marketing Magnified™

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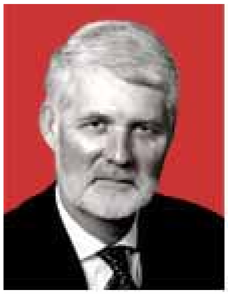
The CMOC Summit this year was all about marketing accountability and performance, highlighted by the unveiling of the technology MPM Model. Read all about it in this issue.

Editor's Cut



The third annual CMOC Summit in Monterey this month delivered the goods for nearly 200 tech marketers who wanted to know how to improve the value and performance of marketing within their companies.

CMOC Executive Director Donovan Neale-May kicked off the Summit by saying marketing has become more accountable for effectiveness and business performance in recent years, but needs to do even more to ensure an equal seat at the executive team table. The Summit's theme "Setting the Agenda: Marketing's Strategic Mandate" was woven throughout the two day event.

After a morning of high-profile speakers, the real meat of the first day could be found in the nine interactive panel sessions, which discussed a wide range of topics related to improving marketing effectiveness.

The highlight of the two-day Summit, however, was the MPM Task Force presentation of the MPM Model framework by team member Bill Glazier. The presentation was the culmination of many hours of work by the MPM Task Force over the last year. Bill's presentation is summarized in the "Tech Marketers Flock to Monterey for Annual CMOC Summit" story.

I think it is important to point out that the formation of the MPM Task Force and its work was a direct result of discussions that took place at last year's Summit in San Francisco. CMO Council Advisory Board Chairman Jan Soderstrom and Executive Director Donovan Neale-May took the lead in creating and staffing the MPM Task Force and setting the agenda. Many thanks to colleagues Bill Glazier, Don O'Sullivan, and the great team of MPM Advisory Committee members who toiled in the marketing performance measurement fields for many hours to bring the MPM research, Model, and other deliverables to you in time for this year's Summit.

Kudos also to Robin Lutchansky and her CMOC and Global Fluency team for planning and executing a terrific Summit in Monterey that provided real value and a great time. Mark your calendars now for next October. You'll be glad you did.

Marketing Magnified's managing editor is Robert Nelson, a brand optimization consultant based in Puerto Vallarta, Mexico. He can be contacted at: nelsonbranding@pvnet.com.mx or http://www.nelsonbranding.com.

Tech Marketers Flock to Monterey for Annual CMOC Summit

The third annual CMO Council Summit attracted nearly 200 of tech's top marketing minds earlier this month in Monterey, California. Focusing on the theme "Setting the Agenda: Marketing's Strategic Mandate" the Summit delivered an overarching message of marketing accountability for effectiveness and business performance.

The Summit's highlight was the unveiling of the CMO Council's Marketing Performance Measurement (MPM) Model, which provides technology marketers a framework for creating a company-specific MPM Model. MPM Task Force Member Bill Glazier told attendees "there is no 'one size fits all' MPM Model, but our recommended framework is the place to start."

The MPM Model framework consists of four Key Marketing Strategic Imperatives (KMSI), Foundation Elements of Marketing Performance (FEMP), Marketing Metrics, and Marketing Measures. Glazier recommended that MPM adopters begin by establishing these Key Strategic Marketing Imperatives: Demand Generation and Business Acquisition, Product Innovation and Acceptance, Corporate Image and Brand Identity, and Corporate Vision and Leadership. Each KSMI should receive a specific weighting based upon the company's strategic goals.

Each KSMI includes several Foundation Elements of Marketing Performance. For example, the Demand Generation and Business Acquisition KSMI includes these Foundations:

- Demand generation
- Lead generation, program and campaign effectiveness, and marketing ROI
- Field sales and channel effectiveness and satisfaction

Each Foundation Element has several Marketing Metrics. Following the example above, the Marketing Metrics for the Demand Generation Foundation Element would be:

- Revenue
- Bookings
- Pipeline
- Average deal size
- Sales cycle
- New market/product entry
- Important deals
- Market share

Marketing Measures for these Demand Generation Marketing Metrics would be total pipeline, pipeline additions, pipeline conversion, and pipeline dropout rate, for example.

Glazier advised the audience to "keep it simple." He added, "MPM is business performance, not statistics." Other suggestions were:

- Focus on metrics that demonstrate marketing value and contribution to core strategic objectives of the company.
- Focus on measures that marketing influences and controls.
- Develop a Model that can give you "early warning signs" for the health of the business.
- Focus on metrics that can help you and your team improve your performance.

