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Gartner for Marketers

CMO Spend Survey 2018–2019

Marketers Proceed Into Uncharted Waters With Confidence

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With marketing expense budgets stabilizing, CMOs exhibit confident investments in marketing technology, innovation and personalization. But, is this confidence misplaced? Marketing leaders must demonstrate the business value of their efforts amid uncertain times.

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Key Findings

- Marketing expense budgets leveled off in 2018, remaining steady at an average of 11.2% of company revenue.
- Marketing technology (martech) now accounts for almost one-third of marketing's budget (29%), while in-house labor investments lose share.
- One in every $6 spent by CMOs is invested in innovation, despite doubts in the skills and capabilities available to support these programs.
- CMOs struggle to align marketing metrics with business priorities, favoring awareness as their No. 1 strategic measure instead of customer value and return on investment (ROI).

Recommendations

To better lead and manage marketing within your organization:

- Conduct a thorough environmental analysis, focusing on the potential impact of changing macro- and micro-environmental challenges on marketing's strategic priorities and budget allocations.
- Audit your marketing technology spend, assessing not only the martech tools your organization currently has in place (and which tools can be cut), but their utilization, and internal and external resources, processes and talent needed to support them.
- Appoint a leader accountable for your marketing innovation program. Define the scope, mandate and success measures for your innovation investments in order to foster the right skills and capabilities required to drive business results, and to set and manage expectations.
- Elevate financial measures on your strategic dashboard. Build a clear connection between the leading indicators of marketing success, such as awareness, and the lagging indicators, such as revenue and ROI.

Survey Objective

This research is based on Gartner's 2018-2019 CMO Spend Survey of 621 marketing executives in North America and the U.K. at companies with $500 million to $10 billion or more annual revenue. It details:

- How much companies spend on marketing, how those budgets will change in 2019 — and why.
- What budgets reveal about marketing's continued commitment to digital techniques at the expense of traditional techniques, such as offline advertising and event marketing.
- The most important metrics tracked in the CMO's dashboard to inform marketing strategy.

Data Insights

Despite a mix of macro- and micro-environmental challenges and uncertainties brewing in 2018, marketers remain undeterred. With fears over emerging markets, trade disputes and tariffs, the U.K.'s exit from the European Union (Brexit), and even talks of an impending U.S. downturn,[1] the future is far from certain. However, a mood of optimism prevails, and CMOs face the future with confidence as they plan their marketing budgets today and into the future.

The following key findings in this year's CMO Spend Survey detail where marketing leaders are aligning their marketing dollars in 2018 and beyond.

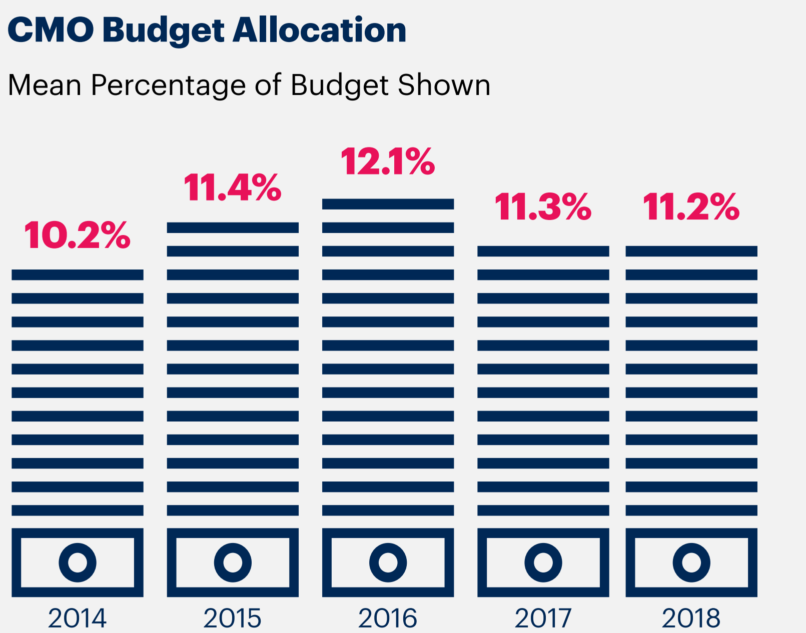
Marketing Budgets Remain Steady Despite Uncertain Times Ahead

Last year's CMO Spend Survey (see "CMO Spend Survey 2017-2018: Budgets Recede Amid Demand for Results") saw marketing expense budgets level off from their climb to 12.1% of company revenue in 2016 to 11.3% in 2017 (see Figure 1). Rather than flag this as the harbinger of future budgetary decline, Gartner saw this dip as an opportunity for CMOs to take stock and create a clearer link between investments and the value marketing delivers to the enterprise.

Fast-forward to 2018, and the decline in budget has leveled off to 11.2% of company revenue. Furthermore, CMOs remain optimistic regarding future budgets: 63% of CMOs expect their budgets will increase in 2019.

This budgetary optimism is backed by the findings of the 2018 Gartner CEO and Senior Business Executive Survey (see "2018 CEO Survey: CIOs Should Guide Business Leaders Toward Deep-Discipline Digital Business"). A majority of surveyed CEOs (57%) expect to increase investment in marketing in 2018. Marketing is high on the CEO's investment priority list as digital business at scale evolves to become a full team endeavor. This finding reflects the increasingly close relationship between CEOs and CMOs, as CEOs become more customer-centered and CMOs demonstrate the financial value and growth marketing delivers to the enterprise (see "CMO Perspective: Six Habits of the Modern CMO"). Though with great power, comes great responsibility. CMOs must appease the often-skeptical CFO's expectations for ROI to justify future

Figure 1. Marketing Budgets Level Off in 2018



Base: All respondents, excludes don't know, 2018: n = 618; 2017: n = 350; 2016: n = 375; 2015: n = 424; 2014: n = 363
Q. What percentage of your company's total revenue is allocated to its total marketing expense budget?
Source: Gartner (October 2018)

budgetary commitments, which means being able to clearly link marketing's investments with business return. (This is further discussed in the finding "CMOs Prioritize Customer Experience and Customer Analytics, but Risk Overlooking Acquisition and Retention.")

