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///CMO Outlook Report

Data, Decisions, and Optimism:
How CMOs are driving change in an evolving world

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Reasons to be cheerful: marketing's emerging optimism in the face of adversity

Macroeconomic and geopolitical risks continue to present a challenging scenario for businesses. But emerging technologies, diverse revenue streams and changes in consumer behavior all present opportunities for positive change.

GfK's new research shows that 78% of CMOs are optimistic about the future. And progressive, forward-thinking marketing leaders have every reason to be upbeat.

Leading-edge technology is elevating the function's customer-facing and back-office operations. Real-time insights and prescriptive data analytics are gaining traction. Investment in AI and related innovative technology is growing as use cases proliferate. And as ESG concerns move to the forefront of board discussions, CMOs have a chance to become champions of the consumer-critical sustainability agenda.

Each holds importance in the boardroom and offers CMOs a platform to increase their strategic influence. Indeed, they have a unique opportunity to position themselves ever closer to the heart of their organization and instigate positive change.

Optimism across markets

Certain sectors continue to prove their resilience despite ongoing economic uncertainty. The technology and durables market is representative of a new post-Covid, digital buying cycle, likewise the retail sector. Both are bouncing back as consumers look to make purchases postponed during the pandemic.

"Consumers are making more time to evaluate what they spend their money on," reports one senior marketing leader at L'Oréal. "This is an opportunity for ecommerce because it enables consumers to survey their spending. As a brand, we have a duty to ensure that they have all the information they need."

Market leaders have adjusted by investing in digital-first activations and campaigns. This strategy builds closer connections with consumers in the virtual arenas they increasingly inhabit.

78%

of senior marketers say they are optimistic about the future

It also offers better customer experiences that deliver long-term value. These can be further optimized through data insights and generative AI that underpin greater personalization and automation.

"Marketers are increasingly leading the charge towards data maturity, becoming ever more sophisticated in how data is used," says Garcia Villanueva. "Advanced data capabilities that help organizations make better decisions to prepare for whatever comes next will be a key marker of success in the future."

65%

of marketing leaders say it's easy to justify marketing investments

CMOs that can make the business case for adopting analytics and more innovative technology - and then make the most of it - will be in an enviable position. Those that can't, will find themselves trapped in a cycle of reactive, short-term activity that erodes their margins and brand value over time.

"I see a massive correlation among CMOs that embrace technology and those that are optimists," says Gonzalo Garcia Villanueva, global CMO at NielsenIQ. "We're also seeing companies better understand the need to strategically invest in their brand for long-term growth – and this extends to sustainability too. Purpose and the bottom-line are converging and this is a positive for marketers."

Most marketers show impressive confidence in their ability to justify marketing investments. Almost two-thirds say it is easy to make the case for funding. But securing investment is easier for some marketers than others - and this is clear across regions.

CMOs in APAC report that while their businesses have been relatively unscathed by ongoing economic uncertainty, they are among the least optimistic about their firms' growth prospects over the next three years. In turn, they are also among the least confident in their prospects of securing the investment they need.

Company size is an influential factor too. Marketers in mid-sized businesses seem most confident of unlocking future investment, while marketing leaders in the biggest firms are the least. These CMOs are most likely to be facing complex, multi-brand challenges that inhibit their access to funding.

Marketing investment is increasingly dependent upon demonstrating ROI to decision-makers. CMOs must take every chance they can to embrace an iterative culture. Only by testing and learning to improve returns will they make a convincing argument for further investment.

"We've all seen the impact of recent disruption on business-wide operations. These market events can pose either a risk or an opportunity on an almost weekly basis," adds Garcia Villanueva. "Marketers need to build prescriptive, data-driven processes so that they can stay ahead of such events and capitalize."

There is a general recognition among CMOs that they have a delicate balance to strike. They must defend their budgets and demonstrate the ROI of short-term projects to highlight their value to the business. But they must also be mindful of the importance of long-term investment. This is no easy feat, yet 78% of respondents believe that they have a clear understanding of the activities, channels, and marketing levers that provide the best returns.

Senior marketers are growing more upbeat – and rightly so. In this report we look at the key factors behind this optimism and analyze why CMOs have every right to feel positive about their future as drivers of change in their organizations.

"Advanced data capabilities that help organizations make better decisions to prepare for whatever comes next will be a key marker of success in the future."

Gonzalo Garcia Villanueva

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Finding the balance: why escaping the trap of short-term brand thinking will drive future success

Digitalization, economic uncertainty and geopolitical tensions continue to reshape consumer habits. In these difficult trading circumstances, businesses may focus on reactive, short-term marketing initiatives. While this may boost the balance sheet today, it means that longer-term brand investments that offer compounding benefits tomorrow consequently suffer.

“Our biggest challenge is to balance short versus long-term investment. Reducing the marketing budget impacts the marketing function and the business in the mid- to long term,” notes one marketing leader at electronic and white goods manufacturer Hisense Gorenje. “Management knows this but has no choice in the current market.”

Most marketers view the ongoing cycle of political, economic and social change as a positive catalyst. Our research shows that more than two-thirds of global marketers (70%) already invest more than half of their budget into long-term initiatives. This increases to 78% among CMOs.

Those that get it right will reaffirm their brand equity standing and see improved growth. In 2022, the cumulative value of the world's 100 Best Global Brands surpassed $3tn for the first time. This was up 16% year-on-year, according to research from branding agency Interbrand.

70%

of global marketers are investing at least 60% of their budget in long-term initiatives

The strongest brands are often the most resilient, recognizable and credible. With economic challenges pushing consumers towards cheaper product alternatives, marketers in price-sensitive, frequent purchase categories can combat this by investing in their brand over the longer term. Consumers will continue to buy from brands they trust, even if costs are slightly higher.

The long and short of marketing effectiveness

Regional and industry dynamics can also affect decisions to make long- or short-term investments. Marketers in Europe are most likely to invest in long-term brand building. Those in South America are more likely to invest in the short-term.

you board members that are already bought into this agenda it can make it easier to elevate its importance," adds Garcia Villaneuva. "But there are different degrees of sophistication among the C-suite depending on industry and sales cycles. Both can make it harder for marketers to make the case for long-term brand building."

