

Marketingheads.[®] CEO Future Trends Survey

2023



Marketingheads® CEO Future Trends Survey 2023

Executive summary

This report follows the 12 year history of Marketingheads conducting the annual CEO Future Trends survey. We are pleased to provide this 12th snapshot that identifies consistent messages re the success factors that matter and those where the most can be achieved if focused upon. This year we see some significant shifts from past reports. (Some charts have been broken out for the last three years for ease of analysis.

It's remarkable how quickly things can change and what's truly remarkable is how quickly many businesses are able to meet their customers changing needs whilst adopting various hybrid work options, technologies and creating an ongoing legacy for the future through investment in sustainable environmental outcomes. This has resulted in some businesses achieving significant success. That's not to say there aren't businesses struggling coming out of the pandemic.

The rapid adoption of technology, online meeting platforms, acceptance by employers of work from home (by most), are massive workplace reforms that occurred in a matter of weeks. This is now the new normal and is expected as part of the employee's value proposition.

Whilst business confidence was returning, and many respondents were forecasting growth for 2022 we noted there was caution with many businesses unwilling to invest and do a deep dive and to listen and understand customers. For 2023 we now see forecasts for declining business and/or staying the same as last year.

For those wanting growth, this is an opportunity as some businesses take their eye off the ball. It's a good time for those willing to invest in market insights to target and accelerate their success.

Australian business should remain concerned as in past surveys we identified the economy was struggling pre-pandemic. Has the massive government pandemic funding and the pandemic retail sales boom for some markets covered-up fundamental economic weakness? Expectations that growth would continue at the pandemic levels (for those that boomed) now face headwinds, features include over stocking, cost cutting and significant reductions in headcount.

For many businesses they are back to normal pre-pandemic trading, some face being overstocked and increasing interest rates are beginning to reduce economic activity, the challenge now is to balance the general business slowdown with the normalisation of interest rates and control over inflation.

For 2022 and 2023 finance and cost is less relevant than other years as the major constraint to the effectiveness of marketing. The constraints now are the willingness to innovate and change and not having the internal people and waiting for the market conditions to be right or back to normal. One could conclude from this then that business has the money to invest in innovation and marketing, but some are unwilling. It's evident that some aren't certain what works anymore or what to communicate!

Being relevant whilst engaging with customers and building depth around your customer relationships are the key success factors that matters most. Maintaining valued brand values, employee's attitude and motivation and marketing and communications are all unprompted importance factors supporting engagement with customers that affect business success.

In summary the main issues are: Technology trends, increasing costs & interest rates. Ability to connect with customers, and willingness to innovate, people shortage and staff retention. Working from home and hybrid work now the norm and expected.

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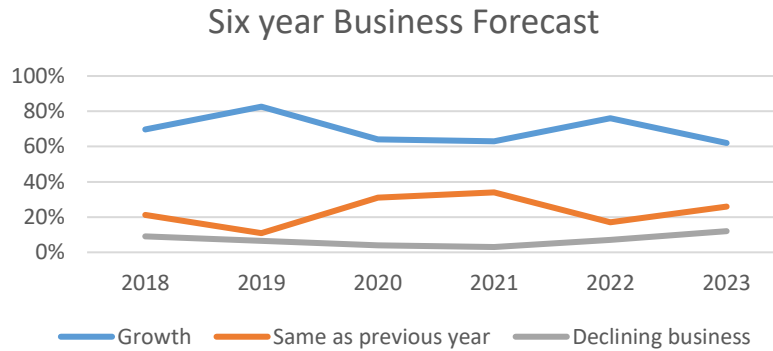


Chart one

Last year most respondents were optimistically forecasting growth. That resilience is now exhibiting less confidence for business in Australia as real challenges continue to bite, including supply chain issues, quality staffing, rising costs across the board, inflation and now increasing interest rates slowing economic activity. So, we see a 26% decrease in businesses forecasting growth and a 71% increase in those forecasting declining business and 53% increase in those forecasting “Same as last year”.

We are hearing that senior businesspeople have retired, have closed the business, or are moving to semi-retirement further placing pressure on staffing, although immigration is back if you can get a Visa.

The euphoria of coming out of lockdown has subsided, businesses that boomed through the pandemic are now back to normal trading, some face being overstocked and increasing interest rates are beginning to reduce economic activity, the challenge now is to balance the general business slowdown with the normalisation of interest rates and control over inflation.

The challenges over the last 2 years sees fatigue factors for business and their managers and owners, this was demonstrated anecdotally through businesses and owners taking longer leave periods through the Christmas new year holiday period than they would normally. For service businesses the ramp up to doing business again following lockdowns has not been a matter of turning the business lights back on. The reality is that it takes time and positive market confidence for business to begin investing in external services. The slowing down of the economy will not be helpful for these businesses.

For some industries that boomed through the pandemic orders placed to meet that demand have been delivered but demand is not there any longer. A prime example is the bicycle leisure market and home improvement products.