Glazier concluded his presentation with recommended actions from the MPM Implementer's Guide.

Two panels followed the MPM Model presentation. The first – moderated by MPM Task Force leader Bob Nelson - answered audience questions about the MPM Model and its implementation. Panel members from MPM solution providers Unica, Cognos, Biz360, WebTrends, and Google provided unique insights from their MPM operational experiences. A second panel moderated by Dianne Brady - Associate Editor at BusinessWeek - provided “real world” MPM experiences from early adopter companies that included Tektronix, BearingPoint, MacroVision, and Wyse Technology.

The CMO Council is offering its members and other technology-focused firms the comprehensive 230-page MPM Report. The report includes research conducted by the MPM Task Force, MPM Model framework, MPM Implementer’s Guide, case studies, solution provider perspectives, and MPM resources. The MPM Report is available for ordering at http://www.cmocouncil.org/more/mpm_report_More.html

In addition to the MPM Report, the CMO Council announced its new CMOC MPM Advisory Services group to continue the Council’s thought leadership in the MPM area. The new group – including core MPM Task Force members Bob Nelson, Bill Glazier, and Don O’Sullivan - will offer MPM workshops, consulting, and new MPM research. For more information, contact CMOC Executive Director Donovan Neale-May at donovan@globalfluency.com

OEM to OBM: Escape From Commodity Hell

"Five years ago, we were nobody. We were down at the commodity level." "Today," notes Eric Kim, executive vice president of Samsung global marketing, "Samsung is imprinted on consumer DNA as one of the world's leading brands."

In TV sets, video recorders, and flat-panel screens Samsung is number one in the world. In cell phones, Samsung is breathing down the neck of world leader Motorola. Other Asian brands are also making Western companies look nervously over their shoulders. "Huawei is the biggest reason I know to sell Cisco stock," according to a prominent Wall Street analyst.

Samsung, Haier, BenQ, Lenovo (formerly Legend) and other firms have accomplished what many other Asian firms would like to do: make the jump from original equipment manufacturer (OEM) to original brand manufacturer (OBM).

The motivations are clear. OBM firms are more profitable. On average, the gross margin for OEM products is 19 percent, while the margin for OBM goods is 27 percent. However, margins for branded consumer goods can be as high as 100 percent. As a result of the low margins, the profits of the top 100 OEMs in Asia-Pacific totaled only $4 billion, according to BusinessWeek. Other advantages include greater national employment and influence, increased opportunities for strategic alliances, and leverage to open new markets. Compared to the dog-eat-dog world of OEM, OBMs also have greater control over their destiny. More than one OEM has folded after a major customer has sought lower costs elsewhere.

Thanks to long-established relationships with such major Western brands as Texas Instruments, Tommy Hilfiger, Sears, and many more, Asian OEMs have the manufacturing, logistical and quality control expertise required to compete in world markets. As a result, expect more OEMs to follow in the branding footsteps of Samsung and others. Companies that have announced OEM to OBM strategies include the Chinese firm AOC, the world's second largest display manufacturer, and the Thai firms Pranda Jewelry and Saha Union. Several governments, including Taiwan and Malaysia, have funded programs to help companies make the OEM to OBM leap. The Chinese government has also been strongly encouraging domestic companies to create international brands.

However, making the jump from OEM to OBM is not as simple as proclaiming a strategy. It requires a substantial commitment of time and resources to establish channel relationships and share-of-mind in target markets. And, the move is not without risk. Look at how Acer had to withdraw from the U.S. market after an investment of almost $1 billion.

Key OBM Success Factors

- **Change corporate thinking.** Although Asian consumers are the most brand-conscious in the world, Asian executives devote much more time to pricing and distribution than branding. Branding is seen as a cost, not an investment, and branding initiatives do not get much further than catalog listings and two-color data sheets.

- **Think long-term.** It took Samsung five years to move from commodity to brand. Five years is a minimum, although specialty B2B markets may only require three.

- **Understand branding** . Many Asian firms believe that advertising is branding. Actually, branding requires the ability to develop emotional and experiential, as well as economic relationships, with customers.

- **Ensure execution.** Quality is a given. But, is the distribution broad enough to support a national branding campaign? Where do consumers call for support? How are returns handled?

- **Commit the resources.** Consumer branding does not come cheap. Last year, Samsung spent $220 million on advertising, a 25 percent increase over the previous year. In one month alone, Samsung served up one billion ads on 330 U.S. web sites. It has entered into such highly visible partnerships as the Lord of the Rings franchise.