Investing in activity to communicate brand values can ultimately pay dividends with consumers in the long run.

"Long-term brand building is the key to firmer pricing," said Les Binet, group head of effectiveness at ad agency adam&eveDDB, at the Institute of Practitioners in Advertising's recent EffWorks Global event. "Brand advertising reduces price sensitivity, increases pricing power and protects margins, which is important in inflationary times."

Despite this, many marketers continue to lean heavily on short-term tactics. This is because digital platforms provide a wealth of metrics that can be used to fine-tune performance for marginal gains.

"With the arrival of e-commerce in particular, and digital metrics in general, all businesses now have short-term metrics, which can distract them from long-term growth," adds Binet.

This can be an issue. As the GfK Brand Architect framework shows, a strong brand can deliver

"All businesses now have short-term metrics, which can distract them from long-term growth."

Les Binet

myriad benefits. These include: reduced customer acquisition costs; higher customer retention rates; more impactful product launches; and the ability to command a price premium.

Our research finds marketers for B2B brands are more comfortable making long-term brand investments. Here, longer conversion cycles and smaller customer bases are helpful. Those in the B2C world seem less inclined (or able) to do

Our research also shows that long-term marketing initiatives are most common in industries with high upfront costs. The reverse is also true, with short-term strategies used to combat immediate cash flow challenges in verticals such as FMCG.

"Long-term investments rely on collaboration and need to start from the top of a business. If

so – although this narrative does appear to be shifting.
"Heineken are big believers in brand building, and part of our strategy is to invest in brands, no matter what. Everyone is going through tough times, but we keep consistent KPIs for investment in brands, and stick to those to ensure we balance short and long," says Olya Dyachuk, data driven media director at HEINEKEN UK.

Striking the balance

An optimal investment balance is around 60% branding and 40% short-term activity, according to studies by the UK advertising trade body, the IPA. This ratio is backed by recent research by Nielsen, Nepa, and GfK, and commissioned by Meta, which underlines the significant additional ROI that long-term investments can add.

et long-term brand investment and strategy, while something ultimately championed by the CMO, is no longer limited solely to the marketing function. It requires alignment and collaboration among the C-suite. Marketing may be the custodians of the brand, but the experience that is ultimately delivered and represents the brand needs to be orchestrated across all functions.

76%

The percentage of total ROI in the technology and durables category delivered by long-term brand investment.

In many firms, marketing is still seen as a cost center and stakeholders need to understand the benefits of long-term brand investment. CMOs can avoid the trap of short-term thinking by taking decisive actions that define a clear brand vision that stakeholders can buy into. Taking a collaborative approach can build long-term resilience, results, and

revenue, marketers can lead their business down the path of success for years to come. We explore these in the box out below.

Defend brand investments and focus on effective brand building.

Practical steps include an insight-led approach to understand consumers' rational and emotional connection to your brand. The latest insights on the perception of your brand and the competitive landscape allow marketers to act with confidence. These insights also inform stakeholders that the brand-building strategy is consistent.

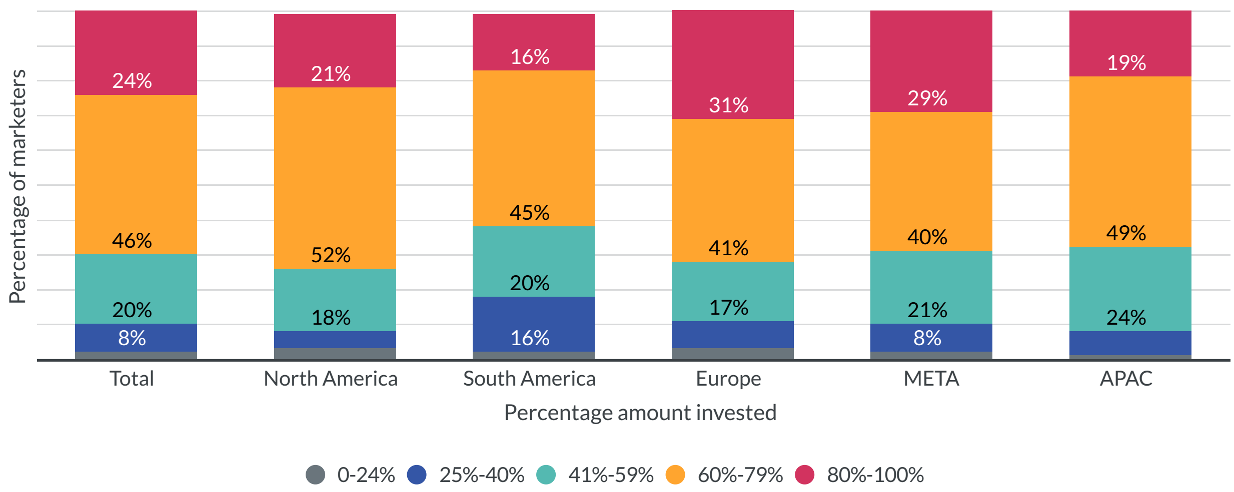
Provide certainty to stakeholders in the business with a clear vision.

A first step in creating a shared mission is to demystify brand building and explain the role of each stakeholder in your brand strategy. With clarity over the “why” and on roles and responsibilities, it’s easier to collaborate to drive company revenue. Certainty and buy-in can be built by communicating examples of top performing brands in the market that have a clearly defined strategy balancing investment in long-term brand building with more regular tactical investments.