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Respondent Industries 2023

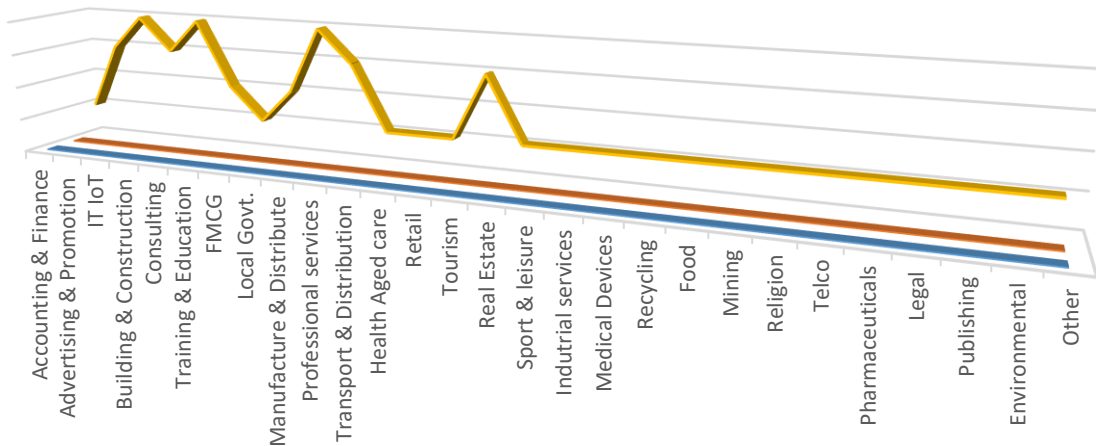


Chart two

Again, through your support a significant depth and breadth of business leaders from a diverse range of industries responded to complete the Annual CEO Future Trends survey for 2023, many thanks for your interest.

Economic Factors That Affect Your Business

12 Years 2023

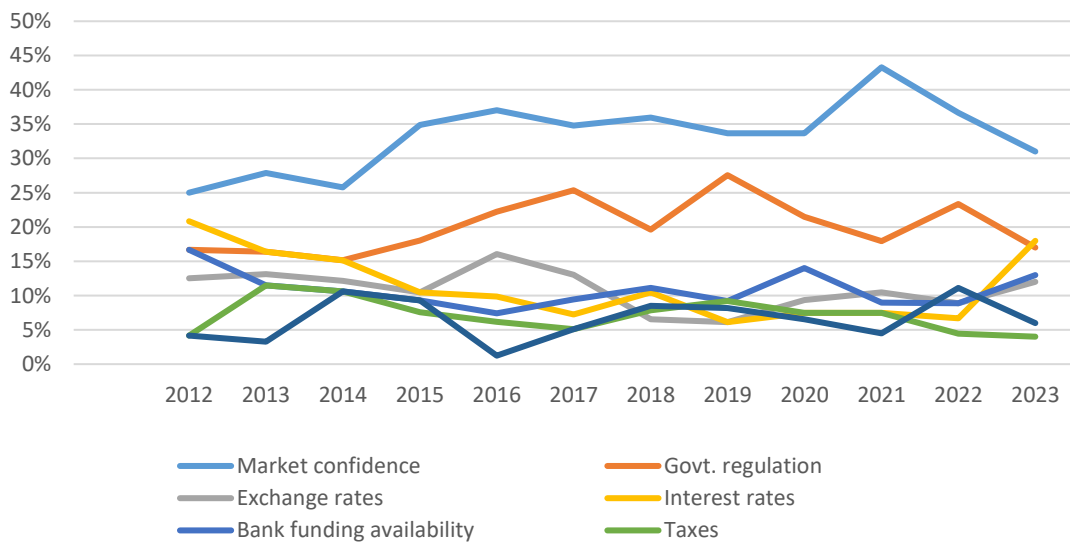


Chart three

Market confidence remains by far the most important factor that affects business success, even if it is viewed to a lesser degree of importance than last year. As you will see from the chart Govt. regulation and red tape remains a concern with bank funds availability and interest rates rising as economic factors that may well keep you awake at night. Bank interest rates are beginning to punish

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businesses that are reliant on banks for working capital. Increasing borrowing costs are resulting in refinancing debt via second tier lenders who exhibit more appropriate business lending paradigms.

Last year we heard some terrific war stories from clients about their success from resetting and pivoting their business through the pandemic and now with the world returning to pre-Covid conditions the Covid boom is over. So pre-Covid challenges remain with business as usual, however skills and people shortages/ costs are an issue.

It's time for governments to recalibrate risk tolerances in alignment with their deregulation agenda to encourage trusted tender partners particularly in the SME space. Exorbitant dollar requirements for public liability insurance does not reflect the actual risk for most tender providers and is an unnecessary cost for SME's and government. There needs to be a significant shift in bureaucratic behaviour to engage more SME's not "ghost SME's" who are subsidiaries of large multinationals. The application to register as a supplier to tender on the buy NSW platform requires you to agree to their terms and conditions including price and an automatic discount of 7% before the application is approved.

Now in 2023 the state government is moving all suppliers to a new platform, so all 44,000 businesses need to reregister and save and upload their various supporting documentation. Given the state has an "Innovation and Better Regulation" department and promotes itself on sharing data for smarter government Innovation in government you would think they would take the burden of re-registering and uploading data as a priority themselves to ameliorate red tape for suppliers.

Many factors affect success and there is reason to remain cautious whilst resetting your business for 2023 and looking for market gaps and opportunities. Continuing to grow on success is the real challenge. You can expect that 2023 will be eventful and unpredictable, including global challenges with the war in Ukraine. China's change of heart re refusing to import some products from Australia, the Chinese lockdown ending and property developers going broke, to the changes in Australian IR laws progressing through federal parliament.

