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Gartner for Marketers

CMO Spend Survey 2019–2020:

CMOs Double Down on Digital Channels and Analytics, but Fail to Plan for Tough Times Ahead

Ewan McIntyre
VP Analyst

Anna Maria Virzi
Principal Analyst

This year marks a reversal in marketing budget growth, with expense budgets falling slightly year over year. Although CMOs remain optimistic about marketing's future fiscal health, a fine line exists between optimism and hubris. Will today's buoyancy give way to tomorrow's austerity?

Ewan McIntyre
VP Analyst

Anna Maria Virzi
Principal Analyst

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Overview

Key Findings

- Marketing expense budgets in North America and the U.K. have fallen slightly to 10.5% of company revenue, down from 11.2% just one year prior. Yet, CMOs remain upbeat that their budgets will rebound as we head into 2020.
- Despite signs of future financial uncertainty, CMOs feel confident regarding future macro environmental conditions. Most CMOs surveyed believe the global economic outlook will have a positive impact on their business in the next 18 to 24 months.
- Analytics and insights remain the most strategically important marketing capabilities, and with this the once-unglamorous function of marketing operations rises in strategic prominence.
- Agency investment still commands almost a quarter of total budgets, indicating the flight to in-housing capabilities once delivered by agencies is overstated. Meanwhile, marketing technology (martech) investments drop 3 percentage points year over year.

Recommendations

To deliver near-term results balanced with long-term growth, CMOs should:

- Prepare contingency plans for future budgetary uncertainty. Factor in that the future economic uncertainty may be different from past periods and act quickly if the scenario requires.
- Build a budgetary benchmark. Look beyond current-versus-prior-year comparisons and instead focus on the budget's overall direction and its drivers for movements over time.
- Establish a function to drive operational excellence in planning and execution across the span of the organization, including large areas of investment such as martech spend.
- Optimize the organization's marketing agency spend. Use Gartner's cost optimization model to deliver efficiency without damaging relationships with strategically important partners.

Survey Objective

This research is based on Gartner's 2019-2020 CMO Spend Survey of 342 marketing executives in North America and the U.K. at companies with $500 million to $20 billion or more annual revenue. It details:

- How much companies spend on marketing, how those budgets are built, how they will change in 2020 — and why
- What budgets reveal about marketing's continued commitment to digital techniques and channels, and how spend is balanced across online and offline channels
- The most important metrics and indicators CMOs track to inform marketing strategy, both inside and outside the enterprise

Data Insights

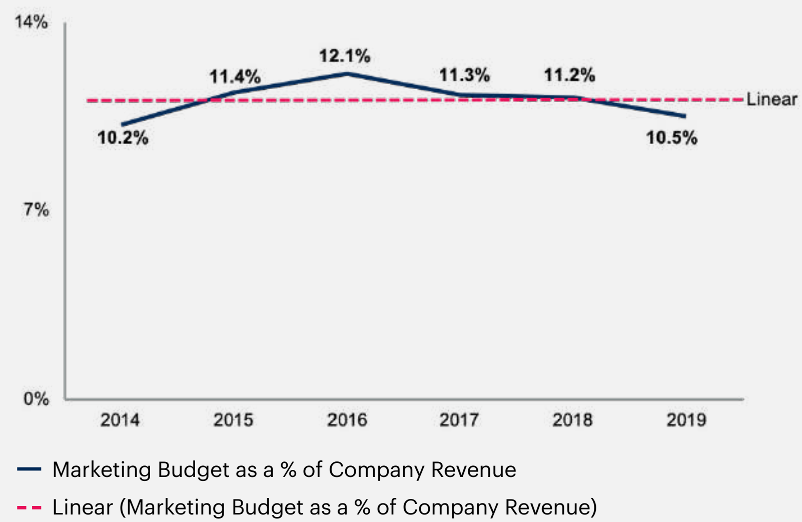
CMOs remain positive about budgetary growth despite marketing budgets dropping to their lowest levels since 2014

The writing has been on the wall for some time: Marketing budget growth has stalled. Throughout the last two Gartner CMO Spend Surveys, budgets in North America and the U.K. have been hovering at just over 11% of company revenue. In fact, when you look back across the previous five CMO Spend Surveys, the mean average budget is anchored at 11%. Despite an outlying peak in 2016, marketing budget growth has been relatively flat over recent years (see Figure 1).

But, 2019 is not a story of flat growth — it's a story of decline. Budgets have shifted downward, albeit by a relatively small margin (6.3%), moving from 11.2% of company revenue to 10.5%.

Figure 1. Marketing budget evolution: 2014-2019

Marketing budget as a percentage of company revenue



n = 342 (2019) N. America/U.K. respondents; n = 618 (2018); n = 350 (2017); n = 375 (2016) n = 424 (2015) n = 363 (2014)
Source: Gartner 2019-2020 CMO Spend Survey
Q. What percentage of your company's total revenue is allocated to its total marketing expense budget for FY 2019?
ID: 407635

Gartner has been calling out future budgetary challenges for some time. This goes deeper than the broad macroeconomic outlook, such as the impact of trade disputes and tariffs, or the impact of Brexit on global corporate investments. It touches on the level of confidence that CEOs have in marketing, with just over half (56%) of CEOs reporting that they expect to increase investment in marketing in 2019. This is significantly behind the proportion of CEOs that expect to increase spending in other capabilities like IT (74%), people and culture (64%), and R&D and innovation (60%). Alongside challenges from the office of the CEO, a broader set of environmental issues come into play. Gartner has observed historical peaks in fundamental business trends — changes in the business environment, challenging economic signals and an unprecedented competitive environment (see "Winning in the Turns: A CMO Action Guide — How Leading Brands Outperform in Uncertain Times").

Despite the challenge to 2019 budgets, CMOs are confident that marketing budgets will rebound. Almost two-thirds (61%) of CMOs surveyed expect budgets to increase in 2020. A further 21% expect their budget will stay the same, with only 18% expecting further cuts next year.

Confidence levels vary slightly across business models (see Table 1) and by industry. High tech — the industry reporting the third highest average marketing budget in 2019 (10.8%) — is the least confident about prospects in 2020, with only 31% expecting a budgetary increase next year. CMOs in both travel and hospitality and consumer products are the most confident, with 76% and 74%, respectively, expecting an increase in 2020.