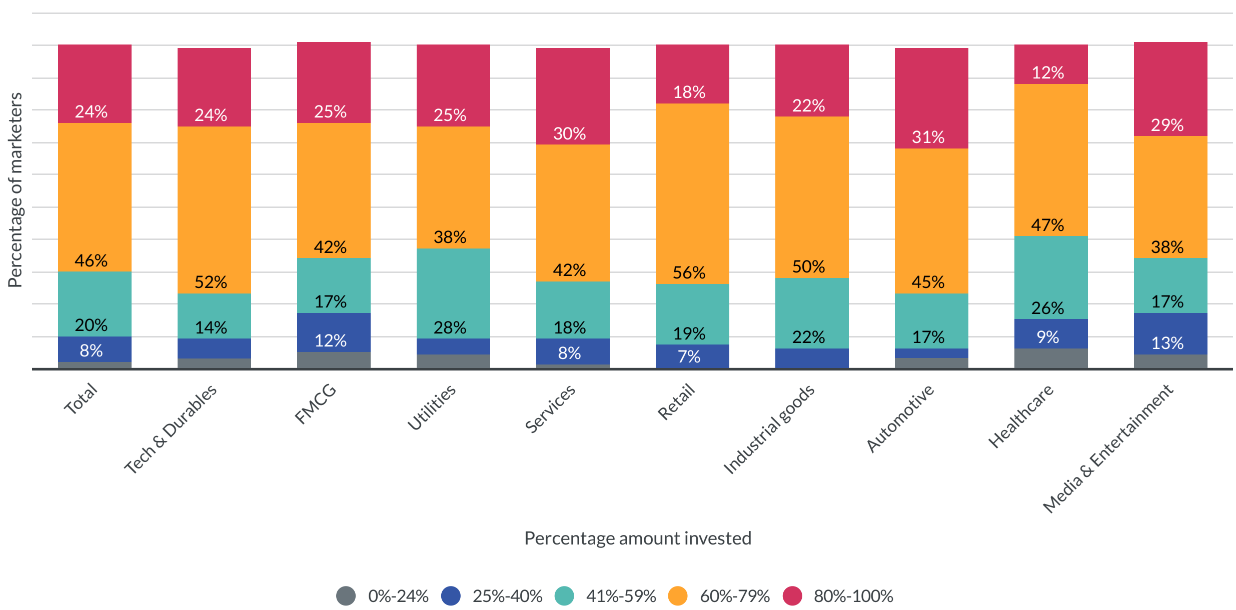
Develop a clear strategic plan for brand building.

The most recent data, trusted and relevant insights on a strategic high-level view will help to convince the C-suite to invest in brand building. Identify brand-building media channels such as TV, out-of-home and digital platforms that will push this forward. But also look to innovation. Improved data analytics and investment in AI, for instance, could push this investment forward. Equally, don’t be afraid to start small. It can be valuable exercise to build a test case in one region or country and show the results after six months to justify the business case for expanding such activity.

Percentage of marketers investing in long term brand building (by region)



Percentage of marketers investing in long term brand building (by vertical)



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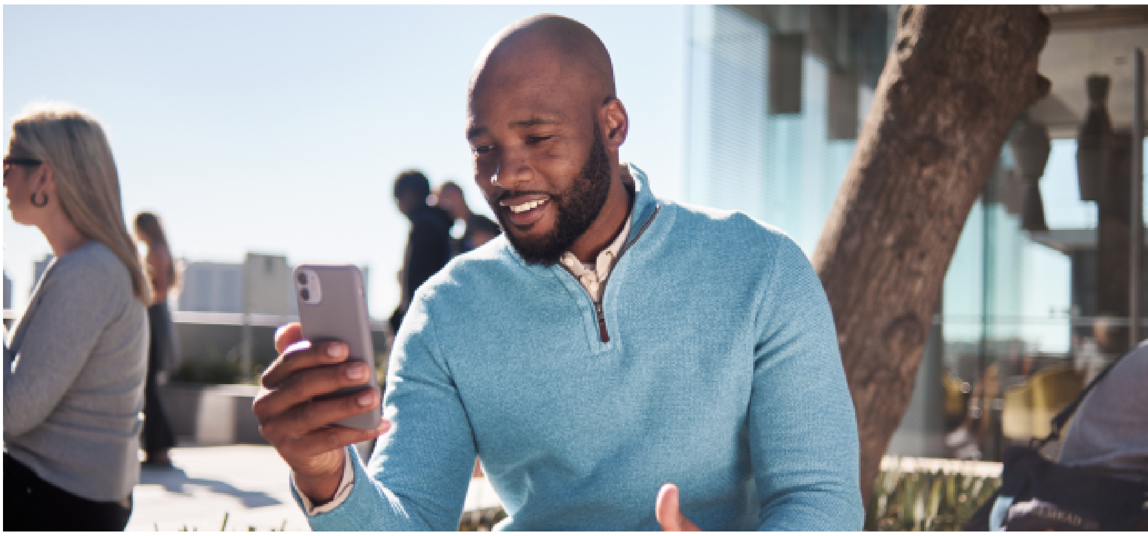


Unlocking real-time insights boosts marketers' value to the organization

Marketers need to learn to analyze and interpret real-time data to detect emerging strategic opportunities (and threats) – and act on them promptly.

"In recent years, market disruptions have shown us just how quickly buyer behavior can pivot, highlighting the need for real-time predictive data. The businesses that thrive in this environment will be those that can anticipate what's coming next," predicts Garcia Villanueva. "We have only just begun to unlock the power of data for organizations. It's not enough to know what consumer behavior looked like last month. The real game-changer lies in knowing where it's heading next."

Insights from prescriptive analytics can drive myriad benefits: customer-centricity becomes automated and personalization; campaign and product launch tactics can be tailored to increasingly detailed buyer profiles; scenario planning simulations help optimize pricing; and sophisticated forecasts align marketing with inventory and sales data.

Such activity will progress marketers from sharing descriptive takeaways to providing the prescriptive 'so what?' that shapes future planning. Rationalizing data across market share, what products are selling best and why, and the feedback from consumers will help marketers increase their contribution to revenue growth and inform broader, cross-functional strategies.

"Data and analytics are no longer about maintaining professional silos or gatekeeping. All types of marketers are gaining a core foundation in data, while consideration of data is becoming a key element in the creative process," says Liz Caselli-Mechael, global head of content and digital for the Nestlé corporate brand. "We've happily moved away from both extremes: data dictating every decision with no context or an egocentrism that we marketers know best, regardless of the data."

Barriers to success

Unlocking real-time insights from data is a must but many senior marketers seem hesitant to do so. Our research suggests multiple reasons for this. Regulatory risk is one and caution is to be expected as marketers learn to navigate the fast-evolving tech landscape. Beyond this, 33% of senior marketers report problems connecting data across disparate internal sources, while 29% are facing resistance to a change of approach inside their organizations.