In the world of Cloud computing and IT the big players are talking about headwinds, resulting in cost cutting and serious headcount cutting of tens of thousands of people, despite double digit growth. Perhaps a reaction to Wall Street wanting more! The silver lining for IT service providers will be an increasing availability of IT staff.

Many retailers were big winners in 2020 and 2021, especially those in the home improvement area. Now many are overstocked as buyers expected the boom would continue or couldn't turn the order tap off. The challenge to build on record sales in 2023 for many is already lost. However, the stores near disaster areas (floods) are booming as insurance claims are settled.

Overseas travel became available in early 2022 and travellers played catchup with where they left off pre-Covid. I know from personal experience that parking at Sydney airport is at a premium. Does this mean consumer spending on local products and services will be redirected to travel?

The world shortages of microprocessors, containers and raw materials impacting supply chains appears to have settled down for many businesses although shipping cost remain high but not as expensive. Some particular products like lithium remain difficult. New car supply appears in many

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brands to be catching up with demand. Consequently through 2023 you will begin to see discounting and promotions and less need to pay list price.

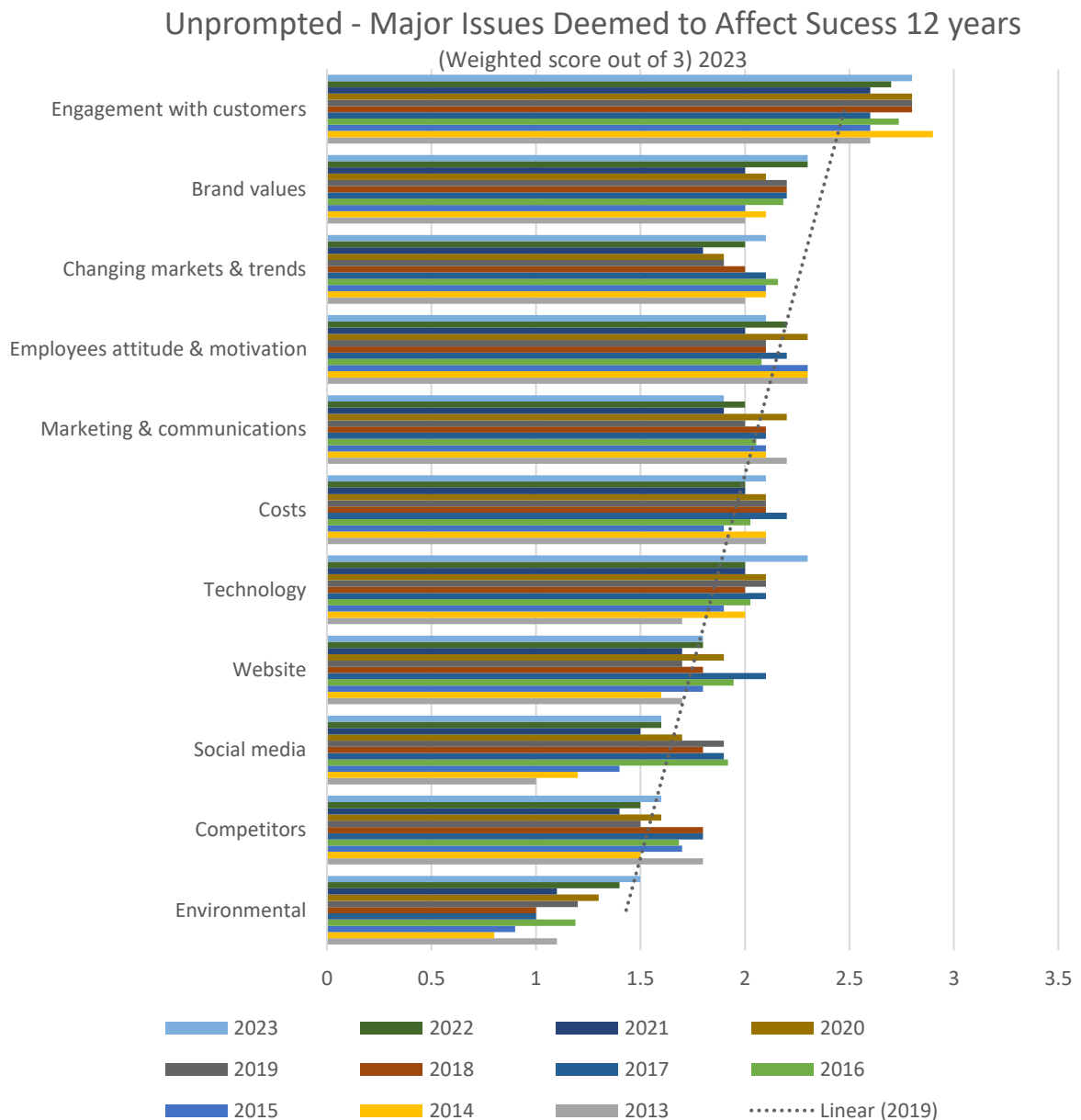


Chart four

As you can see over twelve years, engagement with customers and building depth around your customer relationships are the success factor that matter most. Engagement with customers, building and strengthening relationships and creating positive points of contact including sales, marketing, communication and customer service are all important. Clever tactical solutions to connect and stay connected have been successful for some through training, webinars, various meeting platforms and just checking in with people and now the use of technology.