Table 1: Budget allocations and expectations North America and the U.K., 2019 and 2020

	B2B Services	B2B Manufacturing	B2C Direct Sales	B2C Indirect Sales	Even Mix of B2B and B2C
Marketing Budget Current Year (2019)	10.0%	10.4%	10.4%	10.9%	10.9%
Expect Budgets to Increase in 2020	67%	46%	63%	65%	55%
Expect Budgets to Stay the Same in 2020	18%	25%	21%	25%	24%
Expect Budgets to Decrease in 2020	15%	29%	16%	10%	21%

Source: Gartner (September 2019)

Almost two-thirds (61%) of CMOs expect budgets to increase in 2020.

Against the backdrop of flat or declining budgets, CMOs remain largely optimistic. Although we're not yet witnessing a precipitous drop, this year's downtick presents a counterintuitive scenario. You could call this confidence in the face of adversity. Or you could call it hubris.

Gartner's "Winning in the Turns: A CMO Action Guide — How Leading Brands Outperform in Uncertain Times" research reports that, in the Great Recession of 2008, a select few companies — just 60 of the largest publicly traded companies in the U.S. and Europe — ended up ahead of the competition. Winning in these uncertain times ahead requires CMOs who can act with confidence by reading key indicators within and outside their organization (see the following section).

Recommendations

- Build a budgetary benchmark, looking at your company's top-line marketing budget and investment levels over the last several years. Look beyond current-versus-prior-year comparisons by focusing on the budget's overall direction and its drivers for movements over time (see "Ignition Guide to Creating a Sustainable Cost Optimization Roadmap for Marketing").
- Prepare contingency plans for future budgetary uncertainty. Factor in that the future periods of economic uncertainty will be different from previous periods. Prepare to act quickly if the scenario requires. For example, account for a sharp change if governments, particularly in the U.S., take measures such as interest rate changes to forestall a reversal in consumer confidence (see "How to Prepare Now for Economic Uncertainty").

CMOs remain optimistic while economists debate a potential global recession

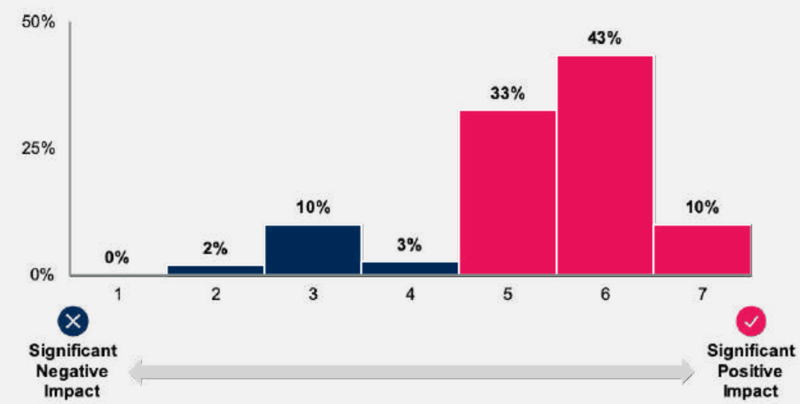
Gartner has not been alone in expressing concerns over the economic outlook, both globally and in markets like the U.S. and the U.K. Many economists have looked to indicators such as yield curve inversion in the bond market as a signal of economic uncertainty. Looking inside the enterprise, 80% of employees are braced for tough times ahead. Data from The Gartner Global Labor Market Survey 2019 indicated that the vast majority of employees across all industry verticals believe that their organizations are likely to make cuts within the next 12 months, with over a quarter (28%) reporting that their firm is already actively cutting costs (see “Survey Analysis: Assessing Employee Perceptions of Cost”).

But, in the face of perplexing external and internal environmental signals, CMOs remain confident about economic and budgetary outlooks. We asked CMOs about the likely impact of economic and business climates over the next 18 to 24 months on their company’s ability to meet business performance goals. Surprisingly, a whopping 86% of CMOs believe these future impacts will be positive, with more than half (53%) stating these impacts will be strong (see Figure 2). Even amid the turmoil of Brexit, only 18% of U.K. CMOs surveyed believe that environmental factors will result in a negative impact on their marketing strategy.

In the face of perplexing external and internal environmental signals, CMOs remain confident about economic and budgetary outlooks.

Figure 2. CMOs remain upbeat about the impact of environment on marketing performance

CMOs' assessment of the business impact of economic and political environment over next 18 to 24 months



n = 340 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q: What impact will the economic and business climate over the next 18-24 months have on your company’s ability to meet business performance goals?
Percentage may not add to 100% due to rounding
ID: 407635

Why are CMOs so bullish in the face of upcoming adversity? The 2019 Gartner CEO and Senior Business Executives Survey found that CEOs may be diversifying their businesses to address softening growth prospects and weakening margins, bringing added complexity to a business and new mandates for marketing's leadership (see "2019 CEO Survey: The Year of Challenged Growth").

The same survey revealed that only 12% of respondents cite cost management as their top three business priorities for 2019 and 2020. Although this represents an increase on prior years and CEOs are proceeding with more caution, alongside other signals in the survey it shows that CEOs are not preparing for a recession. So, it's not surprising that a sense of "groupthink" pervades regarding upcoming challenges.

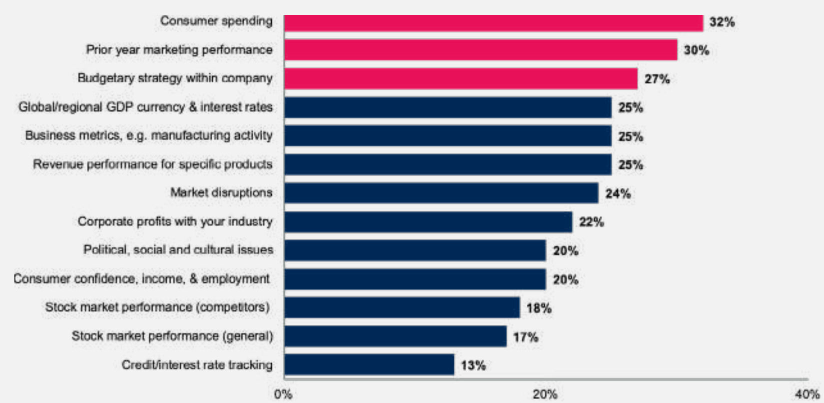
Although the influence of leaders and peers is important, they're not the only factors influencing marketing strategies. Your attitude toward risk will be heavily influenced by how closely you scrutinize potential hazards. Another factor contributing to CMOs' overall optimism lies in the indicators they favor when tracking the economic and business climates. When asked which metrics are in their top three indicators used to track the business and economic climate over the next 18 months, CMOs responded as follows (see Figure 3):

- Consumer spending (32%)
- Marketing program or initiative performance in the previous year (30%)
- Budgetary strategy within the enterprise (27%)

Figure 3. Top three indicators cmos use to track the business and economic climate

Most important indicators used by CMOs to track the economic and business environment

Top three rank % shown



n = 316 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q. What are the most important indicators used to track the business and economic climate?
ID: 407635

Notice how two out of the above three measures are internally focused, indicating a dangerous reliance on easily captured indicators that present a narrow view of opportunities and threats. Although current levels of consumer spending may be an indicator of the current environment, it doesn't tackle future consumer or customer sentiment. According to Gartner's Consumer Values and Lifestyle Survey, 2019, consumer sentiment regarding the economy is not positive: Sixty percent of U.S. consumers rated the economy this year as fair, poor or awful, and only 19% of U.S. consumers feel that the economy will be better next year.