These are significant challenges, but they aren't impossible to solve. The key to surmounting them lies in putting data front and center in the organization – and making it as easy as possible to understand.

"Analytics need to show data and insights in a visually compelling way that makes it easy for decision-makers to slice and dice it however they want to," says Garcia Villaneuva. "It's a by-product of the faster world that we live in and one that requires CMOs to build a healthy understanding with their CTO or CIO if they are looking to build a long-term, data driven competitive edge."

Making insights accessible and consumable can show business leaders the power of prescriptive analytics and persuade them to push through the necessary change programs. Marketing leaders who can secure C-suite support this way, especially from technology leaders, will help their firms to not only embrace data-driven insights but to act on them at pace.

"In a volatile market with increased competition, data is only as valuable as what you do with it – and what you do fast," Garcia Villanueva stresses. "We can access huge amounts of data in real time. The next challenge is creating real-time insights from it. This is where a CMO's combination of intuition, experience, and creativity is essential."

Organizational data will remain meaningless to marketers unless they can surmount the implementation barriers they face. They may need to be patient, because such projects can be time-consuming, especially where legacy systems are embedded, and talent gaps exist.

Identifying and accessing talent is another key hurdle marketers must overcome. As businesses build their analytics capabilities, they will need to need to think about what their overarching marketing mix looks like in terms of innovative channels and technology, and the skills that this will require.

This means more than simply hiring new talent, especially in nascent areas like real-time analytics. It is important to identify the comfort of existing talent with the tools and technology required by the business going forward. While younger marketers may find such a transition easier to embrace, those in slightly older age groups may require a portfolio of training to ensure they are not left behind and can continue to add value.

Percentage of marketers gathering actionable insights from real-time analytics

38%

"My firm has grown in the past three years"

34%

"I am optimistic about the next three years"

39%

"Marketers scoring highly in GfK's Outlook Index "

Aiming for positive insights

Our research indicates a general sense of optimism among those marketers who are already applying real-time and prescriptive insights. But the scale of the gap between the haves and have-nots is stark. Only 26% of marketing decision-makers receive actionable insights in real time. In firms with annual revenues of less than $500m, the figure falls to 20%.

But the situation is changing. The barriers to success are clear and the strategic value of data-driven marketing is apparent. For 44% of marketing leaders, "extracting relevant data signals from across channels" is now deemed a high priority over the next year.

Prescriptive analytics will help marketing leaders to assimilate disparate marketing, performance, and consumer data into actionable information for decision-makers. Doing so will boost their strategic influence and credibility, and empower them to wield more authority in the boardroom

Actions for marketers

1. Hire and train the right people to analyze the data.

Build pools of analytics-related talent (e.g. data scientists and analysts) to augment the marketing function. This may necessitate recruiting at events, working with universities to influence the next generation of talent, or upskilling incumbent employees.

2. Focus on high-quality data collection.

Prescriptive analysis requires comprehensive, accurate data. Marketers must ensure that they use reliable sources and robust collection methods. Data should be cleansed and validated. Supplement this with external data such as information about market trends, competitor performance, and the wider economy.

3. Invest in advanced analytics.

This includes machine learning algorithms, optimization models, and simulation software. These tools can handle complex data sets and deliver sophisticated insights for decision-makers.

4. Implement cross-functional collaboration.

Support cooperation between data analysts, the marketing function, and business leaders. Cross-functional teams can remove data silos, ensuring the integration of diverse sources for more insightful analysis and a broader perspective.

5. Seek feedback to inform ongoing refinements.

Build pools of analytics-related talent (e.g. data scientists and analysts) to augment the marketing function. This may necessitate recruiting at events, working with universities to influence the next generation of talent, or upskilling incumbent employees.

6. Test recommendations and monitor outcomes.

Before implementing prescriptive recommendations on a large scale, conduct tests to validate the likely effectiveness of proposed strategies. This minimizes risk and verifies that recommendations are sound. Then implement a system to monitor the outcomes of all decisions based on prescriptive analysis. This feedback loop will help to refine future analyses and improve decision-making.

Exploring the boardroom metrics that matter

Our research shows that, compared with other marketing stakeholders, CMOs more often feel that they have access to real-time insights.

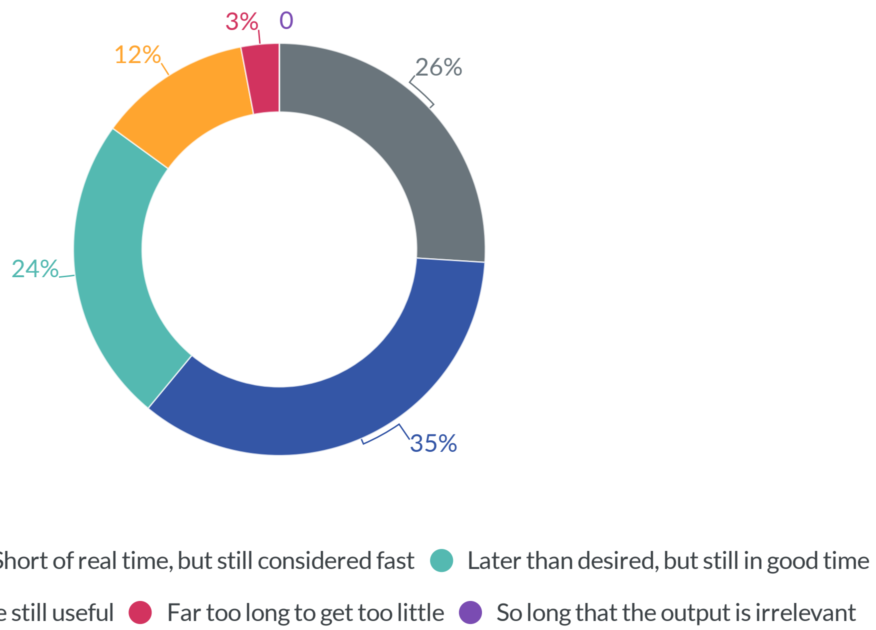
This is a clear advantage, as Gonzalo Garcia Villanueva explains: "Real-time insight, not just data, has never been more important. Knowing immediately what's working and what's not allows you to focus your investments and win in a volatile and competitive marketplace. And, when you can prove that what you're doing is working, you open more valuable conversations in the C-suite."