Major issues Deemed to Affect Success Last 3 years

(Weighted score out of 3 for importance Un-promoted)

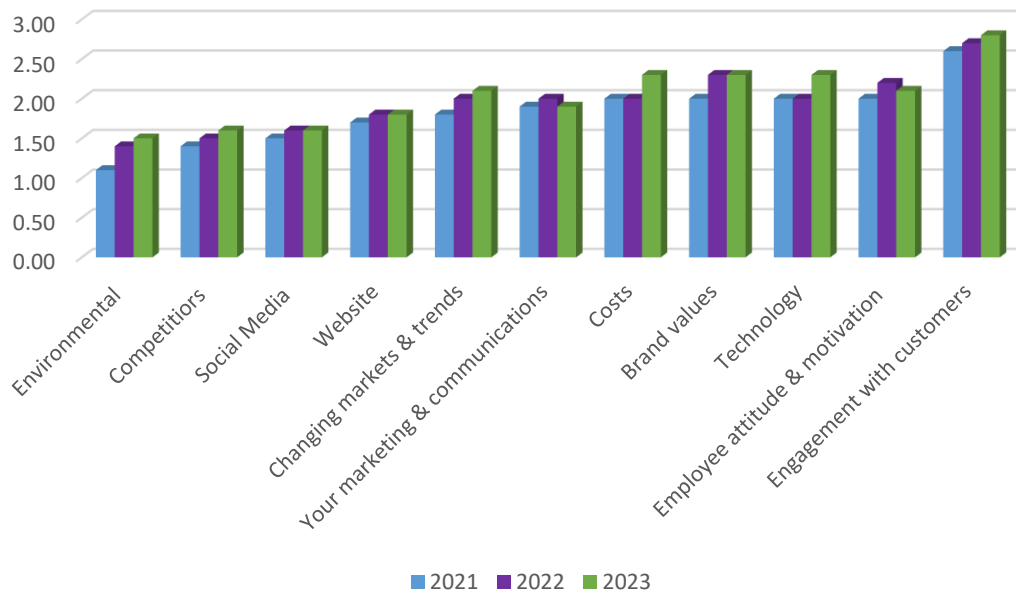


Chart four.one

So just looking at the last three years data there have been step changes for technology, environment, costs, competitors and changing markets and trends. These include the way customers relate, search and experience your products and services. The trends are:

- Customer adoption and use of technology
- Omni channels used to search and research products, requires an omni channel response to marketing and communications
- Mindset change to sustainable product and service offerings and a willingness to pay more when deemed authentic
- Immersive product and service experiences are highly valued.

Attached is an edited discussion paper re the above points to assist in greater understanding of what this looks like in reality. Courtesy of "Square Payments Systems".

Essentially this makes understanding what really matters most to customers and how you perform against those metrics critical success factors. This is about understanding how to build a depth of relationship with customers (what does this look like?) and engage in a relevant way (What's relevant today and in 2023 is changing for many businesses.) So what technology can assist you is the challenge?

Maintaining valued brand values, employee's attitude and motivation and retention plus marketing and communications are all unprompted importance factors supporting engagement with customers that affect business success. Certainly business culture affects employee attitude, motivation and retention and a propensity to innovate through supporting investment in R&D are unprompted key success factors.