While the internal environment may be more favorable for CMOs — as illustrated by the 2019 budget outlook — macro-environmental challenges called out in last year's survey still persist as we head into 2019. In some instances, these issues have become even more pronounced:

- New trade policies and tariffs are having a ripple effect throughout the world.[2]
- The U.K.'s exit from the EU fast approaches (29 March 2019), with no clear plan regarding the shape of post-Brexit trading relations at this time of writing.[3]
- Emerging markets are hammered by stock and currency challenges.[4]
- Financial pundits are discussing a potential U.S. downturn in 2019.[5]

Therefore, CMOs should proceed with caution. With these brewing environmental uncertainties afoot, CMOs should expect the best — but plan for the worst — as they prepare budgets and programs for 2019.

Recommendations:

- **Conduct a thorough environmental analysis.** Environmental analysis — the practice of assessing and monitoring changing internal and external factors that may affect marketing — is an often-neglected aspect of strategic planning. At best, it's done once, and not revisited until the next round of strategic planning is due. But things change fast, and your strategy, budget and spend priorities must be informed by both planned and emergent challenges and opportunities. Schedule a regular cadence of environmental analysis, using a range of resources (such as Gartner Iconoculture Consumer Insights research) that explore critical segments and consumer behavior shifts. Be sure to feed this analysis into your emerging strategies and budgets (see "Use Gartner's Marketing Strategy Framework to Build Accountable, Actionable Strategic Plans").

- **Build a proactive cost optimization plan.** Too often, cost optimization — the practice of driving spending and cost efficiency while maximizing business value — is only considered when times are tough. But the best cost optimization strategies are proactive, allowing marketers time to make investment decisions based on the value marketing delivers to the enterprise — in both the near term and longer term. Don't procrastinate. Start planning cost optimization initiatives today to ensure the fiscal health of marketing tomorrow (see "Driving Cost Optimization Across the Enterprise: A Marketing Perspective").

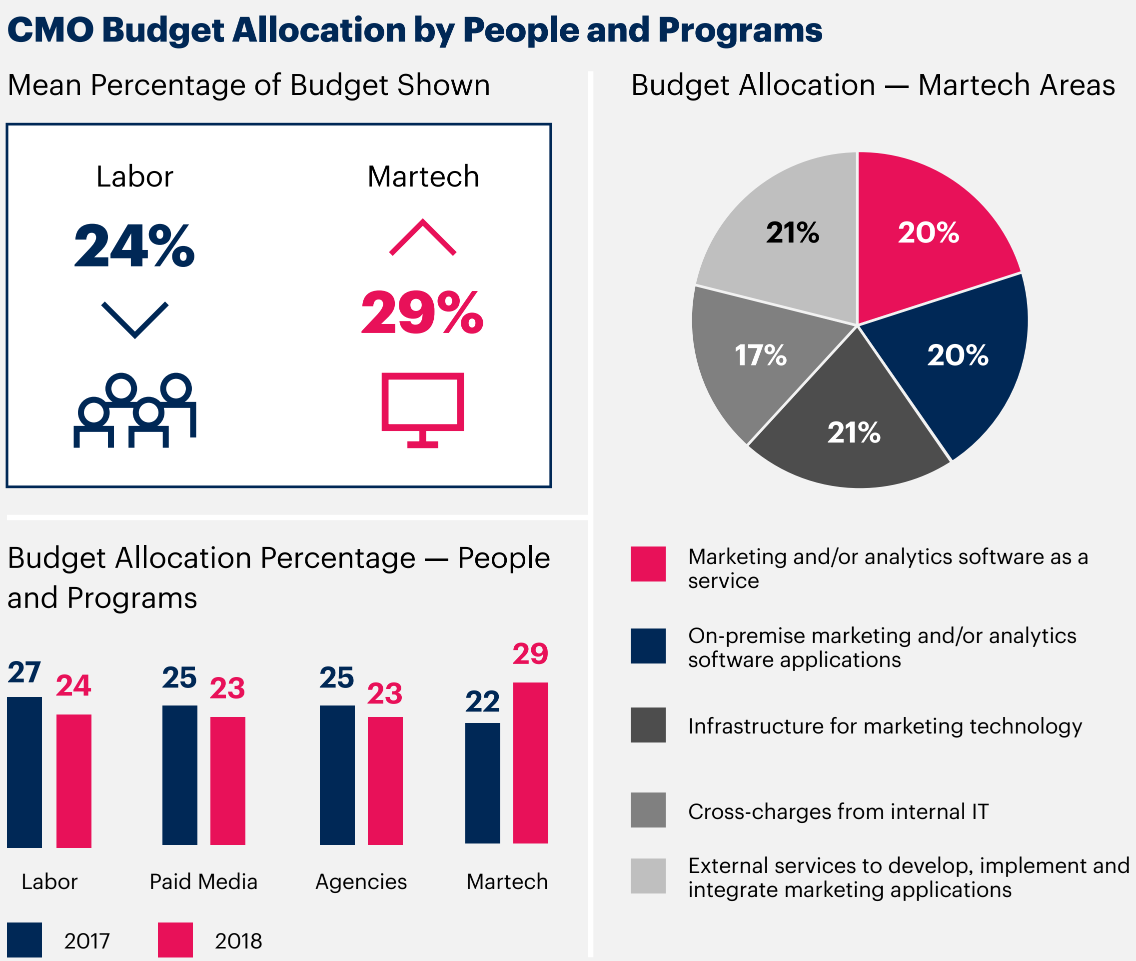
Twenty-Nine Percent of the Marketing Budget Is Allocated to Technology, Diverting Budget From All Areas of Marketing Operations

Marketing technology has accounted for an increasingly significant share of marketing expense budgets in recent years. In 2018, this march of martech shows no signs of slowing down. Up from 22% in 2017, martech now accounts for a whopping 29% of the total marketing expense budget, making martech the single largest area of investment when it comes to marketing resources and programs.