- **Start with niche markets.** Haier got its start selling small refrigerators to college students and hotels. Now it sells all types of white goods, and has captured about 15 percent of the U.S. market.

- **Understand targeting and segmentation.** The mass market is dead. Now there are as many markets as there are cable channels, ranging from gay and lesbian to Hispanic to fundamentalists. One-size-fits-all branding campaigns will not work.

- **Invest in design and innovation.** Me-too products face pricing as well as branding obstacles. This year, Samsung will introduce an 80-inch plasma TV set and a phone that doubles as a portable satellite television. Samsung also announced the world's first mobile phone to sport a tiny hard drive that can store about 15 times more data than conventional handsets.

- **Learn from failure.** Honda's first effort to export motorcycles to the US ended in failure when Americans did not like the design. It incorporated the feedback and successfully re-entered the U.S. market. Kia did the same thing when its initial cars did not meet quality standards.

OEM to OBM

One Asian executive said moving from OEM to OBM was like "going from sewing wedding dresses to wearing them." The advantages of going from no name to brand name range from greater profitability to greater national visibility. Inevitably, more and more Asian OEMs will make the move, despite the difficulty, expense and risk. While the OEM to OBM movement does not attract much attention today, in five years the topic will replace outsourcing as the issue that keeps U.S. and European companies awake at night.

Nick Wreden is a brand consultant and author of “FusionBranding: How to Forge Your Brand for the Future.” He can be reached at nick@fusionbrand.com, http://fusionbrand.com, or (770) 582-6791.

The Value of Demand Chain Thinking: Partners, Not Resellers

This article is the second in a series of five articles by Mark Walton, Managing Partner at the consulting firm DemandEdge.

In the first of this series of five articles we reviewed the history of the demand chain as a concept and touched briefly on why thinking "demand chain" can impact the success of your company and your reseller partners. In this second article, we'll take a deeper look at the value of demand chain thinking.

Let's start with a reality check. Is it revolutionary in any way to think of resellers as partners? Of course not; in fact many companies have used that approach for decades as a means to deepen their relationships with their resellers or partners. What's different with the demand chain concept is how you integrate those partners into your planning and execution – in other words, not just using a label, but changing your behavior.

That change occurs because the real value of thinking demand chain is your awareness that "every entity and every activity must be aligned to the needs and limitations of the rest of the demand chain." For example, creating more leads than your resellers can handle means some leads - and the dollars used to generate them - are wasted. Similarly, having inefficient processes for distributing those leads to your resellers will result in lost opportunities and wasted leads.

The Perfect Demand Chain?
To get a better view of the value, let's take a look at a "Nirvana" situation – the perfect demand chain. The perfect demand chain would mean that all entities and activities are completely aligned. We would understand our customers to the extent that we would know exactly how many of them will buy our product in a given time period. We would know that because we would understand what share of the market we could achieve – given the relative strength of our value proposition and how it maps to the different customer segments in terms of buying preferences. We'd know how many products would be bought from which resellers. And, we'd give those resellers just the right amount of product and other support to fulfill the needs of our customers. Perfect alignment. No wasted marketing or sales dollars. No excess inventory. No unfulfilled demand. And, a perfect sales funnel with 100 percent conversion rates from top to bottom.

Unfortunately, "perfect" is only achievable if you are in a market or category where nothing changes: Your goals never increase, there is no outside effect from the economy, there is no market or category or product lifecycle effect, there is no competition taking share away from you, and there is no churn of resellers.

Reality Is Less Than Perfect, but It Can Still Be Our Best
Bottom line, none of us will have a perfect demand chain. The simple fact is things are changing all the time and because of this we have to put a lot more effort into managing the demand chain. Our goal is to do our best – and be as effective and efficient as possible.

We execute campaigns to attract, attain, retain, and develop our resellers. We execute campaigns to attract, attain, retain, and develop our customers. These campaigns cross our marketing, sales, service, and logistics departments. If we understand that these campaigns cross multi-level sales funnels (or better yet "demand chain funnels") we can understand how many impressions must be created to achieve the bottom-line sales goals. Then we can detail what activities, assets, and processes are needed to maximize the conversion of these impressions and sales opportunities across each stage of the funnel.