CMOs are not CFOs. So, it's not surprising that they don't naturally gravitate toward indicators like GDP or share price movements. But CMOs are the de facto "owner" of the customer, and a bellwether for culture and zeitgeist within the enterprise. With this mandate in mind, it's noteworthy that only one-fifth of respondents (20%) place political, social or cultural issues in their top three key indicators for tracking future economic and business climates. Only 20% of CMOs surveyed stated that personal income, wage, employment and consumer confidence was a top three indicator.

CMOs must cast their gaze further afield to ensure that budget challenges don't happen to them. Environmental analysis is an essential aspect of strategy building, taught at every business school around the globe. For this analysis to be effective, it must seek a broad set of macro- and microenvironmental indicators. This is not a new concept.

For example, Francis J. Aguilar originally introduced the concept of PEST analysis (political, economic, socio-cultural and technological) as an input to strategy in the late 1960s in his book, "Scanning the Business Environment." CMOs must focus marketing strategies that are alive to the environmental realities beyond the four walls of the enterprise and the immediate customers they serve. They must be ready to flex and adjust spending commitments and plans for when, not if uncertainty strikes, and from wherever it may strike.

Recommendations

- Audit the environmental indicators you use to build your marketing strategy. Define where gaps exist in your team's knowledge of the factors — both inside and outside the organization — that impede strategic planning, decision making and optimization. Expand your thinking beyond access to the data sources, also considering the quality, reliability and timeliness of those sources.
- Build a plan to bridge the above knowledge gaps and build consensus with key stakeholders on the indicators that count. In some instances, data sources may already exist with key stakeholders in the organization, such as the finance or legal team. In other instances, look to your partners — such as martech vendors and agencies — who may have a broader perspective on the environment.

Martech budget growth declines, but movements in agency spend reveal the limits of in-housing

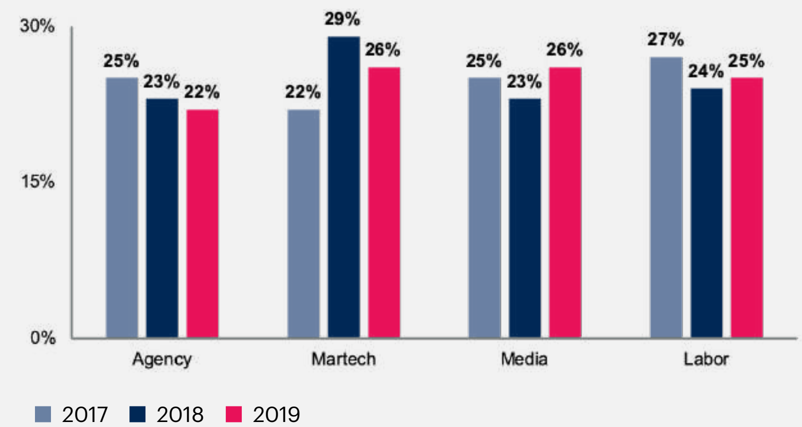
Much has been made lately of the changing dynamics of marketing capability resourcing, with global giants like PepsiCo gaining attention for its in-house agency focus. Indeed, Gartner's 2019 Marketing Organizational Survey found that almost two-thirds (63%) of respondents have moved some aspects of their delivery from third-party agencies to in-house teams (see "Marketing Organizational Survey 2019: Marketers Aspire for Agility and Control but Fight Operational Challenges"). But how much is some? Although there may have been a volume shift in output, this shift has not eroded the significant value that CMOs are still willing to invest in external service providers. This is supported by the fact that spending on marketing agencies still accounts for almost a quarter (22%) of the total marketing budget (see Figure 4).

Overall, the trend toward in-housing impacts the volume and nature — rather than the value — of outsourced work, reflecting the changing scope of many agencies. Over the last few years, Gartner's "Magic Quadrant for Global Marketing Agencies" has consistently reported a shift in focus for the major agency players. Lower margins and commoditized services have given way to higher-margin, longer-term strategic engagements, such as digital transformation, strategy or technology projects.

Figure 4. Marketing budget allocations across agencies, technology, media and labor

Marketing budget allocations across resource allocations

Mean summary



n = 326 North America/U.K. respondents (2019); n = 605 (2018); n = 345 (2017)
Source: Gartner CMO Spend Survey
Q. How is your company's fiscal year 2019 total marketing expense budget being allocated to or spent on major resource categories?
Percentages may not add to 100% due to rounding
ID: 407635

While in-housing may be à la mode, agencies still offer an unparalleled breadth of scope, economies of scale and an ability to offer much-needed, external strategic input.

What's behind the shifting resourcing landscape? Martech and ad tech have democratized capabilities that had previously been in the exclusive domain of agencies. For example, in-house media planning and buying is now within the reach of brands with even the most modest budgets.

The capabilities that CMOs seek from agencies go beyond what might be assumed as their traditional scope. Data from Gartner's Marketing Organizational Survey found that almost half of CMOs still look to external agencies for creative work; almost the same proportion now look to agencies to support technical projects, strategic services, and analytics and data projects. When we look at why marketers continue to work with agencies, respondents to the survey praised external agencies' ability to improve their organizations' operational efficiency, breadth and depth of skills and experience, and agencies' reliability to produce higher-quality work.

Meanwhile, martech investments lost a couple of percentage points year over year, falling from 29% of the total budget in 2018 to 26% in 2019. This places martech investment on a level with media investments, which climbed from 23% of the total budget in 2018, to 26% in 2019.

Martech still commands a major slice of the marketing budget. As established technologies like personalization engines and account-based marketing capabilities fall into the Trough of Disillusionment, and once-hot tech like customer data platforms slip from their Peak of Inflated Expectations, could this be the start of a falling away of martech spend (see "Gartner's Hype Cycle for Digital Marketing and Advertising, 2019")? This is likely not the case.