According to Gartner's 2018 Marketing Technology Survey, email marketing platforms, web content management and digital marketing analytics platforms top the CMO's shopping list, as indicated by a majority of marketing leaders surveyed in the study. Furthermore, 29% of marketing leaders surveyed in this study said they're currently deploying either a social analytics platform or a lead management platform, with 28% deploying advanced analytics and data science tools (see "Marketing Technology Survey 2018: Martech Adoption Surges as Brands Pursue Personalization, Measurement and Advertising Accountability").

However, in a year where marketing budgets are flat, when one area goes up, something else must go down. Sure enough, labor budgets have taken a slide in 2018, falling from 27% to 24% of marketing expense budgets (see Figure 2).

Figure 2. Investments in Martech Grow as Investments in Labor Pull Back



Base: All respondents, excludes DK, 2018: n=618; 2017: n=350; 2016: n=375; 2015: n=424; 2014: n=363
Q. Please tell us how your company's fiscal year 2018 total marketing expense budget is being allocated to or spent on people and programs?
Source: Gartner (October 2018)

The interplay between increasing technology investments and decreasing labor costs seems like a natural progression — but could this be the turning point where automation starts to reduce human capital requirements? For example, artificial intelligence (AI) techniques and technologies in use today include "conversational experiences." In the future, multichannel marketing campaigns could be designed by an unsupervised, AI-enabled orchestration based on a customer's self-directed journey rather than manually defined campaign flows directed by marketing managers (see "Innovation Insight: Artificial Intelligence Will Transform Marketing").

While this makes for attention-grabbing (verging on clickbait) copy, the chances are that AI and technology are not putting your job at risk just yet. Rather, this shift in marketing spend indicates that organizations are dealing with capabilities, resources and talent in increasingly complex ways.

For example, a significant share of the martech budget is currently allocated to supporting services, with more than one-third of this investment going toward external services or IT cross charges.

Often, these investments in services are required to test, embed and scale technology in the enterprise, and may likely bounce back once a mature martech stack is up and running. As an example, consider the process Clorox adopted when implementing a data management platform (DMP). Clorox invested in several small-scale projects to learn about technical realities and value potential before implementing a DMP, which delivered the large-scale capability (see “Clorox’s Agile Martech Development”). Your investment in technology requires significant upfront time and investment to build and test the use case, and get the necessary talent and processes in place.

Nonetheless, the elevation in marketing technology spend is especially noteworthy after spending priorities shifted in 2017 relative to the budgets for labor, agencies and paid media.

At their 2015 through 2016 peak, martech accounted for 33% of marketing budgets. Yet, 29% represents a significant proportion of marketing’s total budget, and CMOs risk making costly mistakes if they don’t invest wisely (and strategically). According to the 2018 Marketing Technology Survey, marketing leaders said their organizations use, on average, 61% of their martech stack’s capabilities. A marketing technology roadmap is essential to clearly define use cases and remain cognizant of the challenges of integrating with incumbent solutions, people, processes, data and culture in the marketing organization (see “Build an Adaptable Marketing Technology Roadmap”).

Though marketers are focusing investments on martech, the use of in-house labor and services provided by agencies and other marketing service providers accounts for almost half (47%) of marketing budgets. The blurring of services and capabilities offered by different service providers results in resources being split across traditional agencies, consultants, in-house experts and a plethora of other players. This creates an organizational design headache and makes it difficult to determine how much is actually being invested in human capital (both within and outside the organization).

Recommendations:

- **Audit your marketing technology spend and stack.** Determine which marketing tools your organization currently has in place, and assess to what extent those tools are being used effectively. Go beyond the tools, digging into the services and charges that accompany your martech spend. Pay careful attention to areas of underutilization, overlap and redundancy, in terms of both tools and services (see “Toolkit: How to Audit Your Marketing Technology Ecosystem”).

- **Revisit your organizational design.** Take stock of the resources used to fuel marketing’s operations, including those powered by your in-house team, your agencies and your technology vendors. Ensure there’s sufficient labor on staff or from your agency to support your objectives in the near term, and build a talent roadmap that balances the capabilities you need given the right scale, cost and flexibility (see “Marketing Organizational Structure: What Should Marketing Leaders Centralize or Decentralize?”).

Advertising Dominates the CMO's Multichannel Marketing Budget, With Digital Surpassing Offline

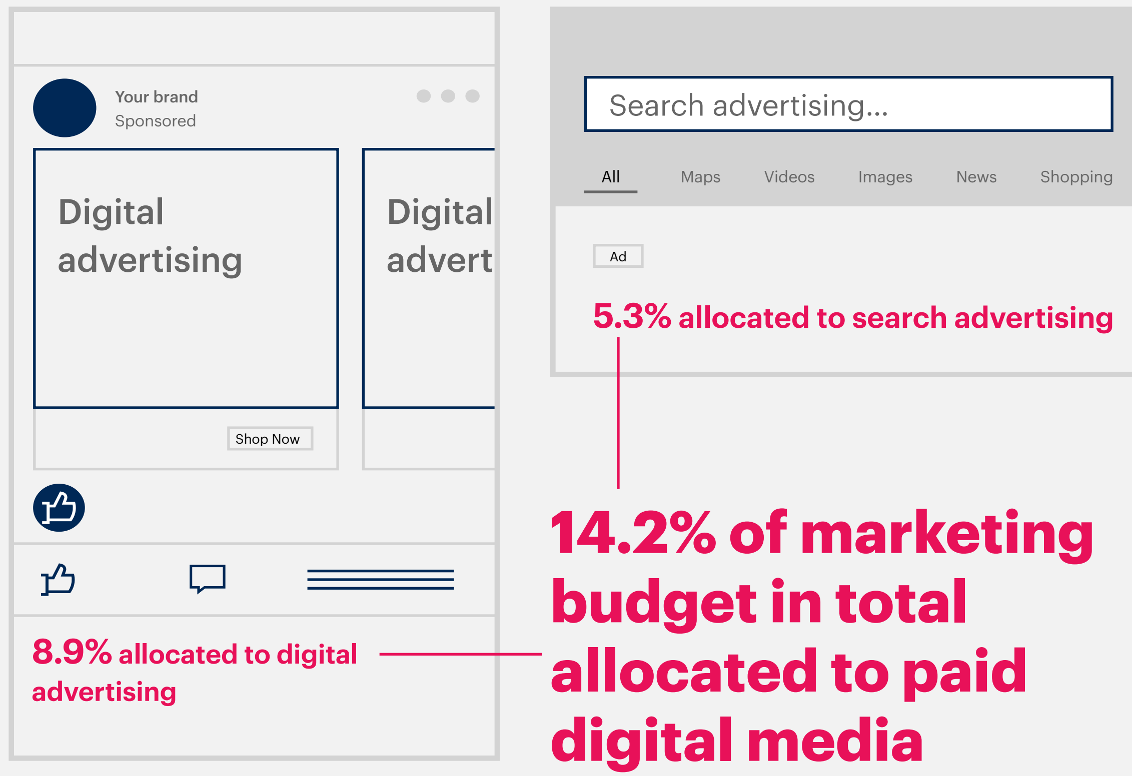
Every year, we ask CMOs how they spend their budgets across core marketing channels and capabilities. This year, respondents said they spend an average of just over 21% of their marketing budget on advertising. Of this advertising spend, 8.9% goes to digital advertising (which includes social, mobile and display advertising); 5.3% goes to paid search; and 7.0% goes to offline advertising (which includes TV and out-of-home media).

