

KRC RESEARCH



The Communications Insider: The Creativity Economy

August 2006

I. INTRODUCTION

We are thrilled to present this edition of *The Communications Insider*—a research initiative conducted by KRC Research and Weber Shandwick.

In this edition of the *Insider*, we found that marketing and communications experts are playing leading roles in their company's conversion from the Knowledge Economy to the newer economic model, the **Creativity Economy**. In this new model, the wide availability of information (thanks to globalization and the Internet) has driven most to adapt their business models to embrace innovation and alternative forms of media and customer outreach.

This summer we conducted interviews with more than a hundred senior executives of the largest 2000 companies across the country—including CEOs, Chief Marketing Officers, Presidents, and top communications decision-makers.

Surprise, Already in Practice. The survey revealed that most senior executives have not heard of the term Creativity Economy. However, most executives have already implemented elements of this new model in their business practices.

Elevation of Marketing. We learned that this move to the Creativity Economy relies more than ever on marketing functions and developing closer relationships with customers. Most executives we interviewed said the marketing and communication functions have become more important in their business success. An example of the increased focus on marketing is that most executives are using marketing and communications to drive innovation forward in their organization. Another example of this trend is that most executives report their marketing teams are more actively involved in product development.

Customer Driven. Another illustration of the Creativity Economy is that companies are moving away from traditional mass media and connecting with customers through more personalized connections. Many executives have experimented with alternative communications or already rely on them. An example of this change is the number of executives that plan to increase their use of micro or niche marketing in the coming five years.

Lasting Change. These are significant and permanent changes in business practices, and marketing is playing an increasingly critical role in their implementation. In fact, nearly two in three (64%) of the senior executives surveyed feel the Creativity Economy is here to stay.

We hope this research provides some insights into what the Creativity Economy means for your company, and how our experience with leading companies in marketing and communications is relevant to your own company's future success.

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II. KEY FINDINGS

1. Growing role of marketing and communications

- ✓ Marketing and communications executives are more important than ever to companies.



- 86% of C-level and senior executives say marketing and communication have become more important to their company's success in the last two years.

2. *Creativity Economy* is a new business term

- ✓ Most executives have not heard of *Creativity Economy*.



- Three in four (76%) C-level and senior executives have not heard of *Creativity Economy*.
- The most common definition is a business approach that relies on new ideas and innovation.

3. But, the concepts are already in place!

- ✓ Most executives are integrating concepts of *Creativity Economy* (based on definition by business experts) into their companies in areas such as product development, marketing/communications and general innovation.
- ✓ Companies improve appeal of products by including customer perspective at the design stage.
- ✓ Companies are deepening relationships by increasingly reaching customers through non-traditional channels.



- 84% say they are likely to change their advertising, marketing or communications based on the "Creativity Economy" concept.
- Almost eight in ten (79%) are seeking tighter collaboration between product development and marketing.
- Three in four (73%) report the marketing function has become more involved in the last two years.
- Three in four (76%) are already experimenting with alternative forms of advertising and marketing.
- Half (49%) have already begin implementing more personal approaches to reaching customers and 31% are very interested in doing this.
 - 61% are already using micro or niche marketing, and 43% plan to increase spending in this area in the coming 5 years.

4. Customer-driven innovation is the force behind these changes

- ✓ Innovation is more important than ever.
- ✓ Executives look beyond product development for ways to drive innovation, such as internal and external collaboration, changes in internal culture and with internal marketing.



- 82% of executives use marketing and communications for driving innovation forward within their organization.
- Two in three (67%) say innovation is more important to their company now than in the past.
- 67% feel innovation in customer experience and business process are more important than in product development.

5. Leaving a permanent mark on business practices, and particularly the role of communications

- ✓ The tenets of the *Creativity Economy* are the new business realities.



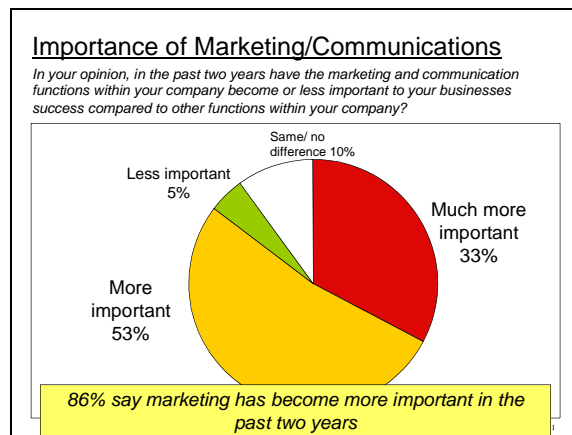
- Nearly two in three (64%) feel *Creativity Economy* is here to stay, and one in four (23%) feel it is just a trend.
- 68% are expanding their communications strategy by being a part of the *Creativity Economy*.
- 82% use marketing and communications to drive innovation.