If we do all of this, we can get as close to perfect as is realistically possible. All functions - marketing, sales, service, logistics, and resellers - and activities - campaigns, programs, and tactics - are as aligned as is realistically possible. Each reseller gets the optimal number of leads in the most efficient manner possible. We've ensured they have the funds, tools, skills, and abilities to maximize the conversion of those leads to sales. And, we've ensured they will be loyal to the nth degree.

Putting It into Practice Requires Partners Not Resellers

So how can you put this into practice? First, you need to have maximum transparency and visibility within your demand chain. You need to understand how your sales funnel works to attract, attain, retain, and develop your resellers. You need to understand how your resellers' sales funnels work to attract, attain, retain, and develop customers. The latter requirement means you must treat your resellers as partners, because you must have absolute trust in each other. You need your partners to give you as much visibility as possible into their sales funnel. And you need to collaborate with them to ensure the combination of campaigns being executed by them and by you will work together to drive sales as effectively as possible across their sales funnel.

If this sounds complicated it's because it is more complicated than the way companies traditionally manage their demand chains. It is more work than just having quarterly meetings to review resellers' business and sales plans. But, the overhead the extra activity creates is really just a small fraction of the budgets you spend on marketing, sales, service, and logistics resources and programs. The impact can be significant savings in these budgets and significant increases in sales.

The first step to realizing those savings or sales increases is to evaluate your demand chain from a different perspective – one that maps out what the function of each component of your demand chain is in getting your customers to buy your value proposition. That requires working back from your customer touchpoints, which we'll discuss in more detail next month.

Mark Walton is a Managing Partner at the consulting firm DemandEdge. He can be reached at: www.demandedge.com.

everyone's input and/or you're not having enough time to appropriately probe beneath surface level comments into the deeper insights and causes that are most valuable to your organization's success. With approximately 15 Board Member seats to fill, membership should be viewed as a valuable and limited resource. You don't want just any customer sitting in that scarce seat. It needs to be the "right" customer. Each opening for a Board Member should have a "job description" of experience, perspectives, and criteria needed by that Member to maximize their contribution to the CAB's mission. Being a top customer is not enough to be on the CAB.

- **Communicate. Communicate. Communicate.** A Customer Advisory Board is an ongoing initiative that requires a scheduled flow of information and follow-up between Board Members and your company. When talking with unsuccessful Boards, the most common complaint heard is the "black hole." After the meeting, Board Member input goes into a black hole and is never heard of again. Board Members need well-planned communications to update them on outstanding issues, prepare them for future meetings, and reinforce the value of their commitment. The same holds true for your internal audience.

- **Take Action.** Words are not enough. Your company must commit to proactively responding to Board Member input and taking action more times than not. Your internal team needs to be accountable to the Board. You don't have to execute every idea your Board suggests. However, you *do* have to acknowledge the Board's ideas and clearly justify why, or why not, you are pursuing each one.

Customer Advisory Boards Add a Critical Dimension

A Customer Advisory Board is a critical tool companies can incorporate into strategic marketing planning, product development, and customer relationship processes. It does not replace other market research methods, such as focus or user groups, but rather adds a critical dimension to an organization's ability to understand and adapt to an ever-changing marketplace.

Building and managing a positive and productive Customer Advisory Board initiative should not be taken lightly. It needs a top-down commitment and requires ongoing resources dedicated to keeping the initiative focused and relevant to the company's goals while also ensuring everyone is informed and prepared to maximize the outcomes at every meeting.

Effectively managing the process not only takes time and attention, but also involves experienced insights. According to Molly Chillinsky, marketing manager at LexisNexis, " There are several key aspects of building a strong advisory board that are counter-intuitive to marketers experienced with other research forums, such as focus groups, panels, etc."

Building and operating your Customer Advisory Board should be a collaborative effort across your company. Ongoing executive support and participation can make your Customer Advisory Board the most powerful tool in aligning your organization with the marketplace.

Stacy Sheldon is the marketing manager for Geehan Advisory Boards and directs Advisory Boards for several clients. She may be reached at ssheldon@geehanadvisoryboards.com or 937-226-1622.

Build and Operate Your Customer Advisory Board to Maximize Results

Listening to your customers should not be a revolutionary concept. However, the way in which you solicit the information, digest it, and incorporate it into the strategic direction of your products and services, can be revolutionary.