This means that two-thirds of CMOs' advertising budget are invested in digital channels, including paid search (see Figure 3). As CMOs feel pressured to show results during such uncertain times, advertising drives reliable, quantifiable growth. CMOs are turning to digital advertising as a means to increase brand awareness and drive new business. However, increased spending on advertising could result in diminishing returns as more brands compete for ad space.

Figure 3. More Than 14% of the CMO's Advertising Budget Goes to Paid Digital Media

CMO Budget For Advertising

Mean Percentage of Budget Shown



Base: All respondents, excludes DK, n=618
Q Please tell us how your company's fiscal year 2018 total marketing expense budget is being allocated to orspent on each of the following marketing channel and marketing enablers?
Source: Gartner (October 2018)

In the 2017 Multichannel Marketing Survey, respondents cited digital advertising as the third-most-effective marketing channel during the awareness, interest and conversion phases of the customer's buying journey (see "Multichannel Marketing Effectiveness Survey 2017: Marketers Are on a Mission to Advance Multichannel Marketing Results"). This shows that CMOs are still willing to invest a significant portion of their budget on paid digital media to boost revenue and prove marketing's worth within the enterprise. This is despite ongoing concerns over trust, transparency and the effectiveness of digital advertising (see "Consumer Insight: Untruth and Consequences — Earning and Keeping Consumer Trust in the Post-Trust Era").

However, CMOs from different company sizes and geographies invest in digital advertising differently:

- The largest companies in the CMO Spend Survey — those with more than $10 billion in annual revenue — have the largest appetite for digital advertising, averaging 11.6% of the marketing budget. A smaller share of their budget (4.1%) goes to search advertising compared to companies with less than $10 billion in annual revenue. In contrast, companies with annual revenues of $500 million to $1 billion allocated 8.5% of their marketing budget to digital advertising.
- U.K. marketers spend the most on digital advertising, allocating 11.8% on digital advertisements and 5.0% on paid search. This is despite new challenges brought about by the European Union's General Data Protection Regulation (GDPR),[6] Brexit and consumer concerns regarding the misuse of personal data in ad targeting.
- Marketers in the U.S. spent the lowest proportion of their marketing budget on digital advertising, allocating 7.3% to paid digital media. While this investment lags behind their British counterparts, it still represents a sizable investment. The Interactive Advertising Bureau estimates that social advertising represented 25% of the $88 billion spent on digital advertising and paid search in the U.S. during 2017.[7]
- Consumer product brands spent the most on digital advertising — an average of 10.5% of their total revenue. Retail brands were close behind at 10.3%. However, both retail and consumer product brands spent less than the cross-industry average on paid search. As brand relevance is challenged, marketers must ensure that they adapt their marketing mix, pivoting to pull channels such as search that link brand-agnostic consumer needs to their products (see "Predicts 2018: Brand Relevance Under Fire, Automation on the Rise").

Recommendations:

- **Build in-house expertise in media strategy and planning.** Media planning has long been the domain of agencies, but times are changing. Agencies still offer brands the benefit of scale and experience. However, brands are increasingly recognizing that, even if they outsource most of this work, they still need to be an informed and savvy client and understand the dynamics of the media mix[8] (see "How to Take Programmatic Advertising In-House").

- **Map your media and channel mix to the customer journey.** Comparing marketing spend to benchmarks is a useful exercise, but your media and channel choices should be driven by your customers and your strategy. Marketing leaders should map media investments and channels to customer journey maps to provide only the most relevant marketing messages on the right channel, for the right customer (see "Create Actionable, Insight-Driven Journey Maps").

Digital Workhorses Account for 25% of Marketing Investments

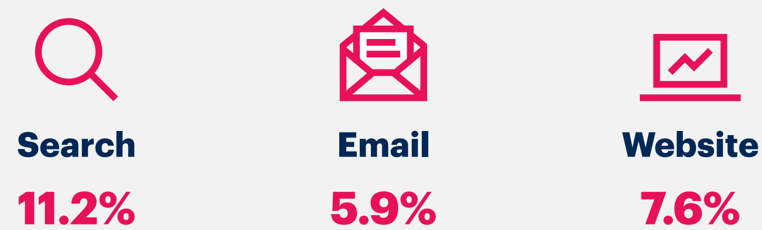
CMOs still rely heavily on tried-and-true digital media, such as paid and organic search, website, and email. Combined, these four categories represent one-quarter of the average marketing expense budget (see Figure 4).