What's most important that you can influence the most to achieve success 2023

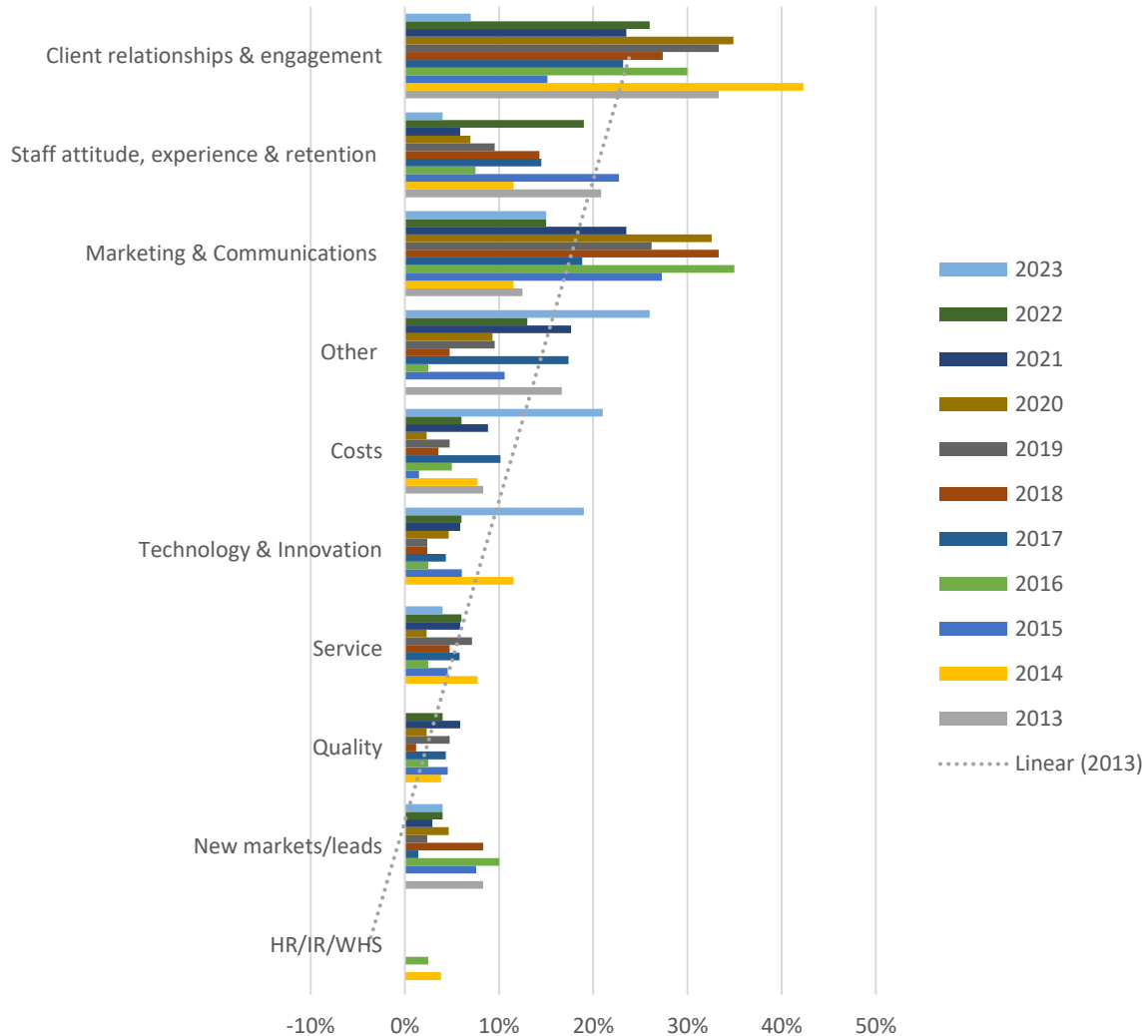


Chart five

What respondents consistently believe they can influence most has changed to Costs and Technology & Innovation.

Others includes: Government regulation, debt recovery, Govt. procurement practises, cashflow, willingness to invest, sourcing raw materials and staff, ability to scale up, grow existing customers and markets.

The pandemic’s silver lining has been the way it accelerated technological adoption and adaptation across businesses, with benefits for owners and staff. Flexible, remote working arrangements have led for many to happier, more productive teams. Video conferencing has saved time that used to be wasted travelling to meetings.

Similarly, in retail there’s a massive, transformational shift to omnichannel marketing. Forced to shop online during lockdowns, consumers discovered they liked the convenience, variety and

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competitive pricing. They've now returned to bricks-and-mortar but only as part of a permanent new mix of online, in-store and on-socials shopping. The customer might begin with any one of these touch points and criss-cross back and forth between them before making a final purchase. Retailers need to react to this, and meeting customers where they shop is the new standard.

As people began to shop more from home, we saw things like augmented reality come to the forefront. They could see what a new couch would look like in their living room, or if a new shade of lipstick would be the right match for them.

Leading-edge retailers are taking these insights and applying them to data-informed tactics and technologies. This may look different for everybody but could encompass advanced inventory management, self-serve checkouts, virtual fitting rooms and even augmented reality experiences in-store.

Technology has not only blurred the distinction between online and in-store shopping but also given retailers unprecedented data sets and a better understanding of their customers. You can review your data using reports to see last year's performance and profit across different products to inform your 2023 strategy.

Faced with staff shortages and rising costs, businesses rightly see tech automation tools as powerful ways to reduce the time spent on low-impact but necessary tasks like stock management while freeing up hours for high-impact areas like customer relationships.

High-profile hacking cases in Australia sees the push towards better online security.

We're going to see more in the innovation space when it comes to virtual shopping as retailers look at new technology to make product offerings more compelling. See attached discussion paper for more on this topic.

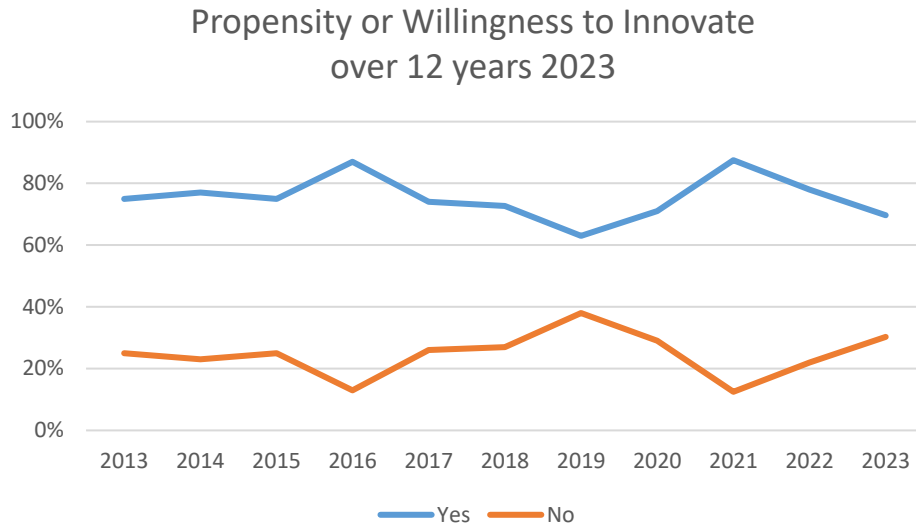


Chart six

In 2021 we saw a significant rise that built upon 2020 re a willingness to innovate with a decline for many respondents in 2022 and this continues for 2023. I know for some of our clients we have seen some amazing innovations that are transforming their businesses and differentiating them in some highly contestable markets. Does this mean that the introduction of these innovations is complete?

Remaining a differentiated business is clearly a significant success factor. This is how many great brands survive. It is a little troubling to see a decline in propensity to innovate for 2022 and 2023. It's likely that this is a symptom of business reducing their capex to maintain a war chest to protect from the unpredictable changing economic conditions.