III. DETAILED FINDINGS

TODAY'S MARKETING AND COMMUNICATIONS LANDSCAPE

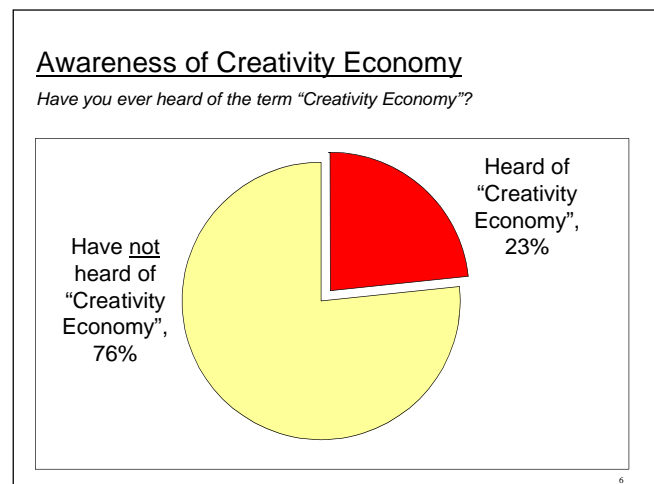
Compared to other corporate functions, marketing and communications have become more critical to business' success.

- Almost nine in ten executives (86%) report that marketing and communication functions within their company have become more important to their business' success in the last two years compared to other functions.
 - In fact, one in three (33%) feel marketing and communication functions have become "much more" important.



Most executives have not yet heard of "Creativity Economy," a term which experts have characterized as the migration from a knowledge-based economy to a more creative, innovation-based economy.

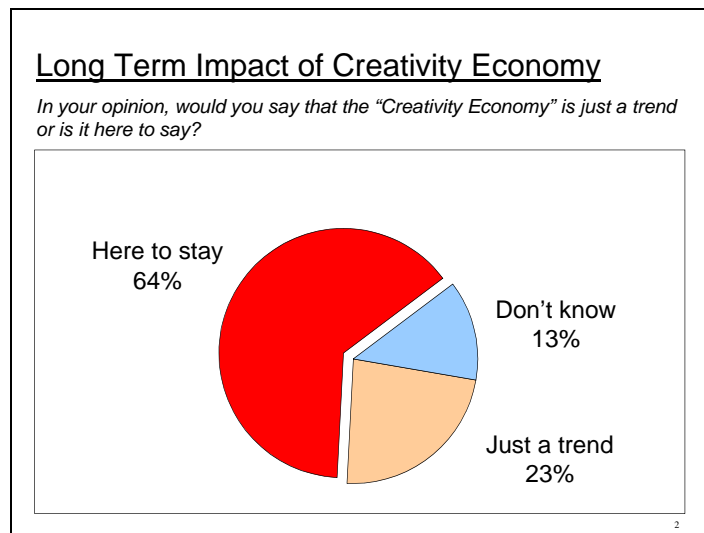
- Three in four executives (76%) have never heard the term "Creativity Economy."
- The terms' growth appears to be driven from consumer marketers, since the term is better known among companies that primarily service consumers (33% have heard of "Creativity Economy") than those that only service other companies (16%).



- There is a vague definition of “Creativity Economy” among those who have heard of the term. However, it is most commonly considered a business approach based on new ideas and innovation.
 - Among those who have heard of the term, 42% would describe it as basing a business approach on new ideas and innovation.
 - More than one in ten (13%) described “Creativity Economy” as a new way to reach customers.
 - Almost three in ten (29%) who have heard of the term were unable to provide a description and an additional 17% gave unique responses.

Yet, upon hearing more about it, executives feel the changes embodied in “Creativity Economy” are going to leave a permanent mark on business.

- Executives were told, “For the purposes of this study, we define the ‘Creativity Economy’ as the migration from a knowledge-based economy to a more creative, innovation-based economy. One of the ways you may see this is the growing corporate focus on top line growth through innovation and stronger consumer connections as opposed to the more traditional focus on sales to drive growth.”
- Nearly two in three executives (64%) feel the “Creativity Economy” is here to stay, and one in four (23%) feel it is just a trend.



UNDERSTANDING THE “CREATIVITY ECONOMY”

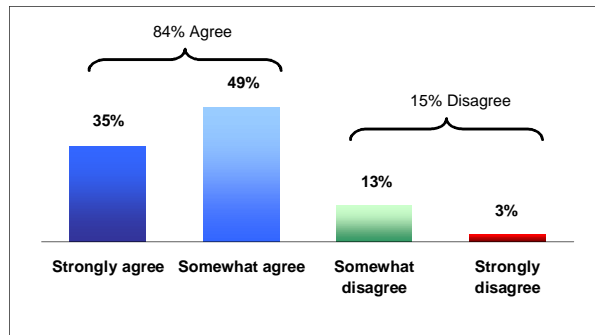
Customer needs are driving change

Most executives are embracing elements of the “Creativity Economy”—whether in product development, marketing, or communications—in order to meet the needs of customers.

- Two in three (65%) report they have been putting *more* emphasis on understanding and incorporating the customer’s viewpoint.

Consumer input and the R&D process

At my company, consumer input and insights drive the R&D or product development process. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?



- More than eight in ten (84%) agree that consumer inputs and insights drive the R&D or product development process at their company.
- More than six in ten (63%) are working to provide customers with all of the information they need to make informed decisions.
- More than six in ten (62%) are actively anticipating what consumers will want or need before they articulate it.

- Almost six in ten (58%) are working directly with consumers to create the products they want or need.