When taking such insights into the boardroom, marketers should focus on those that clearly link to commercial objectives. This means ensuring that prescriptive analysis is aligned with their company's strategic goals and key performance indicators. The C-suite will prize actionable insights that help to achieve specific business objectives. These include reducing customer acquisition costs, boosting sales conversion rates, and improving production efficiency.

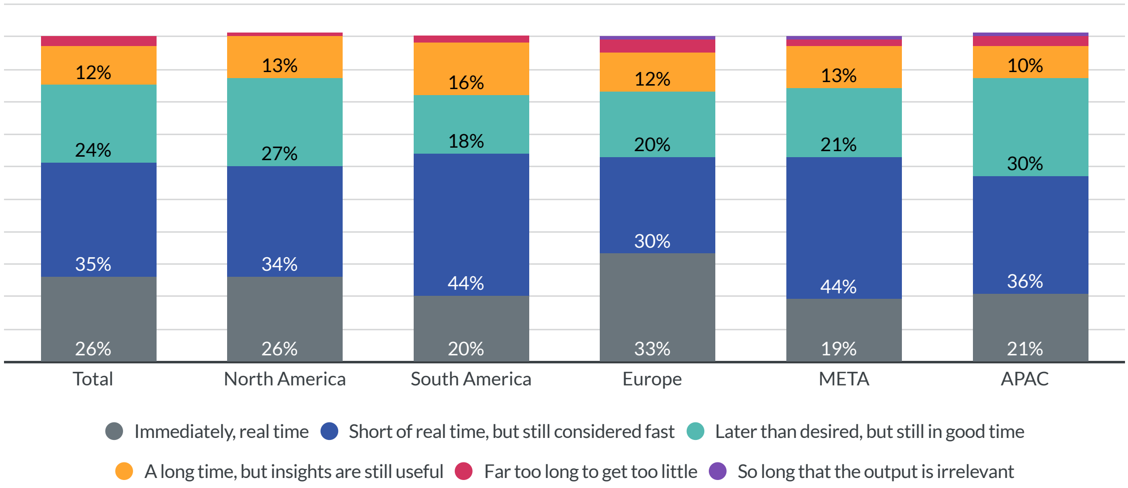
A price elasticity analysis, for instance, can help decision-makers to understand the effects of changing a product's price, especially during a promotional event. Real-time data on sales forecasts, conversion rates, and campaign performance can help the board understand the effectiveness of sales and marketing initiatives. Board members also need to understand market dynamics and how the company compares against the competition. Real-time market insights can help identify emerging trends, such as changes in consumer behavior, as well as potential threats to the company's position.

Lastly, real-time data on buyers' reviews and feedback offers valuable insights into the quality of a company's offerings. Insights into customer satisfaction levels will help the board to gauge how well the company is meeting its target market's needs – and take urgent remedial action if the indications are poor.

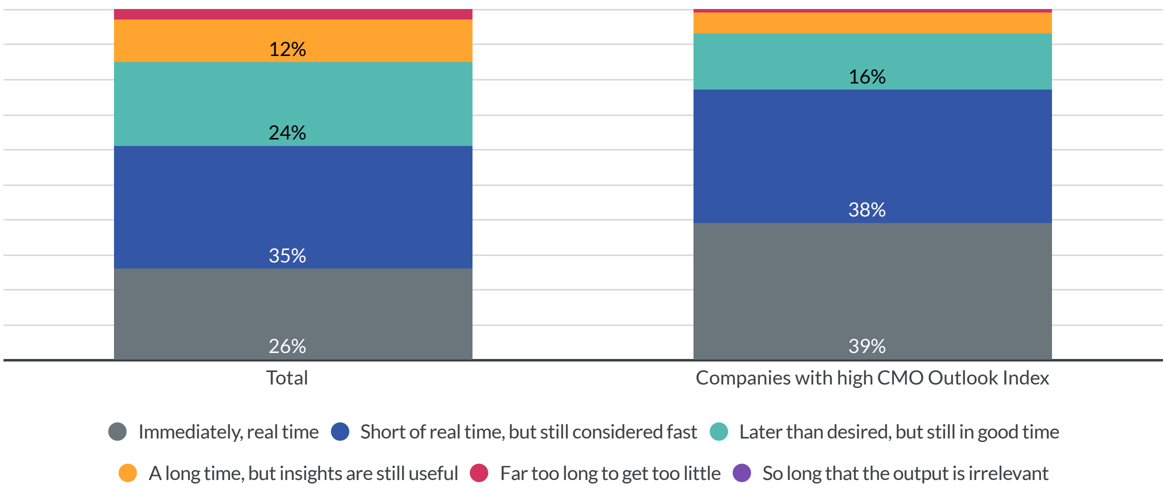
Time it takes to move from gathering data to delivering actionable insights



Time it takes to move from gathering data to delivering actionable insights (by region)



Time it takes to move from gathering data to delivering actionable insights (by companies with high CMO Outlook Index)



Barriers to realizing the full potential of data and insights (by annual revenue)

	Less than $500m	$500m-$1bn	Greater than $1bn
Difficulty connecting data together across different sources	29%	32%	36%
Insufficient tools / technology	27%	33%	29%
Resistance to change in the company	31%	28%	27%
Regulatory / privacy barriers	25%	29%	31%
Lack of resources	36%	24%	28%
Lack of talent to move from data to insights	29%	26%	29%
Lack of investment budget	33%	27%	24%
Missing critical data	24%	24%	28%
Value of data not recognized in the company	25%	22%	22%

Beyond the hype – what AI actually means for marketing

The rapid advance of artificial intelligence (AI) and machine learning (ML) is hard to ignore. Predictions abound for how these technologies will transform various industries, functions and professions – and marketing is no exception.

Both offer incredible potential for marketers, especially when it comes to automating mundane, repetitive tasks that free up individuals to add more strategic value. This will help the function to have a much broader impact, with AI-derived insights enabling marketers to make better decisions, faster.

Our new research shows that marketers' familiarity with emerging tech such as AI and ML, as well as AI-powered software like ChatGPT, is already strong – and becoming even stronger. The granular findings make for fascinating reading.