Some marketers have long proselytized the demise of these fundamental digital marketing techniques in lieu of newer, more exciting tactics and technologies (such as influencer marketing and artificial intelligence). However, they remain as relevant as ever. The reasons so many marketers continue to invest in paid and organic search, website, and email are simple: They still work, and they're easy to measure during a time when calculating marketing ROI is all-important. Furthermore, these dependable channels are relatively cost-effective, and organizations usually have no problem finding in-house skills to fuel these marketing initiatives within their organization.

Figure 4. CMOs Allocate One-Quarter of Their Budget to Search, Email and Website

2018 CMO Budget Allocation by Marketing Channels and Marketing Enablers

Mean Percentage of Budget Shown



One quarter of the average marketing budget is allocated to search, email and website.

Base: All respondents, excludes DK, n=618
Q Please tell us how your company's fiscal year 2018 total marketing expense budget is being allocated to or spent on each of the following marketing channel and marketing enablers?
Source: Gartner (October 2018)

Meanwhile, marketers face challenges proving the value of some newer marketing techniques. For example, it's difficult to demonstrate the economic impact influencers have on ROI (see "L2 Intelligence: Influencers 2017"). Contrast this with organic search (SEO), where measurability is cited as the No. 1 reason for channel selection (see "Multichannel Marketing Effectiveness Survey 2017: Marketers Are on a Mission to Advance Multichannel Marketing Results").

Looking ahead to 2019, a majority of respondents expect to increase spending across all categories of marketing — with the exception of offline advertising. Even there, 49% say they plan to increase spending on TV and other offline advertising initiatives; the other 51% plan to freeze or cut spending altogether.

Conversely, more than two-thirds of survey respondents expect to increase spending in mobile marketing. Earlier research shows marketers take one of two approaches to investing in mobile marketing. They either pursue mobile-centric tactics that take advantage of the distinct capabilities of mobile devices, or they invest in mobile-extender tactics that adapt versions of desktop interactions, such as mobile search and mobile-optimized websites (see "Two Types of Mobile Marketers: Which One Are You?").

However, even mobile-extender tactics are in need of renewed investments. First announced in 2016, Google's mobile-first index rolled out this year. It predominantly uses the mobile rather than the desktop version of content for ranking and indexing. This places an impetus on marketers to ensure company websites are optimized for mobile users first.[9]

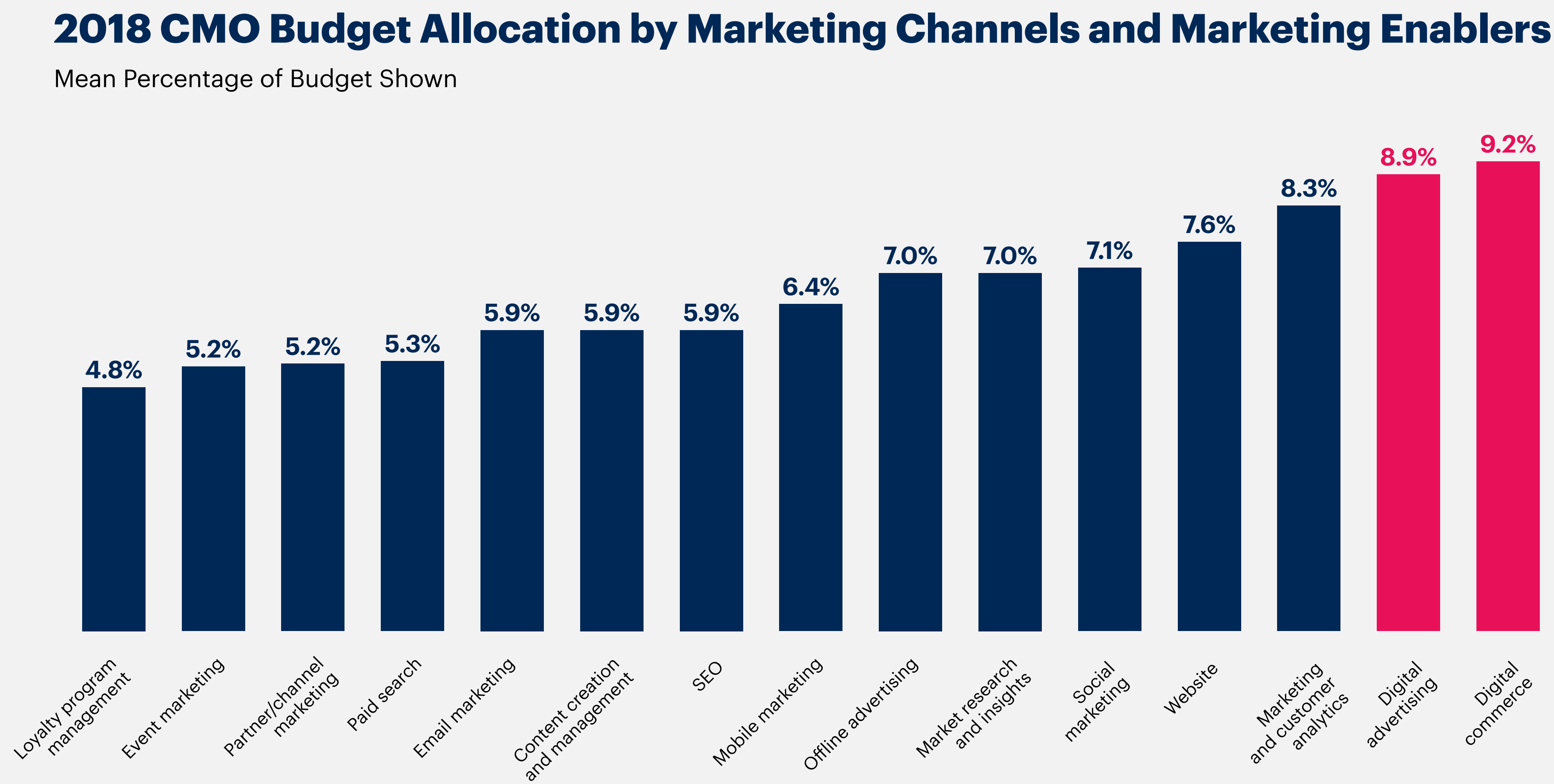
Recommendations:

- **Assign accountability for multichannel orchestration.** With so many marketing channels and tactics in use today, marketers are challenged with having to select and orchestrate a mix of marketing channels that provides customers with meaningful interactions across their journeys with their brand. The most successful brands define a multichannel marketing leader, with the expertise and organizational gravitas to be able to build, execute and optimize strategies across the marketing organization (see "Multichannel Marketing Effectiveness Survey 2017: Marketers Are on a Mission to Advance Multichannel Marketing Results").
- **Avoid a "set-it-and-forget-it" attitude to long-tenured channels.** Just because you've been investing in paid search since 2005, doesn't mean you're utilizing this evergreen marketing channel effectively. With marketing technologies and consumer behaviors in constant flux, marketing leaders must audit and refresh these tried-and-true channel strategies often to ensure investments are used efficiently (see "What Search Advertising's Evolution Means to Multichannel Marketing").

Over 9% of the Marketing Budget Is Allocated to Digital Commerce, but CMOs Downplay Its Strategic Importance

Up from 8.1% in 2017, 9.2% of marketing's budget is now allocated to digital commerce, making it the largest area of investment across the marketing expense budget in 2018 (see Figure 5). Spending on digital commerce chimes with CEOs' digitization goals. In a Gartner survey of 460 CEOs and senior

Figure 5. CMOs Allocate 9.2% of Marketing Budget to Digital Commerce



Base: All respondents, excludes DK, n=610
Q Please tell us how your company's fiscal year 2018 total marketing expense budget is being allocated to orspent on each of the following marketing channel and marketing enablers?
Source: Gartner (October 2018)

business leaders last year, 62% of respondents said they have a management initiative or transformation program underway to make their business more digital. In short, the majority of CEOs recognize that they need to transact with their customers online, be they in B2B or B2C brands.

While spend is strong across all industry verticals, CMOs downplay the strategic importance of digital commerce as a capability. When asked to rank the capabilities most vital to the delivery of marketing strategy over the next 18 months, only 19% place digital commerce in their top three.

Digital commerce success is not built on budget alone. CMOs must appreciate market dynamics and changing customer needs and journeys. For example, Gartner Iconoculture research predicts that, in 2019, two-thirds of U.S. consumers expect to be able to connect directly to the brands they buy from, shifting the channel mix and favoring brands that sell direct (see “Watch List Retail in 2019”). Meanwhile Gartner L2 research highlights the threats that Amazon private label consumer goods pose across a range of categories (see “L2 Intelligence: Amazon Private Label”). CMOs must match budget commitment with digital commerce capabilities, ensuring that they can anticipate and respond to the emerging opportunities (and threats) digital commerce poses to their strategic success.

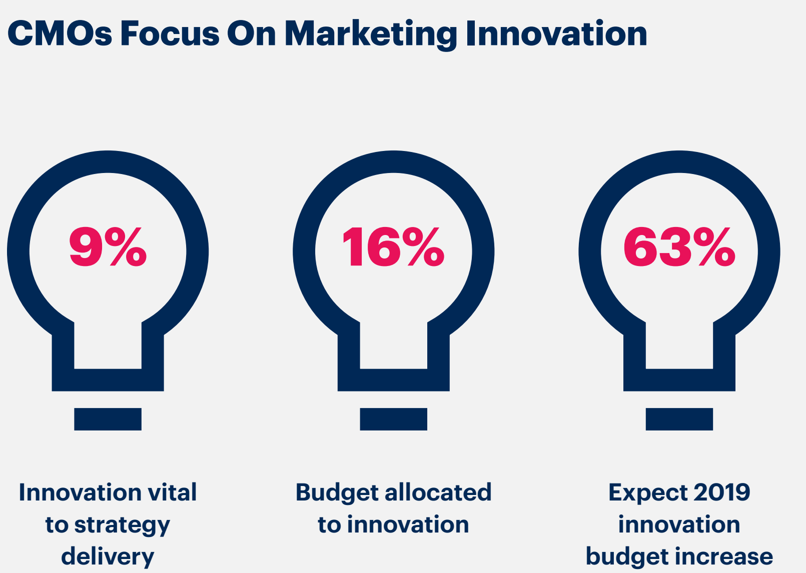
Recommendations:

- **Benchmark your digital commerce capabilities, from the inside and outside.** Your digital marketing strategy must be built on a realistic view of your capabilities. Use Gartner’s Marketing Maturity Assessment to define the gap between the current state and the desired future state of digital commerce capabilities. Align your future-state goals with your marketing strategy and the expectations of stakeholders across the enterprise. Ensure that capabilities are grounded in an external view of performance. Use Gartner’s Digital Performance Benchmarks and Amazon IQ data to understand how well your brand performs against peers and competitors across digital commerce channels.
- **Understand how emerging shopping trends impact your brand.** Shopping behaviors and customer attitudes change fast. Use the Gartner Iconoculture “Watch List Shopping and Retail” to understand and anticipate emerging online shopping trends. Ensure that your digital commerce strategy is flexible enough to minimize risks and maximize emerging opportunities.

One in Every $6 in Marketing Is Spent on Innovation, but Boosted Innovation Budgets Flatter to Deceive

In this year’s CMO Spend Survey, 9.3% of CMOs said that marketing innovation will be vital to the delivery of their company’s marketing strategy over the next 18 months (see Figure 6). This should come as no surprise, considering the

Figure 6. CMOs Highly Value and Heavily Back Marketing Innovation



Base: All respondents, n=621
Q. What capabilities do you consider most vital in supporting the delivery of your company's marketing strategy over the next 18 months?
Q. What percentage of your company's fiscal year 2018 total marketing expense budget is set aside for marketing innovation?
Q. Compared to fiscal year 2018, how do you expect spending on marketing innovation to change in fiscal 2019?
Source: Gartner (October 2018)

pace of change facing marketing in recent years. Marketers have had to adapt to a barrage of changes in consumer behaviors, technologies and environmental conditions. Though tried-and-tested marketing practices still have their place inside the organization, marketing leaders are embracing new channels, models and methods of reaching customers and prospects to remain competitive within the marketplace.