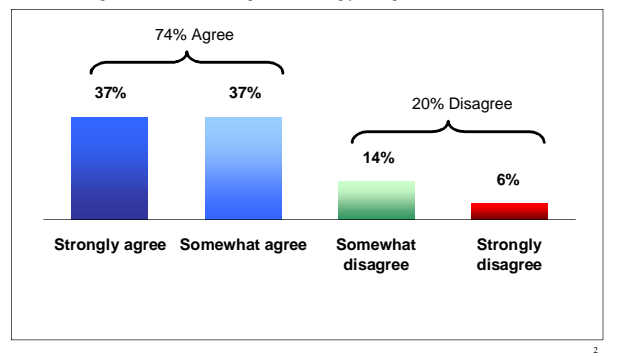
Trends in Product Development: Giving Consumers a Voice in R&D

Even though many executives have not heard of the term “Creativity Economy,” many are already implementing it in practice. For example, companies are increasing the collaboration between marketing and R&D functions in order to include more perspective from the clients at the design stage—ultimately improving the appeal of their products.

- Almost three in four executives (74%) agree that the marketing function has become more involved in the R&D or product development process in their companies—including 37% who strongly agree.

Marketing and the R&D process

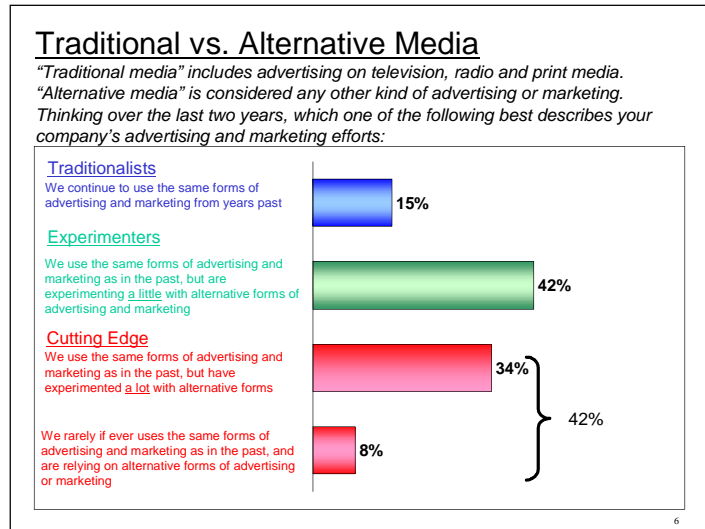
During the past two years, the marketing function has become more involved in the R&D or product development process in my company. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?



- Eight in ten (79%) say their company is seeking tighter collaboration between product development and marketing. An indication of the importance of this trend is that half (49%) say they are strongly seeking to grow this collaboration.

Trends in Marketing: Less Mass Media, More Personal Outreach

Firms are already shifting their efforts from traditional mass media to more targeted channels.

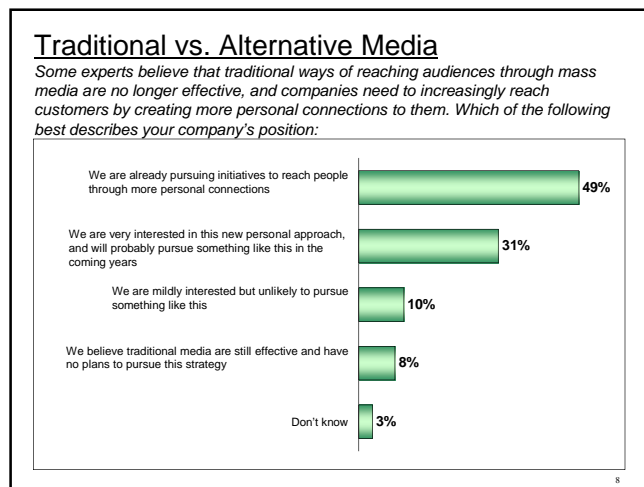


- **Cutting Edge:** More than four in ten (42%) executives report they have experimented a lot with alternative forms of media in the last two years—or already rely on them. Alternative media would include advertising other than television, radio and print.
- **Experimenters:** In addition, another four in ten (42%) executives have flirted with new forms of advertising.
- **Traditionalists:** Fifteen percent of executives indicate they continue to use the traditional forms of advertising.

- Companies that primarily service other companies are more likely to only use traditional media than companies that primarily sell to consumers (24% vs. 5%).

The benefit of moving to non-traditional media is that they allow companies to create more personal connections with customers. Most companies are already developing these kinds of connections or are very interested in doing so.

- Half (49%) of the executives interviewed report they are already pursuing initiatives to reach people through more personal connections.
- Three in ten (31%) indicate they are “very interested” in this approach and will probably pursue this in the coming years.
- About two in ten (18%) say they were mildly interested or have no plans to change their approach to reaching their customers.



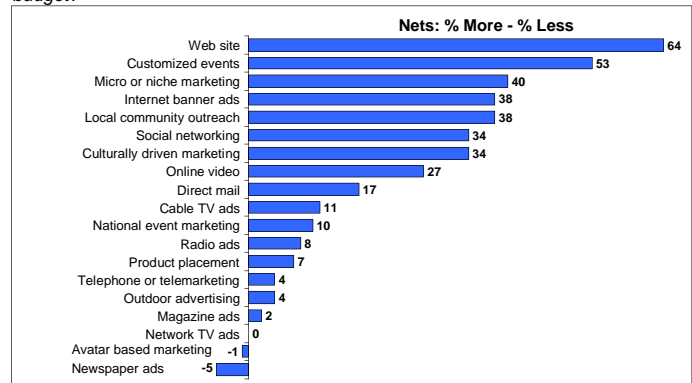
Looking to communication strategies for the next five years, there is a clear trend towards increasing budgets for emerging channels that provide direct interaction with targeted customers.