Almost half of marketers (45%) say they are already using AI, while 40% are familiar with, or using, ML models. The uptake of ChatGPT has been rapid, with

36% of respondents already using it - despite it being in-market for less than a year. Marketers working in the biggest enterprises are those most familiar with such technology and much more likely to be early adopters than those in smaller firms.

While these technologies are already reshaping the marketing function, there are urgent questions that need answering. These include: how best to use these tools; what skillsets they require; how to navigate bias in data sets; how far the tech will go in replacing human insight and intuition; and how to redeploy people whose day-to-day work is now automated? With such considerations in mind, Gonzalo Garcia Villanueva, global CMO at NielsenIQ, offers his thoughts on what comes next for the marketing function amid this rapid digital change.

To what extent, if any, should marketers feel threatened by AI?

I don't think it's a case of tech versus human; it's more about how we can collaborate. We can definitely work together. We need technology and it needs us. If you look at the development of AI, there has always been a need for a human at the helm of these initiatives.

How can AI help marketers to push forward on data and analytics?

The rapid assimilation, organization, and analysis of data can't be left to humans alone. Using AI is a powerful way to identify the signals you need and model projections that predict the future of your brand under many scenarios.

Marketing is reaching an inflection point in terms of data maturity. Organizations are investing heavily to lift their data capabilities. We've made progress in joining the dots between systems and breaking down information silos. The next frontier is introducing higher analytics and industrializing insight generation.

For example, predictive analytics on consumer purchase behavior not only guides marketing; it also informs pricing, product, channel management, and supply chain management. And forecasts that were previously siloed within operational teams can be used by sales teams to tailor their approaches. This can be taken even further by exploiting AI functionality through real-time prescriptive insights to produce creative and brand assets that are more dynamic and delivered in a hyper-personalized fashion.

However, you also have different levels and ranks of knowledge within the marketing function and commercially driven marketing managers need to have an understanding of the skills available to them across many centres of excellence. And skill sets are changing. With dozens of new channels to be exploited and the hyper personalized, super VIP experiences that AI will allow us to deliver, marketers need to be a Swiss army knife. They need to be comfortable both using new technologies like AI as well as analyzing the performance of campaigns and interpreting real time analytics.

This is not just about hiring people that know how to do these more sophisticated tasks. It is about educating ourselves, our teams, and our colleagues to ensure everyone is comfortable with these tools. And that education piece starts with the CMO.

What role can AI play in boosting innovation and creativity in marketing?

AI is freeing up people to do the insightful, forward-looking strategic work they really want to do. That's because AI removes dull tasks from the human to-do list – activities such as inputting data and formatting spreadsheets.

This means that senior marketers will need to recruit new people with different skills. The ongoing introduction of AI will increase the need for attributes that machines can't cover. They include creativity, flexibility, judgment, and so-called soft interpersonal skills.

How does the function sell this to the C-suite? Can marketers be more specific with other senior stakeholders when explaining AI's potential in marketing?

AI offers unparalleled opportunities to predict customer demand and anticipate emerging market trends. But it needs buy-in from the top down to realize its full potential in the business. The limitations of AI are a consequence of your technology requirements. CMOs need to build relationships with the decision-makers that can deliver technology transformations, and this means ensuring that the CTO, for example, understands what you're trying to do and why you're trying to do it.

If marketing leaders are trying to make the case for investment AI tools, or in their broader martech or customer-facing technology, then they need to ensure technology stakeholders understand the ethos and long-term view of the marketing function in order to get them on board with the strategy.

Take one example: improving the customer experience. While it might be tempting to think your CX is good enough for you to pause further investment in it, our research shows that consumers' expectations are increasing in a plethora of channels. It's essential then that your market automation and CRM systems are up to scratch, and this means getting buy-in from your CTO and even Chief Product Officer too. It needs a united front to drive innovative change and this can be achieved by making the most of the data at marketing's disposal. Data-driven CX analysis can help you to not only identify and solve problems you didn't know you had in the customer journey, but also further the business case for investing technology that ensures more consistency across an increasing number of touchpoints.

AI-driven insights can also help businesses to understand changing consumer perceptions and identify ways to differentiate themselves from the competition. The technology will show you where you can maximize conversions, what the key purchasing drivers are, and which touchpoints are the most impactful in marketing terms, so that you can create a better brand experience. When you can refine your CX in such a way, you can improve loyalty and increase the lifetime value of your customers, thus maximizing your firm's revenue.

The machines and marketing

FMCG giant Diageo has been using AI in several ways, including developing personalized packaging and making its media buying more efficient. It has also acquired Vivanda, the company behind the AI-driven FlavorPrint flavor-matching technology for whisky. FlavorPrint asks consumers simple questions about their flavor preferences, mapping their responses against a database of foods and aromas. It then recommends brands and variants that the user is most likely to enjoy.

The technology underpins Diageo's What's Your Whisky? digital platform, which has been integrated into physical stores and ecommerce platforms across Europe and North America. It also drives the immersive "journey of flavour" experience at Johnnie Walker's venue on Princes Street, Edinburgh, tailoring the drink selection to the tastes of each visitor taking the tour.

Diageo's CMO, Cristina Diezhandino, explains that the AI helps the firm to meet consumers' expectations "for more personalized, interactive experiences".

As well as enhancing CX, AI is also playing a growing role in ad personalization that connects with specific audiences. For instance, Samsung has worked closely with Google to use the AI-driven Performance Max platform to personalize adverts with various messages and promotions to suit different global markets. The technology integrates campaign bidding, budget optimization, audience targeting, creative execution, and advertising attribution.

"Within India, there's a huge disparity in consumer demographics across north and south regions. This makes it difficult for us to optimize performance and also grow," Sandeep Bajpai, director and head of D2C marketing at Samsung India, said in a recent Google interview. "Our results were phenomenal: we doubled our revenue without affecting our return on ad spending too much."