The innovations mentioned are digitisation and automation of systems, online education and training, use of video, changes to product and delivery methods, digital document signing and IT changes to allow work from home.

Key trends in the market to be aware of are:

- Your customer's adoption of technology – what, where and how to be relevant and engage
- Omni channels used to search and research products, requires an omni channel response to marketing and communications -
- Mindset change to sustainable product and service offerings and a willingness to pay more - when deemed authentic
- Immersive product and service experiences are valued – adaptation and adoption to suit.

So, whilst this year we are seeing a decline in willingness to innovate, shouldn't innovation be driven by market need and market insights and product differentiation or a better mouse trap or customer experience? Is it time to consider the product life cycle and where your products fit and how innovation can meet future customer need and expectation.

Competition for skilled labour now requires a working from home or hybrid work option and should be considered part of your employee value proposition particularly with the easy access to virtual meeting platforms is now a given. Benefits mentioned are reduced travel time and costs, more

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efficient use of staff time through use of virtual meeting platforms and extension of geographic footprint. Doesn't this help to create an employer of choice positioning.

For those who don't export could this be a strategy for consideration. Exporters contributed 65% more added-value, 14% more employment, and 43% higher wages than non-exporters. See the inaugural "The State of the Exporters report 2023".

<https://www.austrade.gov.au/news/publications/australian-state-of-exporters-report-2022>