- The total percent of executives who plan on increasing their budgets for non-traditional media clearly indicates growth for the next five years (based on the percent that plan to increase their budgets and subtracting the percent who plan to decrease their budgets):

- 64 percent plan to increase their web site budget in the next five years
- 53 percent customized events
- 40 percent micro or niche marketing
- 38 percent internet or banner ads
- 38 percent local community outreach
- 38 percent social networking
- 34 percent culturally-driven marketing
- 27 percent online video
- 17 percent direct mail
- 10 percent national event marketing
- 7 percent product placement
- 1 percent decrease in Avatar-based marketing

Future use of advertising and marketing channels

Please tell me if in the next five years you plan on spending more, less or about the same for each one as a proportion of your total advertising and marketing budget?



- Conversely, one in ten or less plan on increasing their budgets for *traditional* media:

- 11 percent plan to increase Cable TV advertising
- 8 percent increase for radio ads
- 4 percent will increase outdoor advertising
- 2 percent increase magazine ads
- No increase for network TV ads
- 5 percent decrease for newspaper ads

Trends in Branding: Shifting to Corporate Image

Most companies are also changing the way they position their company and their products. There is greater emphasis on promoting the *company* and what it represents (the company becomes the main brand), and less emphasis on individual *products*.

- Almost six in ten (58%) said their company is shifting marketing and advertising expenditures that to enhance the way they think and talk about the company, not just the products themselves.
- Almost half (46%) are shifting their marketing focus from products to marketing “intangibles” such as brand experiences and business processes.

Moreover, many are refining their brand targeting to customers who would better connect to the company’s brand.

- Nearly four in ten companies (39%) are readjusting or narrowing the demographic and/or geographic profile of the company’s target consumers.

Trends in Communications: Increasing Information Flow

Executives report that their communication practices have increased by being a part of the “creativity economy.”

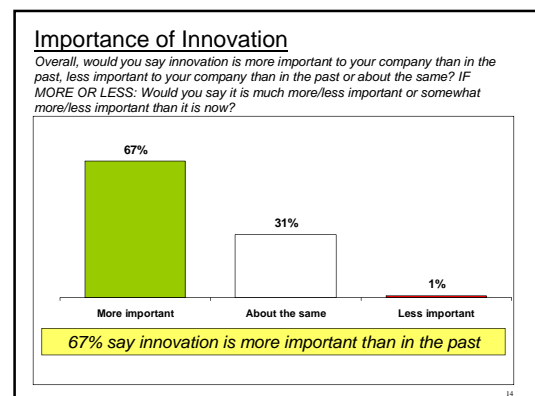
- Two in three (68%) of executives report they have expanded their communications strategy.
- A majority (58%) are providing more information to customers about their choices.
- More than half (57%) are expanding the available customer service options for customers.
- Almost half (47%) say their budget priorities have changed as participating in the “creativity economy.”

HOW COMPANIES ARE BOOSTING INNOVATION

Trends in Innovation: Driving Businesses to Meet Customer Needs

Innovation is more important now than ever, and will continue to drive businesses in the future.

- Two-thirds (67%) of executives say that innovation is more important to their companies than in the past.
 - In addition, 31% say it is as important as before. Only 1% says it is less important than in the past.



- Looking to five years from now, more than three in four (76%) executives say it will be even more important. In fact, more than four in ten (44%) say it will be *much* more important.

Innovation today focuses more on improving business processes and customers' experiences than in developing new products.

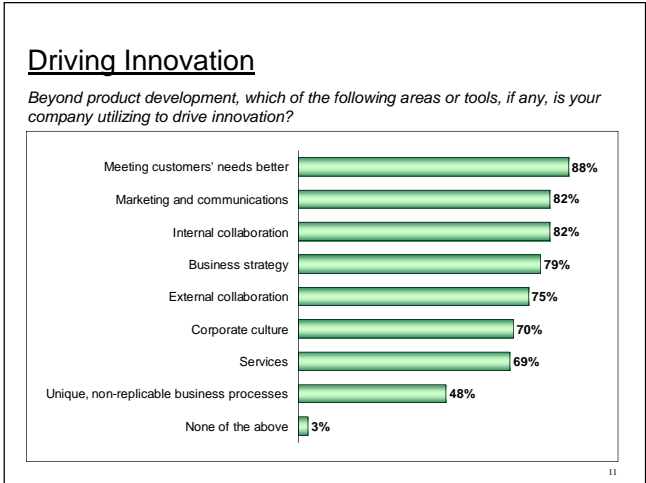
- Two-thirds of executives agree that business processes and customer experience are more important than innovation in product development.

Innovation can also be used to improve the appeal of a company's products and ultimately create more interest among customers without having to spend money on traditional sales channels.