We've seen martech spend yo-yo over the years, indicating that this is a more changeable investment area than agency investment, which has proven much more stable. In some respects, this reflects an inevitable cycle where once new and shiny technology is acquired and costs are front-loaded, only to then settle in, with ongoing management costs over the technology's remaining years within an organization.

Martech budgets could be facing budgetary pressure for another reason: CMOs' struggle to effectively manage their marketing technology stack. Almost a quarter (24%) of Gartner's 2019 Marketing Organization Survey respondents said that marketing technology strategy, adoption and use is one of their top three weaknesses in their company's ability to drive customer acquisition or loyalty. More than 25% blamed weaknesses in their martech strategy on insufficient budget, resources or capabilities. This supports the discussion in last year's CMO Spend Survey 2018-2019, where Gartner reported challenges in the utility of martech, citing data from the 2018 research that showed only 61% of the martech stack was being used (see "Marketing Technology Survey 2018: Martech Adoption Surges as Brands Pursue Personalization, Measurement and Advertising Accountability").

Recommendations

- Optimize your organization's marketing agency spend. With a significant amount of the budget allocated to services supporting marketing, it can be difficult to define the ROI on agency investments and find areas of optimization. Use Gartner's cost optimization model to deliver efficiency without damaging relationships with strategically important partners (see "Agency Cost Optimization the Right Way").
- Prioritize hiring martech generalists who can help your team meet fast-changing customer demands while supporting strategically important data integrations. Ensure your marketing technology leader has a plan to address current skills gaps, and if relevant, retire legacy skills (see "The CMO's Guide to Eliminating Zombie Programs, Platforms and Partners").

Spending on paid media reaches 26% of the marketing budget as cmos double down on digital channels

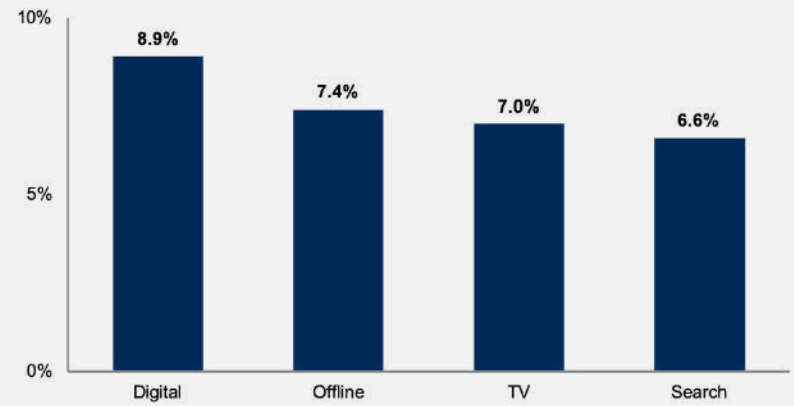
Search the Internet for the phrase "advertising is dead," and you'll find a wealth of content talking down the importance of paid media in modern marketing. But, as organic reach on social platforms like Facebook plummets to zero — and the promise of influencer marketing often holds more advantage for the influencer than the brand (see "L2 Intelligence: Influencer Engagement") — paid media presents more pros than cons for CMOs. This is reflected in the level of paid media investment, which rose from 23% of the total marketing budget in 2018 to 26% in 2019.

Looking at the breakdown of paid media channels, digital is the clear winner (again) this year (see Figure 5). If you take the 8.9% allocated to digital ads such as video and display and add the amount spent on search advertising, the total for digital paid media accounts for almost 16% of overall marketing budgets. Figure 6 breaks down budget allocations across digital ad channels, excluding search advertising.

Figure 5. North American and U.K. marketing budget allocations across paid media channels

Ad spend by category

Mean summary

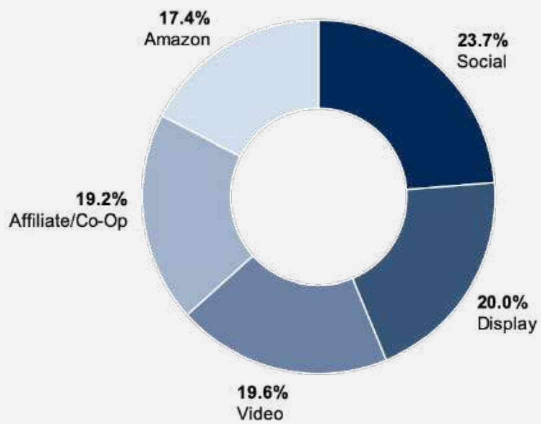


n = 316 North America/U.K. respondents, excludes don't knows
Source: Gartner CMO Spend Survey
Q. How is your company's fiscal year 2019 total marketing expense budget is being allocated to or spent on each of the following marketing channels?
ID: 407635

Figure 6. Digital advertising spend broken out across channels

Digital media spend breakdown

Mean summary



n = 283 North America/U.K. respondents with 2019 budget for digital advertising.
Totals may not add to 100 due to rounding
Source: Gartner CMO Spend Survey
Q: How is your company's fiscal 2019 total marketing expense budget being allocated to or spend on each of the following marketing channels? Excludes Search Advertising
ID: 407635

Overall, CMOs maintain a positive outlook for digital ads, with 78% of CMOs confident that they'll increase investments in 2020. If there is a period of economic uncertainty, 37% expect to increase investments in digital ads to keep their marketing strategy on track, second only to investments in social marketing (38%).

Part of this confidence is fueled by a belief in the efficacy of digital ads. But this efficacy is in danger if CMOs lack the data required to effectively target audiences with the right message along optimal points in the customer journey. CMOs struggle to acquire the capabilities to build, deliver and optimize digital ad campaigns, according to Gartner's Multichannel Marketing Survey 2019.

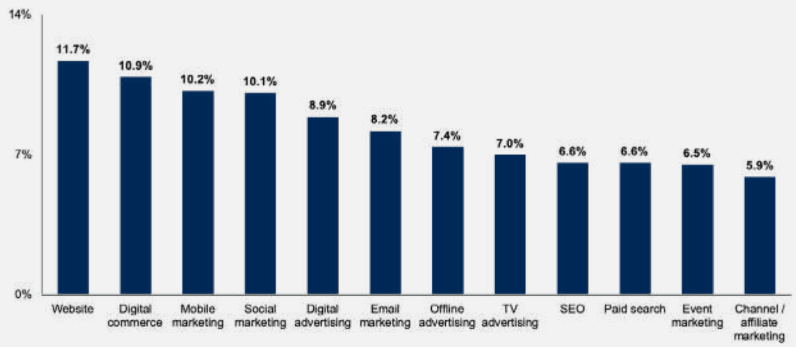
Just under 7% of total marketing budgets are invested in search advertising, but when you add in the amount allocated to search engine optimization, search marketing accounts for over 13% of the total budget. However, Gartner reports that nearly half of brands lack a discernible search strategy; only 10% are maximizing the opportunity search offers (see "Maximizing Search Marketing Investments").