The 2018 Gartner CEO and Senior Business Executive Survey (see "2018 CEO Survey: CIOs Should Guide Business Leaders Toward Deep-Discipline Digital Business") confirms this growing appetite for innovation across the enterprise; 41% of respondents believe that their company is an innovation "Pioneer" leading new industry trends and directions. Few modern companies, let alone modern CMOs, want to be considered the opposite of innovative. So, perhaps, it's no surprise that enterprises and their CMOs value innovation.

But innovation is much more than a self-concept or belief. Meaningful innovation requires a collaborative culture, structure and committed investments. Marketers, in particular, have been keen to match innovation intent with action and investment. This was true in 2017, when CMOs reported that 10% of their marketing budgets went toward innovation. But innovation investments ramped up significantly in 2018, with CMOs allocating 16% of their total marketing budget to marketing innovation.

Furthermore, CMOs intend to grow this investment — 63% expect to increase innovation spend within their organization in 2019.

Despite their obvious enthusiasm for innovation, marketers' innovation intent is mismatched with their innovation capabilities. They've secured significant innovation budgets without the wherewithal to deliver programs that provide material value to the enterprise.

This is evidenced by responses to Gartner's 2018 Marketing Maturity Assessment: Marketing leaders surveyed scored themselves an average of 2.3 out of 5 for their maturity in innovation. Meanwhile, marketers noted that they wish to achieve a 4.3 maturity rating, indicating a significant innovation capability gap.

With such a large gap in capability, it's no wonder CMOs are investing heavily in innovation initiatives. As CEOs expect their organizations to lead the way with innovation, marketing leaders are faced with increasing pressure to excel at cutting edge initiatives. However, marketing leaders risk syphoning off precious marketing investments for poorly defined projects with a loose scope and looser success criteria.

Recommendations:

- **Define the scope and mandate of marketing innovation.** Your innovation programs may be broad in scope, but they should have a shared sense of purpose and direction. Appoint a leader accountable for defining an innovation roadmap within your organization. Empower your innovation leader to orchestrate efforts with stakeholders in product marketing, R&D and IT around achievable goals that contribute to overall organizational success (see "Toolkit: Building Innovation on Your Marketing Team").
- **Build robust innovation metrics, pipeline, return on objective and eventual ROI.** Innovation programs are often stymied when senior management expects them to demonstrate profitability and ROI too soon. Though the results of innovation are often hard to measure quantitatively and difficult to know in advance, that doesn't mean innovation programs lack meaningful success measures. Build a suite of leading indicators of innovation success by using a mix of objective and subjective metrics (see "Follow 7 Best Practices to Create an Innovation Center").

CMOs Prioritize Customer Experience and Customer Analytics, but Risk Overlooking Acquisition and Retention

Gartner's 2017 CMO Strategy Survey revealed that customer capabilities, such as customer experience (CX), customer loyalty, and customer retention and growth, dominate CMOs' list of skills they feel are vital to deliver a strong, cohesive marketing strategy (see "CMO Strategy Survey 2017: Marketers Track Many Metrics, but Risk Overlooking What Matters Most to the Business").

Fast-forward a year, and CX initiatives continue to dominate the CMO's agenda. CMOs surveyed in this year's CMO Spend Survey cited CX as one of the top-three capabilities vital to their marketing strategies in the coming 18 months. What's more, CMOs estimate that 18% of their overall marketing budgets are allocated to customer experience initiatives. This spending is embedded across multiple marketing activities, such as the website and digital commerce.

Despite this focus on CX, customer retention and growth has lost some ground, falling behind capabilities such as marketing technology, digital business transformation and innovation. Customer acquisition fares much worse, cited by only 16% of CMOs as a top-three capability (see Figure 7).

This presents an interesting mismatch: CMOs have a strong focus on customer experience, but to what end? As with all other marketing capabilities, the long-term output of any CX program is to create business value, such as that gained through profitable customer retention and growth outcomes, as well as the acquisition of new and profitable customers.

Therefore, CX strategies must be more than mere rhetoric; marketing investments must yield results. As CX reaches maturity in organizations, programs must be elevated from eye-catching initiatives to pragmatic vehicles for business success.

Recommendations:

- **Define the scope and success criteria for CX programs.** Clearly articulate how investments in CX programs deliver results in terms of customer growth and profitability. Prioritize metrics that demonstrate measurable improvements in customer satisfaction, loyalty and brand advocacy in order to prove their effectiveness to internal

Figure 7. The Most Vital Marketing Capabilities Supporting the Delivery of Marketing Strategies Over the Next 18 Months

Base: All respondents, n=621

Q. What capabilities do you consider most vital in supporting the delivery of your company's marketing strategy over the next 18 months?

Source: Gartner (October 2018)

stakeholders and maximize results (see "The ROI of Customer Experience Starts With Customer Outcomes and Ends With Business Results").

- **Map strategically important capabilities against marketing's talent roadmap.** Think beyond expert and practitioner level for core capabilities like analytics. Consider how fundamental skills can be embedded throughout the organization. By nurturing diverse skill sets, tapping new talent sources and prioritizing collaboration, marketing leaders can fuel their brand's adaptability and deliver business results (see "Designing Your Marketing Team for the Next Decade").

CMOs Struggle to Align Marketing Metrics With Business Priorities

Proving the value of marketing to the enterprise remains a perennial challenge for CMOs. In the past, there's often been a stark difference in the metrics that key stakeholders hold dear. CEOs, for example, may value revenue, profitability and market value share, while CMOs may elevate share of voice, awareness and brand metrics to their strategic dashboards. Modern CMOs have a shared understanding of the metrics that demonstrate the value marketing delivers to the enterprise (see "CMO Perspective: Six Habits of the Modern CMO").