- More than four in ten executives (43%) said, as part of incorporating the "Creativity Economy" philosophy, they are shifting focus from traditional sales methods to boosting innovation.

Executives are leveraging a variety of functions and activities in their companies as ways to drive innovation.

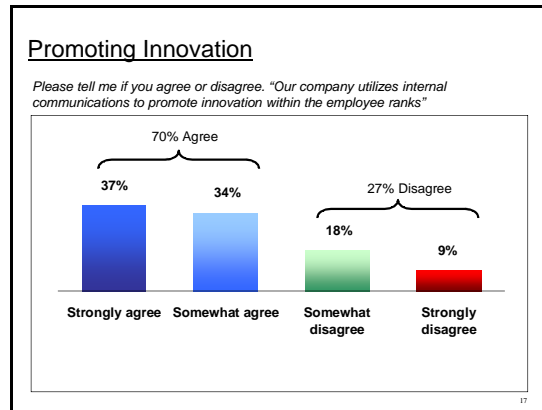
- Almost nine in ten (88%) executives report that finding ways to better meet customers' needs is driving innovation.
- More than eight in ten (82%) are using marketing and communications.
- More than eight in ten also say they look inside, using internal collaboration to increase innovation.
- Almost eight in ten (79%) are using business strategy to drive innovation.



- Three in four (75%) are leveraging external relationships in collaboration to increase innovation.
- Seven in ten (70%) report using corporate culture.
- Nearly seven in ten (69%) say they use services to drive innovation.
- Half (48%) say they use unique, non-replicable business processes to drive innovation.

Importantly, most companies use internal communications to promote innovation.

- Seven in ten executives say their company uses internal communications to promote innovation within their employee ranks.



IV. METHODOLOGY

KRC Research conducted a 104 telephone interviews between June 30 and August 11 2006.

The sample included:

- 51 interviews with Chief Executive Officers (CEOs), Chief Marketing Officers (CMOs) and Presidents of the 2000 largest companies; and,
- 53 interviews with Senior Corporate Communications Executives with the 2000 largest companies.

Executives from the following companies gave permission to disclose their participation:

- | | | |
|--------------------------------------|--|----------------------------|
| Accessory Services | Guardian Industries | Sabre Systems |
| American Wrecking | Hancock Bank Mississippi | Sprint Nextel |
| Bank Leumi USA | Integrated Management Services | Strykerbiotech |
| Boeing | Interstate Bakeries | Techtrans International |
| Citigroup | J C Penney | Thor Construction |
| Designer Built Systems | Laidlaw International | Topco Associates |
| E G Bowman Company | Landmark Graphics | United States Steel |
| Electronic Business Solutions | Loews | United Stationers |
| Federal Home Loan Bank of Pittsburgh | Marketing Agents South | US Bancorp Piper Jaffray |
| Federated Amer Leaders Fund Inc | Motorola | US Trust |
| Finkler's Contract Sewing | North Shore Long Island Jewish Health Center | Washington Federal Savings |
| Fireman's Fund Insurance | Provident Bank | Wells Fargo Financial |
| FMC Technologies | Rockwell Automation | Weyerhaeuser |
| | | Zions |

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Weber Shandwick ~ KRC Research
**“The Changing Face of Marketing and Communications
in Today’s Creativity Economy”**
Telephone Survey of 104 Senior Executives of Large Corporations
Conducted June 30 – August 11, 2006

Screening Criteria

To qualify for participation, all participants had to:

- Be a Chief Executive Officer (CEO), Chief Marketing Officer (CMO) or President; or
- Be the senior-most person responsible for their company’s corporate communications; and,
- Be employed by one of the 2000 largest companies

Sample Design

104 15-minute telephone interviews:

- **51 interviews** with Chief Executive Officers (CEOs), Chief Marketing Officers (CMOs) and Presidents of the 2000 largest companies
- **53 interviews** with Senior Corporate Communications Executives with the 2000 largest companies

Estimated Margin of Error

At the 95% confidence level, the margin of error for the entire sample is ±9.4%; it is higher for subgroups.

Note: Numbers may not total 100% due to rounding

SCREENER

1. First, what is your job title?

	<u>Total</u>
CEO	5%
CMO	35%
President	10%
Other	51%

2. IF FROM SENIOR COMMUNICATION EXECUTIVE LIST: Which of the following comes closer to describing your own role in your company’s corporate communications department:

	<u>Total</u> <u>N=53</u>
You directly manage all corporate communications	51%
You are part of a team that directly manages all corporate communications	32%
You directly manage certain kinds of corporate communications	17%
None of the above	0%
Don’t know	0%

3. Are you the senior-most person responsible for your company's corporate communications?

	<u>Total</u>
	<u>N=26</u>
Yes	100%
No	0%
Don't know	0%

RESUME ASKING ALL

4. Which of the following ranges best approximates the annual revenue of your corporation?

	<u>Total</u>
Less than \$500 million	35%
Between \$500 million and less than \$1 billion	13%
Between \$1 billion and less than \$2 billion	3%
Between \$2 billion and less than \$5 billion	10%
\$5 billion or more	37%
Don't know	4%