What Constrains the Effectiveness of Your Marketing?
12 Years

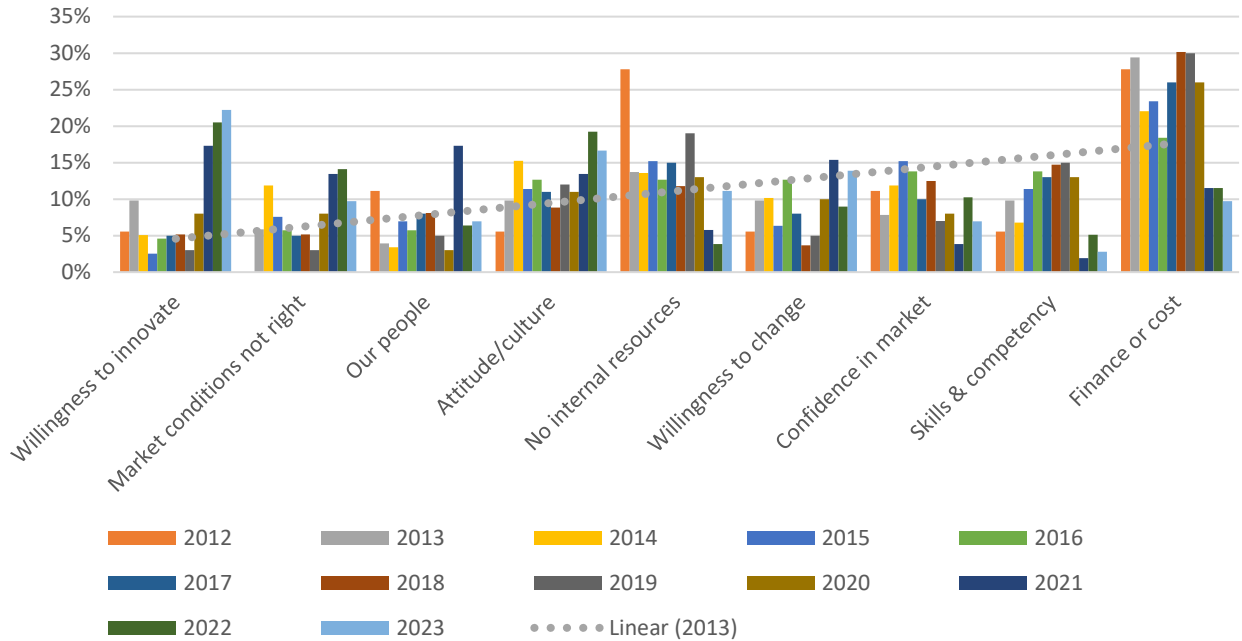


Chart seven

Key Constraints to Effectiveness of Your Marketing 2023
3 Years

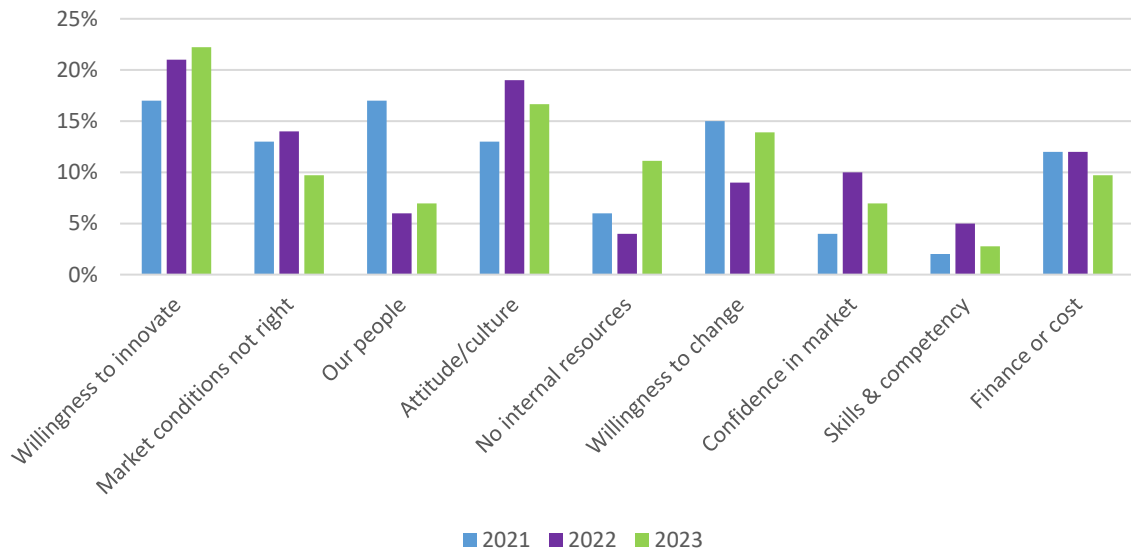


Chart seven.one

Finance and cost appear to be a lesser constraint to your marketing in 2023. The major constraints to effectiveness of your marketing are willing to innovate and change, no internal resources, attitude culture & motivation, and waiting for the market conditions to be right.

One could conclude from this that business has the money to invest in their marketing effort but lack the attitude, culture & motivation and internal capability. Recent investment decisions by

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respondents we have spoken to centred on providing a legacy for the future by improving efficiencies of systems and processes, creating sustainable more environmental capabilities and reducing costs. For others its indecision due to lack of market certainty or insight into changing markets and cautiousness about the future, so building a war chest for the future is seen as prudent! The problem with this is that this disposition allows competitors with better market insights to take market share.



Chart eight

It's not unexpected that interest in "Knowing what your customers say about your business" is a critical success factor identified going forward into 2023.

Markets don't stay the same for ever so taking a deep dive into understanding what's happening is critical to continuing business success factors. Competitors are active, the new normal is happening on all levels, technology adoption is happening at light speed, and innovation destroys old long held beliefs, products and services.

We know from our clients that our market perceptions studies that centre on the metrics that their customers identify as most important and provide a measure re our clients performance allows a very clear focus on what matters most and will create particular focus, clearly defined decisions, strategies, and significant return on investment.

The challenge for us all is if we don't know what customers are saying and/or what's happening within markets, then what's the roadmap look like for 2023? So, whilst this year we are seeing a lack of willingness to innovate, shouldn't innovation be driven by market need and market insight and clearly differentiated offerings? Perhaps businesses don't know what customers and markets are thinking and doing or are worried about uncertainty?

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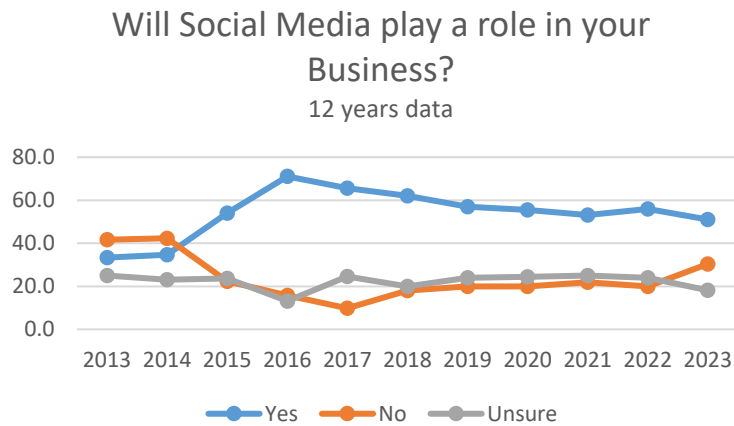


Chart nine

Throughout the pandemic we saw some clever digital options with click, pay and collect or home delivery versus traditional retail. We heard of some consultants going to online offerings. See the attached discussion paper for other detailed technology trends.

Certainly, there is a role for social, but the same rules apply as per all other marketing and communication. Do you have the resources, planned communications narratives to create and execute strategies to influence potential buyers.

Your marketing needs to create a return on investment. We recently did a social media campaign with a member organisation. We converted 20% of Facebook followers to paying members, increased revenue 4-fold and increased memberships 46%. Member engagement improved via attendance at events dramatically.

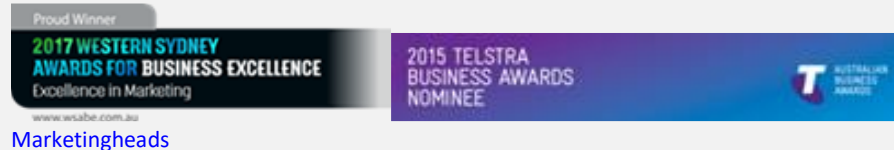
Marketingheads pandemic surveys in 2020 & 2021 and the July 2022 post pandemic survey provided to respondents created a relevant role for Marketingheads and a very positive enquiry rate for us whilst we stayed in contact with our network. Businesses wanted to understand what metrics customers valued, what's changing and how they were performing against those success metrics. The reports were also referenced by a global IT organisation and other organisations.



John Wakeling

Being a market research business with senior researchers who are marketers with more than 25 years' experience assures clients don't just end up with a report but a road map as to how to address competitive challenges or to better sell/market their competitive advantage. This has clearly differentiated Marketingheads for over 24 years.

Marketingheads is a multi-awarded market research, marketing and strategy business that will celebrate its 24th anniversary this year. Prior to Marketingheads John held senior sales and marketing positions in the pharmaceutical industry. John is an accomplished marketer and strategist who relishes the challenges faced by business. His methodology has identified game changing strategies and achieved exceptional results for many clients across a diverse range of industries and businesses.