Executives in leading technology firms are discovering that a Customer Advisory Board (CAB**)** can serve as a direct conduit to the mind and heart of the marketplace. Keith Hawk, senior vice president of sales at LexisNexis, has witnessed this direct interaction first-hand with the LexisNexis Advisory Board. According to Hawk, "We get the benefit of their thinking in an *unfiltered way,* and we get the opportunity to really build points of view that are well thought-through, probed, and polished based upon their ideas, advice, and brainstorming."

In today's increasingly complex and competitive marketplace the adoption of a CAB as an integral step in strategic planning and is helping companies:

- Identify real market opportunities.
- Develop crisp strategies with clear, effective value propositions.
- Enhance customer relationships.
- Deliver a sustainable competitive advantage.

A CAB can help you gain an intimate understanding of your customer's reality. As described by avid CAB proponent Dr. Dave Schrader, marketing director for NCR's Teradata Applications Strategy and Marketing, "Seeing the customers' world through their eyes and applying those perspectives will make your offerings even more powerful for you and more useful to them."

Critical Factors for Sustainable CAB Success

The powerful results companies experience from the insights and information uncovered through a productive CAB are extremely attractive. So attractive that companies often rush to schedule a CAB meeting and send-out open invitations to participate. The more the merrier, right? Wrong. Many components of a successful CAB are counterintuitive and require experienced resources and ongoing planning to effectively implement.

Through our research and experience with over a hundred Advisory Boards, five critical success factors have consistently served as leading indicators to a CAB's sustainable success:

- **Time to Align Stakeholders.** It typically takes 4-6 months to effectively structure, recruit, and plan for your first CAB meeting. Building and managing a positive CAB experience requires a high-level commitment from the organization—not just from marketing. CABs that achieve the most impact have representatives from the company's marketing, sales, product, and customer service leadership actively involved. As we all know, securing these executive's calendars and buy-in is no fast feat. However, without the right level of direction and support throughout the company, the CAB will not be effective.

- **Clear Mission.** Internal and external participants need to clearly understand the CAB's goals, roles, and responsibilities. Defining a clear mission for the CAB not only signifies your level of commitment to the initiative, but also establishes a common understanding of expectations among CAB Members and internal stakeholders. Time and again, unproductive CAB meetings can be correlated to undefined or unspecific purposes.

- **Qualified Membership.** For the most productive meeting dialogues, you'll want to include 10-17 Board Members. More members than that and you're probably not hearing

Dynamic Content: Why the Days of Batch and Blast Email Are Over

What happened to the days of simplistic email? Those days when an email message promoting a $5 discount generated open rates of 70% and click-through rates of 50%? Back in the "old days," organizations using email as a marketing and / or communication tool were coasting. A generic email message sent to thousands of subscribers resulted in response rates that no other medium had achieved. And then…

Email became too easy. Everyone began to "batch and blast" emails to their customers and prospects – and in an age where over 62 percent of email is spam, according to BrightMail, speaking to each customer in a relevant and personalized manner has never been more important. Finding the correct tools to do so is essential.

Any organization familiar with email and email marketing has heard the endless benefits of relevancy and personalization: stronger customer and prospect relationships, higher email open rates and click-through rates, and increased sales and ROI. But how are organizations successfully following through on their mission to provide subscribers with relevant email content? And, what are the upcoming challenges marketers must be ready to adapt to when managing and developing targeted messages?

Our white paper on Dynamic Content takes an in-depth look at these issues, with special focus on organizations that are capitalizing on its benefits to reach success

Relevancy Beats Frequency
Email is unique. Unlike other traditional media, email – when used properly – is primarily about permission. And, when the agreement between a customer or prospect and an organization is present, value and relevancy outweigh all other elements, including frequency.

Organizations that send their subscribers dozens of irrelevant messages in attempt to "keep in front of them" are missing the big picture. Regardless of whether a subscriber is expecting special discounts, information, or advice, the point is that they are expecting something of **value** to them. Given the choice of a daily communication promoting products and services of little relevance to a subscriber's needs and preferences, or a weekly, highly-targeted newsletter including content related to a subscriber's personal profile, which will most choose? The answer is obvious.

Successful organizations do not push the information or products that *they* want to convey onto their subscribers. Instead, they pay attention to their subscriber's needs, preferences, and behavior – and send messages in tune with what their *subscribers* want.

Relevancy is Becoming Complicated
Despite this good news, the abundance of customer data available to marketers has made targeting more complex than ever before. According to a recent report compiled by Forrester Research (The Best Email Marketing Service Providers Report, June 2004), most marketers have evolved beyond a simple one-message-fits-all customers strategy and have adopted some form of dynamic content. However, when asked what their biggest email challenges would be in the next two years, these same marketers responded that creating and managing content was their second highest concern.