5. What is the primary industry served by your corporation?

	<u>Total</u>
Banking, Insurance and Financial Services	35%
Manufacturing	11%
Retail, Wholesale and Restaurants	10%
Healthcare	9%
Construction and Real Estate	7%
Computing and Technology	6%
Transportation	6%
Consumer products	3%
Energy	3%
Agriculture	2%
Contracted services	2%
Media and Entertainment	2%
Travel and Hospitality	1%
Biotechnology	1%
Publishing	0%
Other	6%
Don't know	1%

6. **And, does your company sell products or services primarily to consumers or primarily to other businesses?**

	<u>Total</u>
Primarily to consumers	20%
Primarily to other businesses	48%
Equally to both	31%
Other	1%
Don't know	0%

ROLE OF MARKETING/COMMUNICATIONS

7. **In your opinion, in the past two years have the marketing and communication functions within your company become more or less important to your businesses success compared to other functions within your company? Would you say the marketing and communication functions have become...**

	<u>Total</u>
Much more important	33%
More important	53%
Less important	5%
Much less important	0%
Same / no difference	10%
Don't know	0%
NET: More important	86%
NET: Less important	5%

8. **Over the past two years, has your company increased or decreased the R&D (research and development) budget, or did it stay the same?**

	<u>Total</u>
Increased	41%
Decreased	1%
Stayed the same	48%
Don't know	10%

9. **IF DECREASED: When the R&D budget was decreased, were the monies dispersed into other related areas such as marketing, dispersed to other unrelated areas of the company or was the company budget decreased across the board?**

	<u>Total</u> N=1*
Related areas such as marketing	0%
Unrelated areas of the company	100%
Decreased across the board	0%
Don't know	0%

**NOTE SMALL BASE SIZE*

I am now going to read you some statements. For each one, please tell whether you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the statement.

Here's the first one. [READ STATEMENT]. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?

10. **During the past two years, the marketing function has become more involved in the R&D or product development process in my company. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?**

	<u>Total</u>
Strongly agree	37%
Somewhat agree	37%
Somewhat disagree	14%
Strongly disagree	6%
Don't know	7%
NET: Agree	73%
NET: Disagree	20%

11. **At my company, consumer input and insights drive the R&D or product development process. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?**

	<u>Total</u>
Strongly agree	35%
Somewhat agree	49%
Somewhat disagree	13%
Strongly disagree	3%
Don't know	1%
NET: Agree	84%
NET: Disagree	15%

12. **My corporation is seeking tighter collaboration between product development and marketing. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?**

	<u>Total</u>
Strongly agree	49%
Somewhat agree	30%
Somewhat disagree	11%
Strongly disagree	6%
Don't know	5%
NET: Agree	79%
NET: Disagree	16%

13. **“Traditional media” includes advertising on television, radio and print media. “Alternative media” is considered any other kind of advertising or marketing. Thinking over the last two years, which one of the following best describes your company’s advertising and marketing efforts:**

	<u>Total</u>
We continue to use the same forms of advertising and marketing from years past	15%
We use the same forms of advertising and marketing as in the past, but are experimenting <u>a little</u> with alternative forms of advertising and marketing	42%
We use the same forms of advertising and marketing as in the past, but have experimented <u>a lot</u> with alternative forms	34%
We rarely if ever uses the same forms of advertising and marketing as in the past, and are relying on alternative forms of advertising or marketing	8%
None of the above/Other	1%
Don't know	0%

14. **I am going to read to you a number of different ways in which corporations may advertise and market to their customers. For each one, please tell me if your company currently uses that tool or strategy to advertise or market to your target consumers, or not.**

% Said “Yes”	<u>Total</u>
Web site	91%
Customized events for specific demographic targets	81%
Local community outreach	79%
Direct mail	76%
Social networking	69%
Magazine ads	68%
Micro or niche marketing	61%
Internet banner ads	56%
Newspaper ads	54%

% Said “Yes”	<u>Total</u>
Radio ads	48%
Culturally driven marketing	47%
National event marketing	45%
Outdoor advertising	45%
Telephone or telemarketing	38%
Cable TV ads	37%
Online video	33%
Product placement	32%
Network TV ads	29%
Avatar-based marketing	8%
a. Network TV ads	<u>Total</u>
Yes	29%
No	71%
Don't know	0%
b. Cable TV ads	<u>Total</u>
Yes	37%
No	63%
Don't know	0%
c. Magazine ads	<u>Total</u>
Yes	68%
No	32%
Don't know	0%
d. Newspaper ads	<u>Total</u>
Yes	54%
No	46%
Don't know	0%
e. Radio ads	<u>Total</u>
Yes	48%
No	52%
Don't know	0%
f. Internet banner ads	<u>Total</u>
Yes	56%
No	44%
Don't know	0%

g. Direct mail	<u>Total</u>
Yes	76%
No	24%
Don't know	0%
h. Web site	<u>Total</u>
Yes	91%
No	9%
Don't know	0%
i. Social networking	<u>Total</u>
Yes	69%
No	29%
Don't know	2%
j. Product placement	<u>Total</u>
Yes	32%
No	66%
Don't know	2%
k. National event marketing	<u>Total</u>
Yes	45%
No	55%
Don't know	0%
l. Outdoor advertising	<u>Total</u>
Yes	45%
No	54%
Don't know	1%
m. Online video	<u>Total</u>
Yes	33%
No	66%
Don't know	1%
n. Micro or niche marketing	<u>Total</u>
Yes	61%
No	38%
Don't know	1%

o. Customized events for specific demographic targets	<u>Total</u>
Yes	81%
No	19%
Don't know	0%
p. Local community outreach	<u>Total</u>
Yes	79%
No	21%
Don't know	0%
q. Culturally driven marketing	<u>Total</u>
Yes	47%
No	52%
Don't know	1%
r. Avatar-based marketing	<u>Total</u>
Yes	8%
No	72%
Don't know	20%
s. Telephone or telemarketing	<u>Total</u>
Yes	38%
No	62%
Don't know	0%