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Discussion Paper: Trends you need to consider for a differentiated product or service.

Environment & Sustainability as metrics over the last two years have moved as an issue likely to affect success. There's a shift to sustainability. A new generation of more conscious customers searching for sustainable products will continue to remake the landscape. Businesses don't need to be afraid here. In fact, there are huge opportunities for those willing to lead with their values and differentiate themselves through the messages they send.

We know for example that a brand's values and ethics matter more and more with customers. Increasingly customers are "belief-driven buyers", and we are hearing that they expect brands to stand up for social, cultural, and environmental issues. Look at what the Teal Independents did in the last federal election. This is even more pronounced among Generation Z – a group whose oldest members are only 26 in 2023. But don't dismiss their influence.

The Generation Z are still to reach their maximum influence in terms of workforce participation and spending power. Gen Z's consumer activism also has an outsized influence on its parents' and even grandparents' generations. So, for businesses, these trends mean that the notion of who is a stakeholder is changing. Alongside customers, employees, investors, and so on, society itself is now a stakeholder – meaning organisations that act in the best interests of society, by providing responsibly made products, will be better equipped for success in the future.

Businesses must therefore work to ensure their products are produced ethically, sustainably and, where appropriate, from natural materials. They must also invest in more sustainable business operations.

The good news is that conscious consumers recognise they need to pay more for ethically made products and services. For businesses, that provides a clear avenue for differentiation and an end to competing on price, which can only ever be a race to the bottom.

We recommend that you take time to ask yourself what matters to you and go from there. Concentrate on meaningful storytelling that communicates the "why" of your brand – and think about ways to reach customers including Generation Z.

Adoption of technology. Technology as a metric we measure that has taken a step change north. The pandemic's silver lining has been the way it accelerated technological adoption and adaptation across businesses, with benefits for owners and staff. Flexible, remote working arrangements for many has led to happier, more productive teams. Video conferencing has saved time that used to be wasted travelling to meetings. (I note that Teams and Zoom are presently downsizing staff numbers deemed to be no longer required as people are Zoomed out by online meetings and growth is slowing.)

Retail is seeing a massive, transformational shift to omni channel marketing. Forced to shop online during lockdowns, consumers discovered they liked the convenience, variety, and competitive pricing. They've now returned to brick-and-mortar but only as part of a permanent new mix of online, in-store and on-socials shopping. The customer might begin with any one of these touch points and criss-cross back and forth between them before making a final purchase. Retailers need to react to this, and meeting your customers where they shop is the new standard.

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Business retail decision makers report that online sales account for an average of 52% of their annual sales revenue. Supporting that statistic, 54% of retailers say social media channels account for most of their revenue. Creating shoppable posts directly in Instagram or Facebook are used to support this.

Shopping online and via social channels is projected to increase and will play an important role in retailers' channel mix to grow their businesses. Customers are demanding interactive ways to learn about products, convenient ways to pay, ship, exchange and be rewarded for their purchases. Automation tools help with this execution.

Point of sale POS system are designed for smooth selling. The newest POS systems are now more personalised than ever with tools for syncing an online store, counting stock with your phone and more. See **"Square Payment Systems"**.

Automation is a sub-trend of the turn to technology. Faced with staff shortages and rising costs, businesses rightly see these tools as powerful ways to reduce the time spent on low-impact but necessary tasks like stock management while freeing up hours for high-impact areas like customer relationships.

Given the recent spate of high-profile hacking cases across Australia, another tech trend recommended you get on board with is the push towards better online security. It doesn't need to be difficult. Enabling two-factor authentication can be simple and will help protect you and your customers.

Immersive experiences. Building on the importance of omni channel, creating an immersive experience takes this one step further. Technology has not only blurred the distinction between online and in-store shopping but also given retailers unprecedented data sets and a better understanding of their customers.

So, via technology you can review your data using to see last year's performance and profit across different products and inform your 2023 strategy. Businesses are taking these insights and applying them to data-informed tactics and technologies. This may look different for everybody but could encompass advanced inventory management, self-serve checkouts, virtual fitting rooms, online measuring or sizing charts and even augmented reality experiences in-store.

Backed up by the feedback from consumers we know that more than a third of Australian consumers are interested in trying virtual shopping options if they are offered, and 22% (jumping to 31% among Millennials) are interested in a virtual reality technology that allows them to try on products in a virtual shop.

This trend grew as one of the positives to emerge from the pandemic. As people began to shop more from home, we saw things like augmented reality come to the forefront. People could see what a new couch would look like in their living room, or if a new shade of lipstick would be the right match for them. Online planning tools for a new kitchen or bathroom with 3D capability allows you to see your new room. Some kitchen companies make it very easy to then translate the plan into an inventory of items needed to complete a new kitchen build, price it, include transport options, and pay at the checkout online. Drones provide superior viewing and photography options.

You can expect that we're going to see more in the innovation space when it comes to virtual shopping as retailers look at new technology to make product offerings more compelling. So, the challenge is, what tools could you use in your business and are you ready to use immersive digital formats to build brand trust in your business?

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“This would see customers engaging with product demonstration videos, trade events and virtual classes. It’s an interactive and fun way to see products in action, ask questions and build trust in your brand.

Thanks to Square Payments Systems for use of their edited marketing editorial content re trends in 2023.