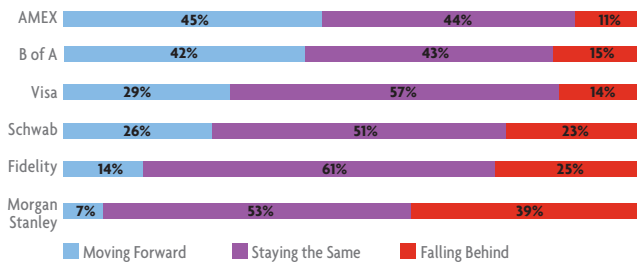
P&G Marketing Ahead of Other Packaged Goods Companies

Close to half (46%) say Procter and Gamble marketing efforts are moving forward.



American Express & Bank of America Top List of Financial Marketers

Almost tied for the lead in terms of forward seeming marketing efforts are American Express and Bank of America

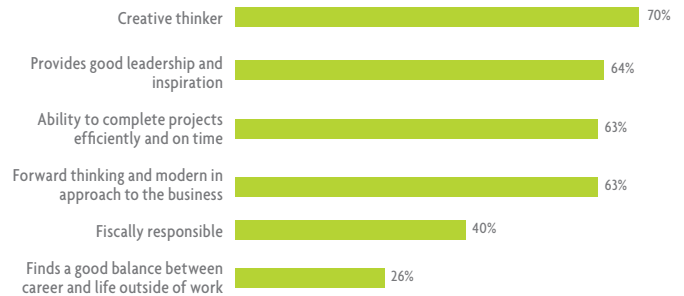


Dwindling Talent Pool

Despite lofty jobless numbers and the realization that unemployment figures could draw close to 9% by the end of 2009, a healthy percentage of marketing executives at U.S. companies are generally unsatisfied with the availability of qualified candidates. Driving this dissatisfaction is the apparent difficulty in finding workers with intangible skills such as good leadership, inspiration and forward thinking. Creativity remains a top priority in the world of marketing, as CMOs cited the asset as the most important when looking for new talent.

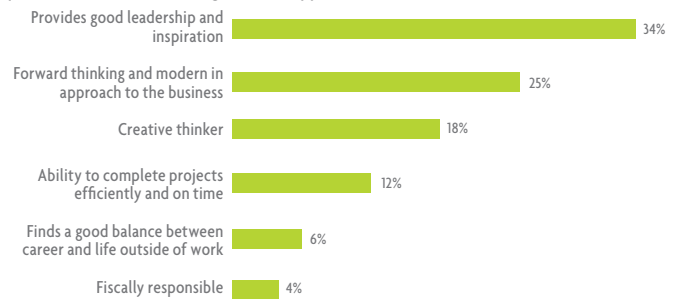
Creative Thinking Most Important Characteristic of New Hire

Seven in ten marketers look for creative thinking, followed closely by leadership ability, efficiency/attention to deadlines, and a modern approach to business.



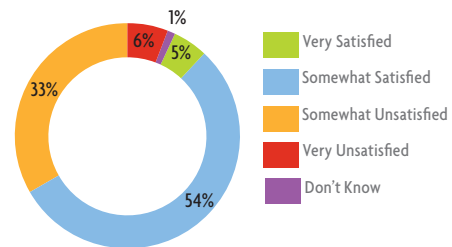
Leadership/Inspiration Hardest to find in New Employees.

One-third of marketers say leadership/inspiration is the hardest to find, while one-quarter cite forward thinking/modern approach to business.



Marketers Find Challenges in Finding Qualified Employees

Four in ten marketers say they are dissatisfied with the availability of qualified job candidates, that is, those who are able to handle responsibilities on "day one." While 54% say they are "somewhat" satisfied, a mere 5% of marketers say they are "very" satisfied.



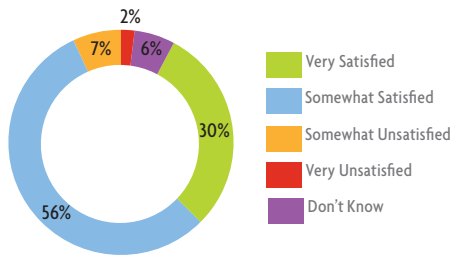
Outside agencies doing just enough

CMOs profess that more than one third of work in their department is outsourced to contracted agencies. The money spent investing in outside work doesn't come without high expectations. Rarely does the hired help deliver on a higher level than the norm, according to the executives surveyed. More often than not, the agencies of record performed rather adequately, or

even below standards, prompting the question – are CMOs expecting too much or do agencies need to step up their work? Of note, among the least satisfying qualities of outside agencies were return on investment and amount of innovation.