15. **Now, I am going to read to you a number of different ways in which corporations may advertise and market to their customers. Please tell me if in the next five years you plan on spending more, less or about the same for each one as a proportion of your total advertising and marketing budget?**

% Said "More"	<u>Total</u>
Web site	66%
Customized events for specific demographic targets	54%
Internet banner ads	46%
Micro or niche marketing	43%
Local community outreach	40%
Social networking	37%
Culturally driven marketing	36%
Direct mail	32%
Online video	32%
Cable TV ads	22%
Radio ads	21%
National event marketing	19%

% Said "More"	<u>Total</u>
Magazine ads	18%
Telephone or telemarketing	17%
Product placement	16%
Outdoor advertising	15%
Network TV ads	13%
Newspaper ads	13%
Avatar-based marketing	2%

a. Network TV ads	<u>Total</u>
More	13%
Less	13%
Same	13%
Don't advertise this way	56%
Don't know	5%

b. Cable TV ads	<u>Total</u>
More	22%
Less	11%
Same	15%
Don't advertise this way	46%
Don't know	6%

c. Magazine ads	<u>Total</u>
More	18%
Less	16%
Same	38%
Don't advertise this way	24%
Don't know	4%

d. Newspaper ads	<u>Total</u>
More	13%
Less	18%
Same	26%
Don't advertise this way	39%
Don't know	4%

e. Radio ads	<u>Total</u>
More	21%
Less	13%
Same	26%
Don't advertise this way	36%
Don't know	4%

f. Internet banner ads	<u>Total</u>
More	46%
Less	8%
Same	14%
Don't advertise this way	29%
Don't know	3%

g. Direct mail	<u>Total</u>
More	32%
Less	15%
Same	29%
Don't advertise this way	20%
Don't know	4%

h. Web site	<u>Total</u>
More	66%
Less	2%
Same	23%
Don't advertise this way	6%
Don't know	3%

i. Social networking	<u>Total</u>
More	37%
Less	3%
Same	29%
Don't advertise this way	27%
Don't know	5%

j. Product placement	<u>Total</u>
More	16%
Less	9%
Same	15%
Don't advertise this way	54%
Don't know	6%

k. National event marketing	<u>Total</u>
More	19%
Less	9%
Same	26%
Don't advertise this way	42%
Don't know	4%

l. Outdoor advertising	<u>Total</u>
More	15%
Less	11%
Same	18%
Don't advertise this way	50%
Don't know	6%

m. Online video	<u>Total</u>
More	32%
Less	5%
Same	10%
Don't advertise this way	48%
Don't know	6%

n. Micro or niche marketing	<u>Total</u>
More	43%
Less	3%
Same	23%
Don't advertise this way	28%
Don't know	3%

o. Customized events for specific demographic targets	<u>Total</u>
More	54%
Less	1%
Same	27%
Don't advertise this way	15%
Don't know	3%

p. Local community outreach	<u>Total</u>
More	40%
Less	2%
Same	36%
Don't advertise this way	18%
Don't know	4%

q. Culturally driven marketing	<u>Total</u>
More	36%
Less	2%
Same	21%
Don't advertise this way	38%
Don't know	4%

r. Avatar-based marketing	<u>Total</u>
More	2%
Less	3%
Same	8%
Don't advertise this way	76%
Don't know	12%

s. Telephone or telemarketing	<u>Total</u>
More	17%
Less	13%
Same	16%
Don't advertise this way	50%
Don't know	4%

16. Some experts believe that traditional ways of reaching audiences through mass media are no longer effective, and companies need to increasingly reach customers by creating more personal connections to them. Which of the following best describes your company's position:

	<u>Total</u>
We are already pursuing initiatives to reach people through more personal connections	49%
We are very interested in this new personal approach, and will probably pursue something like this in the coming years	31%
We are mildly interested but unlikely to pursue something like this	10%
We believe traditional media are still effective and have no plans to pursue this strategy	8%
Don't know	3%

IMPACT OF CREATIVITY ECONOMY

17. Have you ever heard of the term “Creativity Economy?”

	<u>Total</u>
Yes	23%
No	76%
Don't know	1%

18. IF YES: How would you describe the “Creativity Economy” to a colleague?

	<u>Total</u> N=24*
Basing business approach on new ideas and innovation	42%
New ways of reaching customers	13%
Other	17%
Don't know/non-response	29%

***NOTE SMALL BASE SIZE**

For the purposes of this study, we define the “Creativity Economy” as the migration from a knowledge-based economy to a more creative, innovation-based economy. One of the ways you may see this is the growing corporate focus on top line growth through innovation and stronger consumer connections as opposed to the more traditional focus on sales to drive growth.