But digital ads are not the issue at hand. Across paid, owned and earned channels, CMOs still invest in a range of channels (see Figure 7).

Figure 7. North America and U.K. investment across marketing channels

Percentage of marketing budget

Mean summary



n = 316 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q: How is your company's fiscal 2019 total marketing expense budget being allocated to or spent on each of the following marketing channel? Excluding "other" and "don't know"
ID: 407635

Channels such as OOH, radio and print ads still hold an important place in CMOs' overall media plans. However, should tough times hit, CMOs are less confident of their continued support of offline media spend.

Investment in offline advertising remains strong, representing 7% of the total marketing budget. This illustrates that channels such as out of home (OOH), radio and print ads still hold an important place in CMOs' overall media plans. However, should tough times hit, CMOs are less confident of their continued support of offline media spend. Only 16% told us that they would increase investments in offline advertising during times of economic uncertainty, with almost one-third (32%) stating that they would decrease investments. Just as the perception of efficacy and ease of measurement positively influences digital channel investment, the perception that offline channels are harder to measure, and attribute value contributes to their disinvestment.

CMOs match offline investments with their continued commitment to TV. Companies in the media, financial services and consumer products industries spend more than the industry average on TV. However, as with offline advertising, continued investments in TV is less secure — 32% of respondents told us they would cut investments in TV during uncertain times, and only 18% stated that their investments in TV would increase.

Media budgets have proven to be highly susceptible to economic uncertainty in the past — cuts in ad spend are often the precursor of financial woes — and take time to climb back up again postdecline (see "Maximize Advertising ROI Using 3 Media Cost Optimization Techniques"). CMOs must take care to drive efficiency across their portfolio of media investments, rather than favor channels based on assumptions of efficacy. The assumption that nobody was ever fired for buying digital no longer holds water today. CMOs should always seek to orchestrate (and integrate) campaigns across a mix of channels aligned with their customers' journeys.

Recommendations

- Build budget scenarios across media channels to prepare for budgetary challenges. Rather than make assumptions about channel effectiveness, allocate investments based on objectives and audience insights. Start by mapping the relative reach, cost and quality that each channel delivers (see "Assess Your Advertising Mix Based on Reach, Cost and Quality").
- Reassess the efficacy of your marketing mix, including relatively new marketing channels. For example, investments in search, digital display or social advertising may have yielded positive results in the past but may no longer be worth the same level of investment today. Work with your media planning team and agency partners to audit channels based on the prevailing regulatory environment, media consumption trends, and media performance (see "Maturity Model for Advertising").

Analytics and insights continue their reign as the most strategically important capabilities, while marketing operations grows in strategic stature

Which capabilities do CMOs turn to maximize the effectiveness of marketing across the business? According to this year's survey, CMOs have staked their claim that competitive insights and analytics are the two most important capabilities supporting the delivery of their marketing strategies over the next 18 months (see Figure 8).

Competitive insights and analytics are the two most important capabilities supporting the delivery of marketing strategies over the next 18 months.

CMOs' sizable investments in marketing analytics reflect a strong and consistent commitment toward data-driven marketing, as evidenced by Gartner client interactions and data points across many Gartner surveys. For example, a finding in "Marketing Data and Analytics Survey 2018: Messy Data and Mismatched Resources Undermine Marketing Teams" found that 76% of respondents state that their marketing decisions are now being driven by data.

Figure 8. CMOs prioritize data, insights, digital commerce and marketing operations

Most vital capabilities supporting marketing strategy

Top 3 rank shown

n = 342 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q What are the top capabilities you consider most vital in supporting the delivery of your marketing strategy over the next 18 months?
ID 407635

We asked CMOs about their investment priorities for marketing programs and operational areas that do more of the heavy lifting of marketing. Here, marketing analytics is the single largest area of investment, at 16% (see Figure 9).

Despite these investments, we still see variable marketing maturity, evidenced by responses to Gartner's 2018 Marketing Maturity assessment (see "Marketing Maturity Assessment 2018: The Top 3 Findings"). Furthermore, evidence from Gartner's Marketing Data and Analytics Survey 2018 indicates investments are mismatched with their output: expensive and talented data scientist resources are often mired in basic, operational work.

This presents a significant risk to the ongoing investment into data-driven marketing. Business cases for funding rely on a perception that data and experimentation will transform marketing.

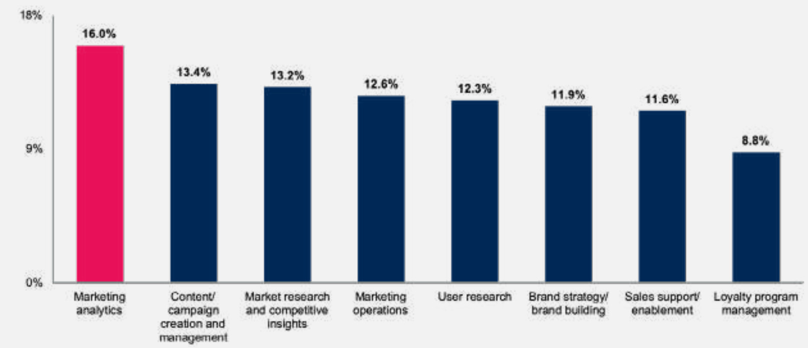
Failure to deliver against inflated expectations may come at the expense of future funding commitments.

Alongside this commitment to data, there's also a need to deliver revenue. This accounts for the prominence of digital commerce in the minds of marketing leaders — 31% of CMOs place digital commerce in the top three strategically vital capabilities (see Figure 7).

Figure 9. Breakdown of marketing expense budget allocations across marketing programs and operational areas

Marketing program/operation area spend breakdown

Mean summary



n = 319 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Please tell us ow your company's fiscal year 2019 total marketing expense budget is being allocated to or spent on each of the following marketing programs and operational areas? Excluding "other"
ID:407635

The traditional view may be that digital commerce capabilities are the domain of consumer-oriented brands. However, this year's survey finds that CMOs across industries and business models value digital commerce, ranking it just behind marketing analytics among respondents from B2B services firms: 34% of CMOs cited it as a top three strategically important capability. This reflects the moves many B2B brands have made lately, shifting from a pureplay B2B to embrace the opportunities a B2B2C model offers.