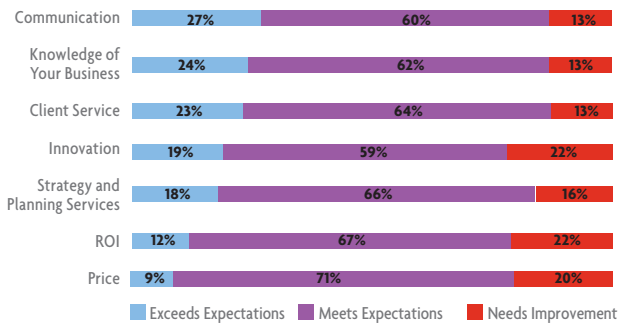
Most Marketers Express General Satisfaction with Their Primary Agency

However, a majority (56%) say they are “somewhat” satisfied, while just three in ten say they are “very” satisfied



Few Marketers Say Their Agency “Exceeds” Expectations, Though Most Say It “Meets” Expectations

From communication to price -- fewer than 3 in 10 say their agency “exceeds” expectations. Areas in greatest need of improvement are innovation and ROI.

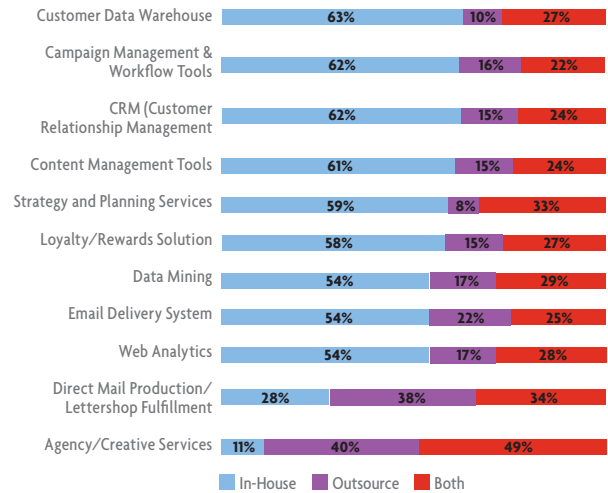


What to outsource?

Forced to make decisions about which marketing services and technologies to outsource, CMOs consider price and efficiency among the many factors weighing this decision. Twenty-first century concerns about privacy and data breach reflect the reluctance of marketing execs to ship out their customer database information. Good news for direct mail fulfillment companies as this important service is much more likely to be contracted.

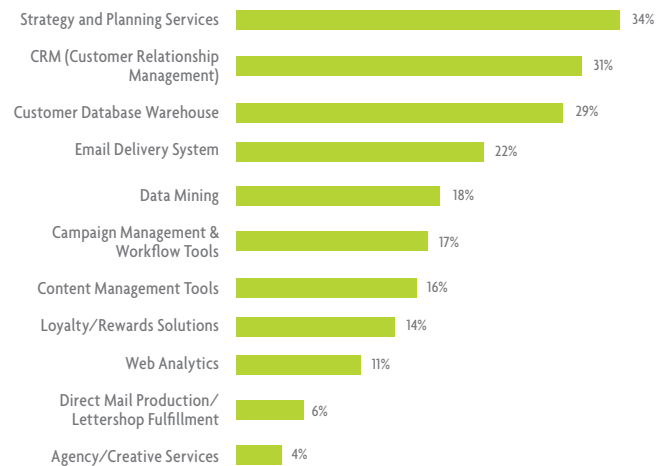
Marketers Combine In-House and Out-Sourcing When Utilizing Services/Technologies

For each of the technologies/services asked, marketers use outside vendors, but a majority report doing much of the work in-house.



Strategy & Planning Services Top List of Services Kept In-House

Services marketers NEVER would consider outsourcing include strategy/planning services (34%), followed by services directly related to customer management.



Epsilon’s CMO Survey was conducted in Fall 2008 with 180 senior marketing executives participating. The first wave was conducted in August 2008. Information can be found at www.epsilon.com/CMOSurvey1. In the second wave survey, of the sample, 48% described themselves as decision makers and 52% as influencers. The companies are represented by size: 30% report annual revenues of \$10 billion or more; 34% \$1 billion to \$10 billion; 18% \$500 million to \$1 billion; and 17% \$250 million to \$500 million. Of the respondents, 100% said they are very or somewhat involved in determining company marketing initiatives.

For More Information

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