Top ranked priority areas for improvement in the next 12 months (global)

44% Media optimization

44% Extracting relevant data signals across channels

44% Generating actionable insights

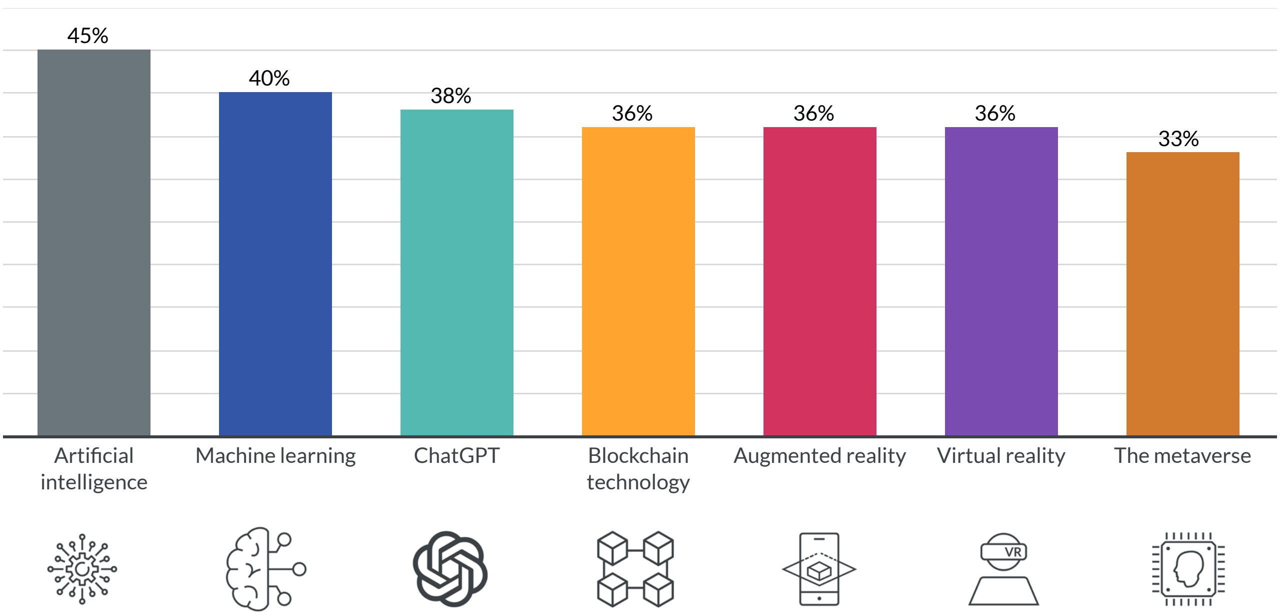
43% Storytelling / data visualization

42% Data integration

Top ranked priority areas for improvement in the next 12 months (by region)

	Europe	North America	South America	META	APAC
1	Data integration (49%)	Storytelling (50%)	Depth and granularity of customer insights (55%)	Generating actionable insights (42%)	Media optimization (49%)
2	Media optimization (45%)	Extracting data signals (47%)	Customer journey (47%)	Media optimization / extracting data signals / data integration / pricing optimization / purchase data (38%)	Generating actionable insights (48%)
3	Extracting data signals (45%)	Generating actionable insights (46%)	Generating actionable insights (44%)		Extracting data signals (45%)

Percentage of marketers familiar with using new technologies



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Head in the sand: Are marketers falling out of step with consumers on sustainability?

Pressure is increasing on brands to act on climate change and sustainability. Consumers, business leaders, and shareholders expect marketers to make decisions that will influence the world in positive ways.

But our research suggests that fatigue is setting in for marketers, and they risk falling out of step with consumers and wider business opinion on the issue.

Less than half (42%) of CMOs list sustainability and environmental protection as an important part of their organization's brand identity. Around one-in-three (30%) global CMOs believe their customers expect their brand to address sustainability issues. Yet, wider GfK studies, however, show that almost three-quarters (73%) of global consumers say it's important that companies take environmentally responsible actions. It's a shocking perception gap.

"This finding represents a wider mental debate among marketing leaders," says Garcia Villaneuva. "There are many consumer markets that put their money where their mouth is - they say they care about sustainability, and they buy sustainably – but there are a lot of big markets where this is less true. Marketing leaders know they have a finite budget and I suspect too many question themselves about putting the majority of it into sustainability-focussed activity."

Liz Caselli-Mechael, global head of digital and content for Nestlé corporate, says that marketers are "a critical part of bringing companies' sustainability work to life and being able to drive, share or command a premium for some products." She notes that this is "one component that marketing can impact, which ensures sustainability is core to business strategy and consumer relationships, and not seen as an extracurricular that could be cut year to year."

Long-term commitment requires brands to be authentic; to mean what they say, and show responsible behavior.

"Consumers want brands to be actively involved and to care for society," says a senior marketing decision-maker at Vodafone. "They expect brands to behave sustainably, even if there is a cost – because it's inappropriate not to. However, they need to continue to be authentic and ensure what they do has impact and meaning."

Half of the global population is expected to be 'eco-active' by 2030. This segment of customers is projected to deliver more than $1bn of value to FMCG brands before the end of the decade, and a further $700bn to businesses in the technical consumer goods vertical.

A substantial percentage of the global population are willing to pay more for sustainable products. This can mean paying upwards of 25% more, according to GfK's Who Cares? Who Does? 2022 report. Marketers must embrace such trends.

"Engaging with sustainability also presents a massive opportunity for CMOs to actually capture and show off the real purpose of their company," concludes Garcia Villaneuva. "People care about purpose, so show off the elements that make you unique when it comes to sustainability and how you behave as a diverse and inclusive organization. It's an important way of winning round consumers, current employees and prospective talent."

Sense and sustainability

Our research shows that European CMOs appear to be those least invested in sustainability. They are also the least likely to see it as an opportunity, especially compared with counterparts in MENA and APAC.

But our Green Gauge Report shows that consumers in Europe's big four markets are willing to pay more for consumer purchases if they are sustainably produced.

"For longer-term success, brands must make room to participate in sustainability and the circular economy," says Tim Kenyon, vice-president, consulting, at GfK Consumer Life. "This includes building buybacks, product leases, robust repair programs and value-add services into their growth, brand and marketing strategies."

In consumer technology and durables, product quality and value can be a strong partner to existing sustainability messaging; the premium upfront cost reduces spend in the long term.