Elsewhere, marketing operations — arguably the least glamorous function within the marketing organization — is enjoying something of a renaissance. Thirty percent of CMOs nominated marketing ops as a vital capability. Furthermore, CMOs estimate they spend 12.6% of the marketing budget on marketing operations. Further evidence from the Gartner 2019 Marketing Organizational Survey indicates that this ugly duckling has become a swan, with two-thirds of marketing organizations now boasting a discrete marketing ops function. The scope of marketing ops is growing to include capabilities as diverse as talent and technology management, alongside traditional areas of accountability, such as budget and supplier management.

The growing complexity of marketing, along with a shift toward decentralization (as evidenced in Gartner's 2019 Marketing Organizational Survey), means that CMOs need a function that can drive operational excellence in planning and execution across the span of the organization. But care must be taken that marketing ops' growing mandate doesn't become a loose and amorphous portfolio, with ops becoming a dumping ground for accountabilities stretched beyond capacity and unable to meet expectations.

Recommendations

- Prioritize analytics activities based on the value they deliver to the business and the amount of effort required. For example, use automation to cut back on time-intensive, low-value tasks such as manual scorecards (see "Maximize the Value of Marketing Data and Analytics Investments Using 3 Cost Optimization Techniques").
- Establish a function, such as marketing operations manager, to drive operational excellence in planning and execution across the span of the organization (see "Why You Need Marketing Operations").

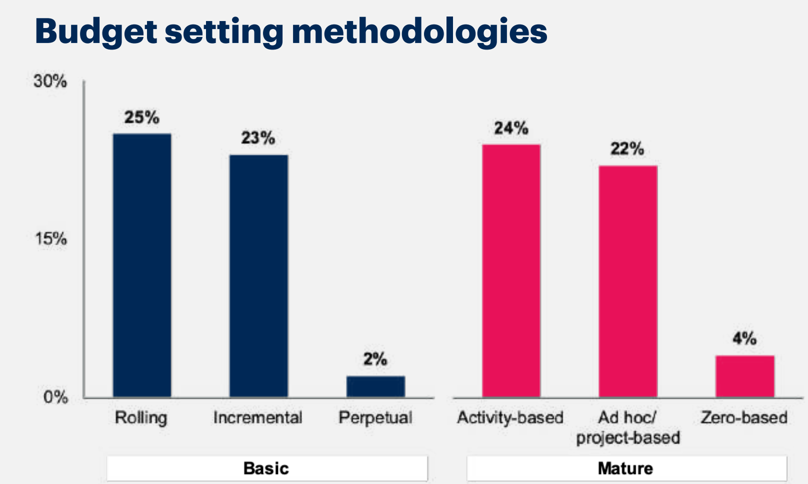
Project-based budgeting increases, while CMOs struggle for support from finance

Defining and managing budgets are fundamental parts of the CMO's responsibilities. But how CMOs should build their budgets is a source of debate. This year's survey found that a growing proportion of CMOs are shifting toward a more agile, project-based approach to budget setting. Twenty-three percent of CMOs stated that they defined budgets by justifying the cost of individual projects, when needed, up from 12% in 2017 (see Figure 10). This represents another indicator of the shift toward a more iterative, MVP-style approach to strategy setting (see "Winning in the Turns: A CMO Action Guide — How Leading Brands Outperform in Uncertain Times").

Zero-based budgeting (ZBB) may have been employed by consumer packaged goods giants such as Unilever, but it has also recently been cited as a contributing factor to challenges faced by Kraft Heinz.

The challenge is the onerous nature of ZBB — CMOs must oversee a process whereby budgets are built from the ground up, based on expected returns from budget lines. It's not surprising then that adoption for ZBB remains low, with only 4% of CMOs stating that they use this budget-setting methodology — the same as in 2017's CMO Spend Survey. This compares to 22% of CMOs who still use traditional budget-setting methods — e.g., using last year's budget as a baseline for determining incremental increases or decreases in investments.

Figure 10. Project-based budgeting grows, while adoption of zero-based budgeting is low among CMOs

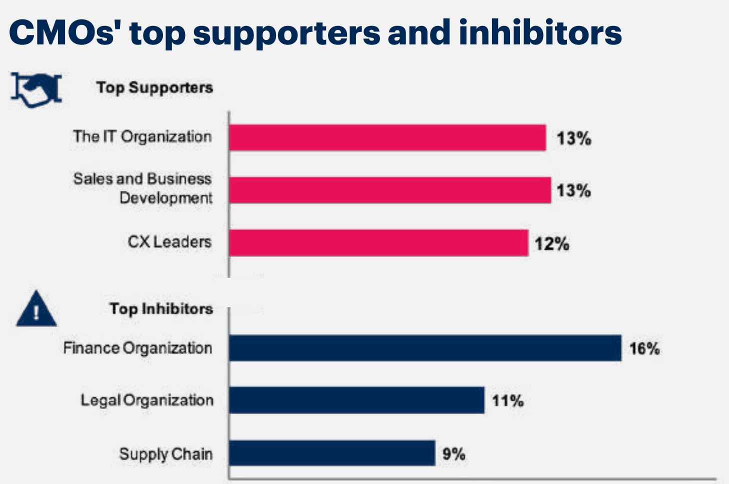


n = 342 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q: What is your company's primary approach to establishing a marketing budget?
ID:407635

You might think that growing fiscal maturity would ease the fraught relationship between marketing and finance. However, this year's CMO Spend Survey found this is not the case. When asked which organizational function is the largest inhibitor of marketing strategy, the largest proportion of respondents (16%) cited the finance organization (see Figure 11).

Although some of this is based on long-held challenges between marketing and finance (also cited as a major detractor two years ago), marketing's relationships with other, formerly challenging functions have eased. IT, cited as a major detractor of marketing in 2017, is now reported as one of marketing's major supporters. Marketing's technology and data capabilities have grown, and marketing and IT have developed greater collaboration through shared objectives,

Figure 11. CMOs' supporters and detractors in the enterprise



n = 342 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q: Within your company, which role or function is the largest support of the execution of marketing's vision and strategy and which is the largest inhibitor?
ID:407635

IT, cited as a major detractor of marketing in 2017, is now reported as one of marketing's major supporters.

martech roadmaps and implementation. This closer collaboration has no doubt contributed to a more harmonious relationship.