19. Which of the following, *if any*, describes how your company is currently incorporating the “Creativity Economy” idea?

	<u>Total</u>
More emphasis on understanding and incorporating the customer’s viewpoint	65%
Working to provide customers with all of the information they need to make informed decisions.	63%
Actively anticipating what consumers will want or need <u>before</u> they articulate it	62%
A shift to marketing and advertising expenditures that enhance the way you think and talk about the company, not just the products themselves	58%
Working directly with consumers to create the products they want or need	58%
The shift from marketing products to marketing “intangibles” such as brand experiences and business processes.	46%
The shift in focus from sales to innovation	43%
Readjusting or narrowing the demographic and/or geographic profile of the company’s target consumers	39%
The shift in focus from product to process	38%
Other	0%
None of the above	5%
Don’t know	5%

20. And, in which of the following ways, if any, have your company’s communication practices changed by being part of the “creativity economy”?

	<u>Total</u>
Expanded communications strategy	68%
Providing more information to customers about their choices	58%
Expanding customer service options available to customers	57%
Budget priorities have changed	47%
Other	0%
None of the above	6%
Don’t know	3%

21. **And, looking to the next five years, how likely is your company to change some advertising, marketing or communications practices based on the “Creativity Economy” concept?**

	<u>Total</u>
Very likely	38%
Somewhat likely	46%
Not too likely	8%
Not at all likely	6%
Don't know	3%
NET: Likely	84%
NET: Not likely	13%

22. **In your opinion, would you say that the “Creativity Economy” is just a trend or is it here to stay?**

	<u>Total</u>
Just a trend	23%
Here to stay	64%
Don't know	13%

DEFINING INNOVATION

23. **ASK ONLY IF CMO OR CORP COMM EXEC: On a scale from 1-7, how important is innovation to your CEO? A 1 means innovation is not at all important to your CEO and a 7 means innovation is extremely important to your CEO. You can use any number between 1 and 7.**

	<u>Total</u> N=89
One NOT AT ALL IMPORTANT	3%
Two	6%
Three	2%
Four	10%
Five	17%
Six	28%
Seven EXTREMELY IMPORTANT	33%
Don't know	1%
NET: Important (4-6)	78%
NET: Not important (1-3)	11%

24. **ASK ONLY IF CEO: On a scale from 1-7, how important is innovation to your company? A 1 means innovation is not at all important to your company and a 7 means innovation is extremely important to your company. You can use any number between 1 and 7.**

	<u>Total</u> <i>N=15*</i>
One NOT AT ALL IMPORTANT	0%
Two	0%
Three	13%
Four	13%
Five	33%
Six	33%
Seven EXTREMELY IMPORTANT	7%
Don't know	0%
NET: Important (4-6)	73%
NET: Not important (1-3)	13%
<i>*NOTE SMALL BASE SIZE</i>	

25. **Overall, would you say innovation is more important to your company than in the past, less important to your company than in the past or about the same? IF MORE OR LESS, ASK: Would you say it is much more/less important or somewhat more/less important than in the past?**

	<u>Total</u>
Much more important	39%
Somewhat more important	28%
Somewhat less important	1%
Much less important	0%
About the same	31%
Don't know	1%
NET: More important	67%
NET: Less important	1%

26. **And looking 5 years into the future, would you say innovation will become more important, less important or about the same as it is now? IF MORE OR LESS, ASK: Would you say it is much more/less important or somewhat more/less important than it is now?**

	<u>Total</u>
Much more important	44%
Somewhat more important	32%
Somewhat less important	0%
Somewhat more important	1%
About the same	22%
Don't know	1%
NET: More important	76%
NET: Less important	1%

27. **Beyond product development, which of the following areas or tools, if any, is your company utilizing to drive innovation? Indicate all that apply.**

	<u>Total</u>
Meeting customers' needs better	88%
Marketing and communications	82%
Internal collaboration	82%
Business strategy	79%
External collaboration	75%
Corporate culture	70%
Services	69%
Unique, non-replicable business processes	48%
None of the above	3%
Don't know	0%

Now, I am going to read you some statements about marketing. Please tell me if you agree or disagree with each of the statements.

Here's the first one. [READ STATEMENT].

28. **Our company utilizes internal communications to promote innovation within the employee ranks. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?**

	<u>Total</u>
Strongly agree	37%
Somewhat agree	34%
Somewhat disagree	18%
Strongly disagree	9%
Don't know	3%
NET: Agree	70%
NET: Disagree	27%

29. **Driving innovation in our business processes and customer experience are more important than innovation in product development. Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree with this statement?**

	<u>Total</u>
Strongly agree	25%
Somewhat agree	42%
Somewhat disagree	20%
Strongly disagree	8%
Don't know	5%
NET: Agree	67%
NET: Disagree	28%

DEMOGRAPHICS

30. Finally, the results of the survey will be released to the media. We'd like your permission to use your name as an example of someone who completed the survey. Please keep in mind that your responses will be kept strictly confidential. May we use your name as an example of someone who completed the survey when publicizing the results of this study?

	<u>Total</u>
Yes	42%
No	58%
Don't know	0%

31. CODE GENDER BY OBSERVATION

	<u>Total</u>
Male	55%
Female	45%