This indicates that as marketers become more complex in their need to develop and deliver dynamic email, technology must be robust and user-friendly enough to allow them to efficiently do so. According to a study conducted by Jupiter Research, 76 percent of organizations personalize email messages to five or fewer segments. This illustrates that although marketers are delivering some form of targeted messages, many are not yet leveraging their vast customer data to its fullest potential.

A key finding by Jupiter Research shows that although the complexity of a dynamically targeted email may take more time for deployment, this personalized approach can generate results that are four times to eight times better than results of a static campaign.

Given this opportunity for drastic increases in revenue and response rates, using relevant content to create and deliver Dynamic Content messages is absolutely worth the extra time and effort.

Ali Sales is Internet Marketing Manager with ExactTarget, a company that delivers on-demand email software solutions for permission-based email marketing. She can be reached at asales@exacttarget.com or (317) 275-5467.

Top Ten Considerations Before Running an Online Promotion

Online promotions are a fast-growing component of technology marketing spending. Here are ten key considerations to check off as you plan your promotion.

- **The biggest challenge with promotions is poorly specified objectives.** The most effective promotions have a clear objective and a pre-defined target consumer behavior--trial, continuity, purchase frequency etc.--which drives program strategy and execution.

- **Who are you talking to?** Is your target audience defined? Selectively target your promotion based on consumer buying behaviors and preferences.

- **Do not treat online promotions as a separate entity from the rest of your marketing efforts.** Integrate the design of online and offline promotions. Define how the promotion will mesh with other marketing efforts and channels in the same time frame and be sure that all offline messaging points users to your online promotion.

- **Transform short-term promotion events into ongoing brand engagement opportunities.** As part of the ongoing shift from transaction to relationship marketing, online promotions should:

  - Be directed toward specific customer targets.

  - Link to brand and product awareness as well as customer purchases over time.

  - Provide insights around consumer behavior.

- **Plan your incentive structure well in advance.** Discount or value-add? Single-period or cross-time incentives? Define the total value of the prizes to be distributed in advance (this is key for legal and bonding purposes).

- **Steer your consumers through their online experience.** Site usability is in your control; design promotional environments that reinforce your objectives with logical user flows, consistent messaging, and look and feel. Too many choices could dilute your “key action” conversions.

- **How will you measure the effectiveness of your promotion and leverage the resulting data?** What is the consumer insight or the “aha factor” that you hope will result from the program? Do you plan to leverage opt-in email addresses for remarketing? What is the contact and messaging strategy during and after the promotion?

- **Timing:** Is there enough time to launch the ideal promotion or will phasing of the program be required?

- **Is the promotion legal?** Has a lawyer with expertise in online promotions reviewed your rules? Has it been bonded in the various states or countries in which it will run? How will the winners be identified and who will manage the tax forms that accompany their winnings?

- **What is the “selling idea ” behind the promotion?** When boiled down to an elevator pitch, is it simple to understand, relevant, and credible? Is it engaging? Does it tie well with the brand? Will it create “buzz” among consumers? Does it feel like a big, viral idea that can grow over time?

Elizabeth Harz is a Yahoo! Category Development Officer. She can be reached at eharz@yahoo-inc.com.

The Download

Tech Marketing Budgets Renew Focus on Brand

The IDC CMO Advisory Service projects tech marketing budgets will increase six percent this year with more spending earmarked for brand building. Marketing budgets, by comparison, decreased nearly two percent in 2003.

Based on the second annual Technology Marketing Benchmarks survey, IDC finds that as marketing budgets rebound, marketing leadership is acting more selectively and strategically in determining where and how to invest.

The study shows CMOs are executing a better balance between brand and lead generation activities. Fifty-six percent of respondents indicate that increasing brand awareness is the top marketing challenge for their company.

IDC's awareness-demand (A-D) ratio (the portion of each marketing dollar spent on awareness building versus demand generation) is trending upward from $.52 in 2003 to $.57 this year, further indicating the willingness of tech marketers to increase investment in awareness building.

The study also found that marketing budget ratios (the percentage of revenue spent on marketing) now stands at 3.2 percent, up from 3 percent in 2003. Software vendors have the highest ratio at 6.4 percent. Hardware companies average 3.7 percent while IT services companies spend only 1.1 percent.