Moving forward, CMOs need to accept that the same relationship must be fostered with finance. While it may seem that there's limited intersection between the objectives of finance and marketing, both functions exist to ensure a profitable and sustainable future to the enterprise. This requires marketing to invest in fiscal capabilities that bring finance deeper into collaborative planning and optimization. Improving relations with finance before economic downturns will ease potentially difficult conversations further down the line.

Recommendations

- Build trust within the finance organization by collaborating on ways in which both teams can improve the marketing organization’s plans and budget. Start by taking Gartner’s “Marketing Maturity Assessment” to define your organization’s current level of fiscal maturity. Encourage colleagues in finance to also complete the assessment, to get an aggregated view of capabilities.
- Instill budget-setting best practice in your team, ensuring there’s a strong and consistent alignment between strategic marketing priorities and budget allocations (see “Ignition Guide to Creating the Annual Marketing Budget”).

Cmos gravitate toward volume metrics, rather than value metrics

How we measure marketing success says as much about marketing's strategic priorities as budgets and spending commitments do. It illustrates what is valued and socialized within the marketing organization. With this in mind, we asked CMOs to rate the importance of strategic metrics — that is, which metrics make it onto their dashboards and drive decisions.

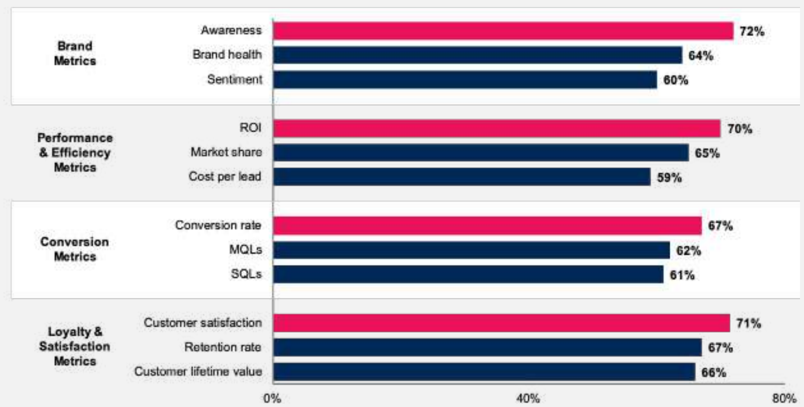
This year, we split metrics across four categories (see Figure 12):

- **Brand metrics:** Seventy-two percent of CMOs placed awareness as a very important or critically important metric, representing the highest-ranked brand measure. Brand health was the next highest placed, cited by 64% of CMOs. Share of wallet was the lowest ranked of all the brand measures, with only half of CMOs stating this as a priority metric.
- **Marketing performance and efficiency metrics:** ROI makes the top spot again with 70% of CMOs citing it as a strategically important metric, followed by market share at 65%.
- **Conversion metrics:** Overall conversion rate is ranked as very or critically important by 67% of respondents, making it the top metric CMOs consider for conversion-oriented metrics.

Figure 12. CMOs' most important metrics across four categories

Metrics tracked on CMO dashboard

Very critically important percentage shown



n = 342 North America/U.K. respondents
Source: Gartner CMO Spend Survey
Q: How important are each of the following...summary of metrics ranked very important, or critically important
ID:407635

- **Loyalty and satisfaction metrics:** Finally, when asked about customer engagement, loyalty and/or satisfaction metrics, CMOs gravitate toward customer satisfaction with 71% of the metric rated as strategically important for helping inform marketing strategy. Net Promoter Score (NPS) is ranked the lowest, with only 54% of respondents reporting NPS as a top priority metric. Reassuringly, customer lifetime value ranks higher — but only slightly so — than behavioral measures such as likes, comments, shares, video views and dwell time (66% versus 62%).

Looking broadly at the metrics CMOs favor, we need to ask the questions: Do these metrics reflect a balanced view of marketing performance? Do these metrics fully articulate the value marketing delivers to the enterprise, allowing CMOs to course correct as and when required? Brand measures such as brand awareness and brand health are vitally important, but they're not enough to convey the value brand investments bring to the enterprise.

Looking to performance and efficiency measures, determining ROI may seem reassuring, but it remains a deceptively challenging metric. ROI's reliability depends on a solid understanding of what it does (and doesn't) tell you based on your individual organizational circumstances. A focus on average order value and registrations reveals a focus on the volume of conversions rather than the value attained from customers. Leading CMOs look beyond revenue, conversion and awareness to define and socialize marketing success.

Recommendations

- Adopt a balanced marketing scorecard to capture near-term measures of revenue alongside longer-term measures of value. Collect insights that can be used to improve the efficiency of processes and support learning and innovation (see "How to Select Metrics for Your Marketing Dashboard").

- Set expectations on what you can reasonably measure with ROI calculations. CMOs must be prepared to define the scope of an ROI calculation. Does the measurement provide a granular view, focused on a handful of known data points reflecting cost and value, or is it more of a holistic view of the overall scope of marketing's value? Does it capture internal and external costs, and does it calculate value beyond the initial conversion, while considering longer-term revenue and profitability? These considerations can mean the difference between a positive and a negative ROI, and can alter strategic priorities significantly (See "Use Holdout Tests to Measure Marketing Channel ROI").

Methodology

Gartner's 2019-2020 CMO Spend Survey: The purpose of this survey was to understand the marketing priorities and budget allocations of marketers to help companies benchmark, allocate spend and prioritize. The research was conducted using a mixed methodology (online/CATI) from June 2019 through August 2019 among 430 respondents in the United States (47%), Canada (7%), France (10%), Germany (11%) and the United Kingdom (25%). Respondents were required to be involved in decisions pertaining to setting or influencing marketing strategy and planning, as well as be involved in aligning marketing budget/resources. Eighty-three percent of the respondents came from organizations with $1 billion or more in annual revenue. The respondents came from a variety of industries: financial services (67), high tech (40), manufacturing (65), consumer products (36), media (39), retail (69), healthcare providers (36), IT and business services (37), and travel (41). This note focuses on the 342 respondents from North America and the U.K.

Note: This survey marks the first time marketers were asked to share three views of their budget: by programs such as analytics, by channels and by resources, such as agencies. In past surveys, responses about programs and channels were part of one question.

Gartner's 2019 Marketing Organization Survey: The purpose of this survey was to better understand the current approaches to organizational design — structures, operating work styles and capabilities — to prepare firms for future growth and success.