"Brands must educate and communicate about their products' total cost of ownership," adds Bernard Kin, Head of APAC T&D Global Clients. "Since sustainability is becoming more about 'reducing' and 'saving' – whether it's using less energy or water, reducing wasteful consumption, or recycling – these kinds of attributes can be highlighted to demonstrate true affordability and value."

Senior marketers must engage stakeholders across the company to gain support for marketing initiatives that reflect the sustainability agenda. Building understanding at board-level is key. CMOs need to reinforce that sustainable activity ties together multiple threads, including AI-powered prescriptive market insights and long-term brand equity. Going forward, sustainability is a non-negotiable element of consumer trust and long-term profitability.

Brand sustainability in action

Dell Technologies: delivering sustainable value for customers

The tech company delivers product recycling and reuse programs that support sustainability and save consumers money. According to Dell's 2022 ESG report, it expanded its trade-in initiative to include technology from other brands for instant credit towards new Dell products.

In the US, Dell collaborated with Google, Apple, Amazon and Microsoft to launch a year-long citywide doorstop electronics recycling pilot for consumers from Denver, Colorado. Developed with recycling start-up Retrievr, this initiative collected customer insights into the critical factors affecting consumer behavior and used them to improve electronic waste recycling processes.

Dell said in its ESG report: “We are committed to engaging with customers, suppliers, peers and even competitors to identify best practices, remove barriers and support industry-wide initiatives – all with the ambition to redesign, reuse and recycle our end-to-end technology.”

Unilever: brand values in hand with nature

The FMCG company focuses on sustainability via several green initiatives. Dove's new reforestation project in south-east Asia is one example that involved buy-in across the business and from the boardroom.

Based on the Dove brand values, the initiative aims to protect and restore 123,000 acres of rainforest. To achieve this, Unilever partnered with Rimba Collective, a collaboration between leading consumer goods manufacturers connected to the agricultural commodities industry.

The Dove nature regeneration project was possible due to Unilever's investment in a €1bn fund that will be spent on climate and nature projects by 2030.

Firdaous El Honsali, Dove's global vice-president, external communications and sustainability, explains: “The beauty of nature is under attack, and climate change remains one of the biggest threats we face. ... Our scale demands we act urgently to protect nature – and play a critical role in the effort to stop climate change.”

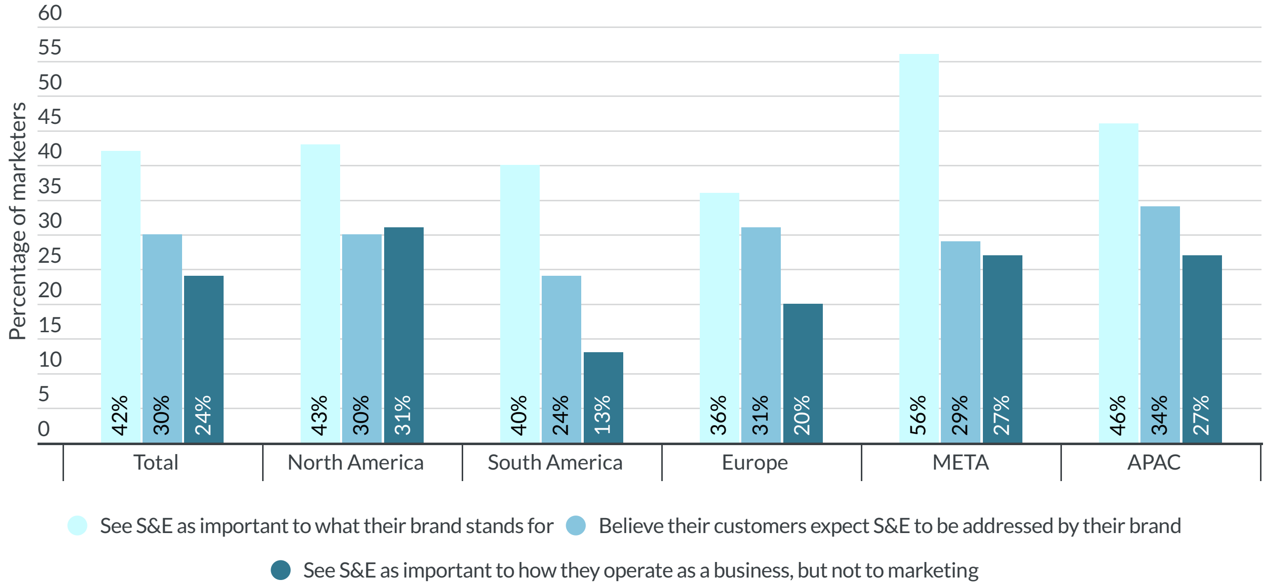
Nestlé: blending consumers and purpose

Nestlé has invested in the Nescafé Plan and Nestlé Cocoa Plan, which are long-term sustainability initiatives for cocoa-producing smallholder farmers.

Nestlé also acted to tackle the impact of its production from seed to cup. The income accelerator program in West Africa, for instance, pays farmers for their sustainability and social impact actions, not only their crop. These small producers receive incentive payments for decisions such as sending their children to school and updating their growing methods.

Liz Caselli-Mechael, global head of content and digital for the Nestlé corporate brand, says that the company’s sustainability work is important on many levels. Building credibility and trust with consumers and business partners while ensuring supply in the face of climate change. She adds: “Our leadership has made major investments because the impact is business-critical, both to reduce our risk and to connect with an increasingly purpose-driven consumer.”

Perceptions of sustainability and environmental (S&E) protection (by region)



Perceptions of sustainability and environmental (S&E) protection (by annual revenue)

	Is an important part of what our brand stands for	Will be more important in the future	We are ahead of our competitors on this topic	Our customers expect us to address this issue	Is a commercial opportunity for us as a brand	Is an area where we can differentiate vs. competitors	Important to how we operate as a business, but not to our marketing	Is a topic for politicians, not brands
Total	42%	35%	31%	30%	30%	26%	24%	15%
Up to $500 million	45%	29%	31%	27%	29%	24%	24%	12%
$501 to $1 billion	40%	37%	29%	30%	25%	25%	26%	15%
Greater than $1 billion	43%	37%	34%	33%	36%	30%	24%	16%

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