The survey was conducted online by an external partner, between April 2019 and May 2019 among 351 respondents, which included U.S. (n = 204, 58%), Canada (n = 25, 7%) and the U.K. (n = 122, 35%); Respondents were required to have involvement in decisions pertaining to setting or influencing marketing strategy and planning, as well as aligning marketing budget/resources. Seventy-four percent of the respondents came from organizations with $1 billion or more in annual revenue. The respondents came from a variety of industries: financial services (46), high tech (43), manufacturing (44), consumer products (42), media (45), retail (43), healthcare providers (41), and travel and hospitality (47).

Gartner's 2018 Marketing Data and Analytics Survey: The purpose of this study was to understand how marketing teams are leveraging data and analytics to power modern marketing. The primary research was conducted using a mixed methodology (online/CATI) from February 2018 through March 2018 among 503 respondents in North America (60%) and the U.K. (40%). Eighty-six percent of the respondents came from organizations with $1 billion or more in annual revenue. The respondents came from a variety of industries: financial services (65), high tech (68), manufacturing (59), consumer products (53), media (66), retail (64), healthcare providers (65), and travel and hospitality (63). Respondents were required to have a primary role in the analysis of marketing data. Respondents also needed to be a member of a marketing analytics team that either sits within marketing or is separate from the marketing organization.

The three surveys listed above were all developed collaboratively by a team of Gartner analysts who follow marketing and was reviewed, tested and administered by Gartner's Research Data and Analytics team.

Disclaimer: Results of these three studies do not represent global findings or the market as a whole but are a simple average of results for the targeted countries, industries and company size segments covered in each survey.

The Gartner Consumer Values and Lifestyle Survey 2019 is an annual web-based survey designed to track ongoing cultural shifts and changes in consumer attitudes and behaviors in the U.S. The sample, which includes 3,005 respondents age 15 and older, is designed to resemble U.S. population. The 2019 survey represents the 10th time the survey was performed.

Definitions

Activity-based budgeting: Allocate budgets based on performance at the activity level, rather than assuming inflation-based increases year over year.

Ad hoc budgeting: Justify the cost of each individual project, as needed.

Brand management: Establishing and promoting a company's purpose, vision, and/or identity along with its products or services.

Content creation and management: Creation, distribution and amplification of content assets via digital and offline channels. This content fuels audience engagement to drive business results.

Customer experience: The practice of designing for and reacting to customer interactions to meet and exceed customer expectations and to increase customer satisfaction, loyalty and advocacy.

Digital advertising: Display, video, mobile and social ads in digital channels. See the definition of "paid search" for advertising on search engines.

Digital business transformation: Extending core businesses into the digital world.

Digital commerce: Design and execution of marketing activities that enable and encourage customers and prospects to research, evaluate and purchase products online. Includes design, promotions, product seeding, content discovery/syndication expenses.

Digital marketing: A set of integrated digital techniques, technologies and information that enables marketing to create new products and services; enter new markets; improve the processes needed to engage in a dynamic conversation with people who are influencers and buyers; and ultimately target, acquire and retain customers.

Email marketing: The use of the email channel to deliver marketing messages, such as brand newsletters or contextually relevant, real-time and personalized communications in support of touchpoints throughout the customer life cycle.

Event marketing: Live events where audiences interact with a product or brand face to face.

Incremental budgeting: Traditional budgeting approach using current budget as a baseline for incremental increases/decreases.

Innovation: Creation, management, prototyping and implementation of ideas that create or enhance business value.

Loyalty program management: The use of points or tier-based reward structures as well as experience-driven rewards and recognition programs to grow relationships with customers.

Market research and competitive insights: The aggregation and synthesis of market and competitive data to support business partners in decision making and activating these insights to improve future strategies, products and services.

Marketing analytics: The use of techniques and technology by marketers to collect, analyze, model and visualize data to optimize marketing and advertising campaigns by better understanding prospects and customers, and their behaviors across channels.

Marketing applications: Software tools that allow marketers to plan, orchestrate and analyze customer experiences and interactions and perform related marketing functions. Examples include campaign management, customer analytics, advertising technology and content marketing platforms.

Marketing expense budget: This includes marketing personnel costs, investment in marketing software as a service, agencies and other external marketing services, and advertising. It does not include the capital expenditure budget, for example of marketing software that is installed and runs in the company's data center or the infrastructure to run in which is capitalized.

Marketing operations: The management, development and operation of the in-house marketing team and the investment in and performance evaluation of their activities.

Marketing technology: The selection, integration and deployment of marketing tools for competitive advantage, marketing process automation and improved marketing performance.

Mobile marketing: Includes UX expenses, app development; excludes advertising.

Offline advertising: Includes print, radio, out-of-home media like billboards, floor display, digital signage, direct mail marketing; excludes TV advertising, including over-the-top.

P&L: Shorthand for a profit and loss statement, which measures income and expenses over time; In this context, we are asking whether marketing has responsibility for a profit center that recognizes revenue and associated expenses for certain sales.

Paid search: Advertising on search engines and other websites; ads are presented based on the content and context of a specific search query.

Partner/channel marketing: Techniques that marketers, including those in manufacturing, use to manage relationships with marketing, sales, account managers and program managers; examples include the use of collaboration platforms, campaign and lead management, sales enablement and partner program management.

Perpetual budgeting: Automatic extensions of budget with no decision required.

Personalization: Marketers' application of context, including knowledge about a user (i.e., demographic and psychographic data) and their circumstances (i.e., behavioral, geographic and transactional data), to select and tailor content, offers and interactions that will maximize conversion and other marketing and business goals.

Rolling budgeting: Update budgets on a continuous or time-based schedule (i.e., quarterly).

Sales enablement (channel marketing-sales team support): Support of sales team across channels to deliver marketing qualified leads.

SEO: Search engine optimization refers to techniques to improve qualified traffic to webpages by understanding the nature and intent of searches and developing highly relevant content and experiences.

Social marketing: The creation, curation, consumption, promotion, distribution of marketing content for purposes primarily related to communities and social activities; excludes paid advertising on social network sites; includes influencer marketing, social seeding, and social activation.

TV advertising including over-the-top: Spot buys on traditional national and local network and cable and via on-demand or live programming.

User research: Techniques to understand user behaviors, needs and motivations through observation techniques, task analysis and other feedback methodologies; Research is designed to build the experiences and products that meet user needs.

Website: Use of a company's website to engage customers and support overall marketing objectives; includes design and UX-related expenses; excludes mobile, SEO and platform-related expense.

ZBB: Zero-based budgeting is built from the ground up, based on expected returns from budget line items.

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