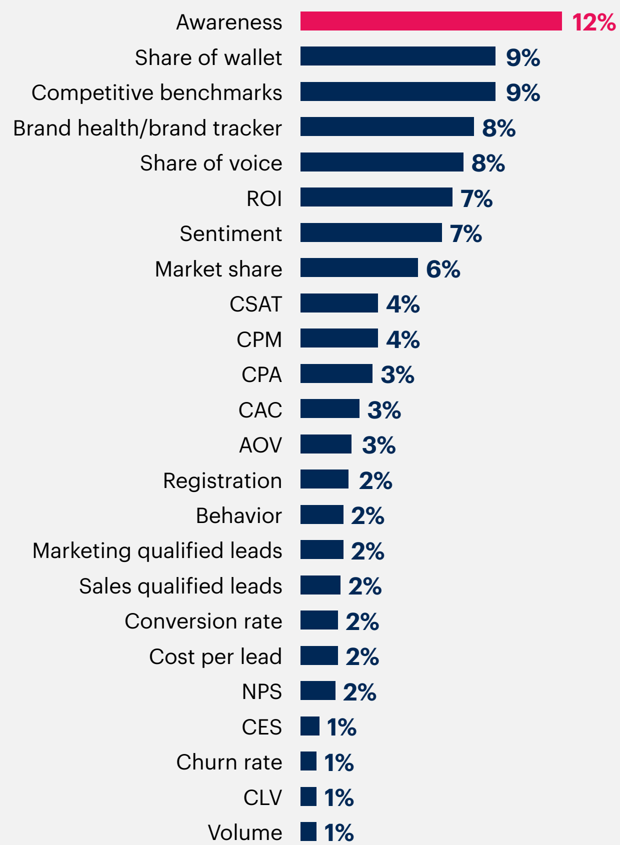
However, old habits die hard, and many CMOs still gravitate toward metrics that have less meaning outside the marketing organization. When asked to define the most important metrics on their marketing dashboard, CMOs surveyed cited "awareness" as the most important metric (see Figure 8), beating out ROI, market share, and measures of customer value and satisfaction. But there are significant variances across industries. Media companies value awareness the most, with 39.4% of respondents placing this metric in their top five. This compares with only 26.9% for high-tech companies. Financial services companies rate ROI as the most important metric, with 45.7% placing this in their top five. This compares with only 19.4% for high-tech companies.

ROI can be difficult to measure accurately, especially when channel mix and customer journeys are complex. In addition, availability of revenue and cost data required to calculate ROI varies across industries and enterprises. It's easy to assume that many CMOs simply do not have the capability to effectively track ROI. However, the majority (61%) of CMOs currently cite ROI as a key metric that informs the marketing strategy, but only half that number place ROI as one of their top five strategic key performance indicators (KPIs). In a time when marketing leaders are often challenged with filtering through the mass of data to find metrics that really matter, marketers must not underplay ROI's strategic importance within the enterprise.

Numerous Gartner surveys, backed by a large volume of client inquiries, have proved beyond doubt the strategic imperative of customer experience for CMOs (see the finding "CMOs Prioritize Customer Experience and Customer Analytics, but Risk Overlooking Acquisition and Retention").

Figure 8. CMOs Rank Awareness as the Most Important Metric

Most Important Metric Tracked on CMO Dashboard



12% of CMOs cite brand awareness as most important metric. This compares with 7% for ROI, and only 1% for lifetime value.

Base: All respondents, n=618 excludes Don't Knows.
Q. Considering all of the metrics being tracked on your CMO (or senior marketing leadership) dashboard, which are most important to inform marketing strategy?
Source: Gartner (October 2018)

As Peter Drucker famously said, "If you can't measure it, you can't manage it."

Logic dictates that common customer measures, such as customer acquisition cost (CAC), customer satisfaction (CSAT) and retention would be closely tracked on CMOs' strategic dashboards. But only 51% of CMOs say they track customer acquisition costs; even fewer (43%) track customer retention or churn rates. Furthermore, brand metrics are used two times more frequently as KPIs than customer experience metrics.

Measurement is custom — your strategic dashboard must reflect the dynamics of your industry and the requirements of your enterprise. However, aligning metrics with strategic priorities is nonnegotiable. If you're committed to delivering robust experiences for your customers, and growth and value to the business, you must elevate the specific metrics that track these efforts. Otherwise, you risk creating strategies that serve as mere rhetoric rather than actionable plans and goals.

Recommendations:

- **Conduct an honest appraisal of your metrics and KPIs.** Do your metrics and KPIs have a direct link to the objectives outlined in your strategy? Use a hierarchy of marketing metrics that provides a clear framework for separating the metrics that tie directly to the results the executive suite cares most about, such as business outcomes, from those that inform strategy, operations and tactics. To help build out this hierarchy of marketing metrics, collaborate with cross-functional peers to identify the metrics they use to track business growth (see "CMO Perspective: Identify Marketing Metrics That Matter Most").
- **Elevate metrics that demonstrate financial and customer value.** Get serious about proving the value of marketing in delivering better experiences, and growth and return. Don't wait for perfection — leverage the data you have at your disposal now, and use proxies to fill in any gaps (see "Marketing Measurement Hacks for 5 Common Challenges").

Personalization Prevails, but Means Different Things to Different People

The increasing focus on customer experience and the fight for customer attention reflects personalization's emergence as a strategically important marketing capability. Gartner's 2018 State of Personalization Survey supports this, reporting that 87% of marketing leaders currently personalize their marketing campaigns and communication, and more than half have increased their personalization investment since 2017 (see "Rethinking Personalization for Maximum Impact").

This year's CMO Spend Survey found investments in personalization to be near universal. Overall, CMOs spend an average of 14.2% of their budget on personalization efforts, with double-digit percentage averages across all industries and business models (see Figure 9).

This level of committed investment affirms the challenge of delivering relevant messages to customers at scale. Personalization requires an intimate knowledge of customer journeys; helpful, relevant content that drives action; and technology and platforms that help deliver, measure and optimize experiences (see "Magic Quadrant for Personalization Engines").

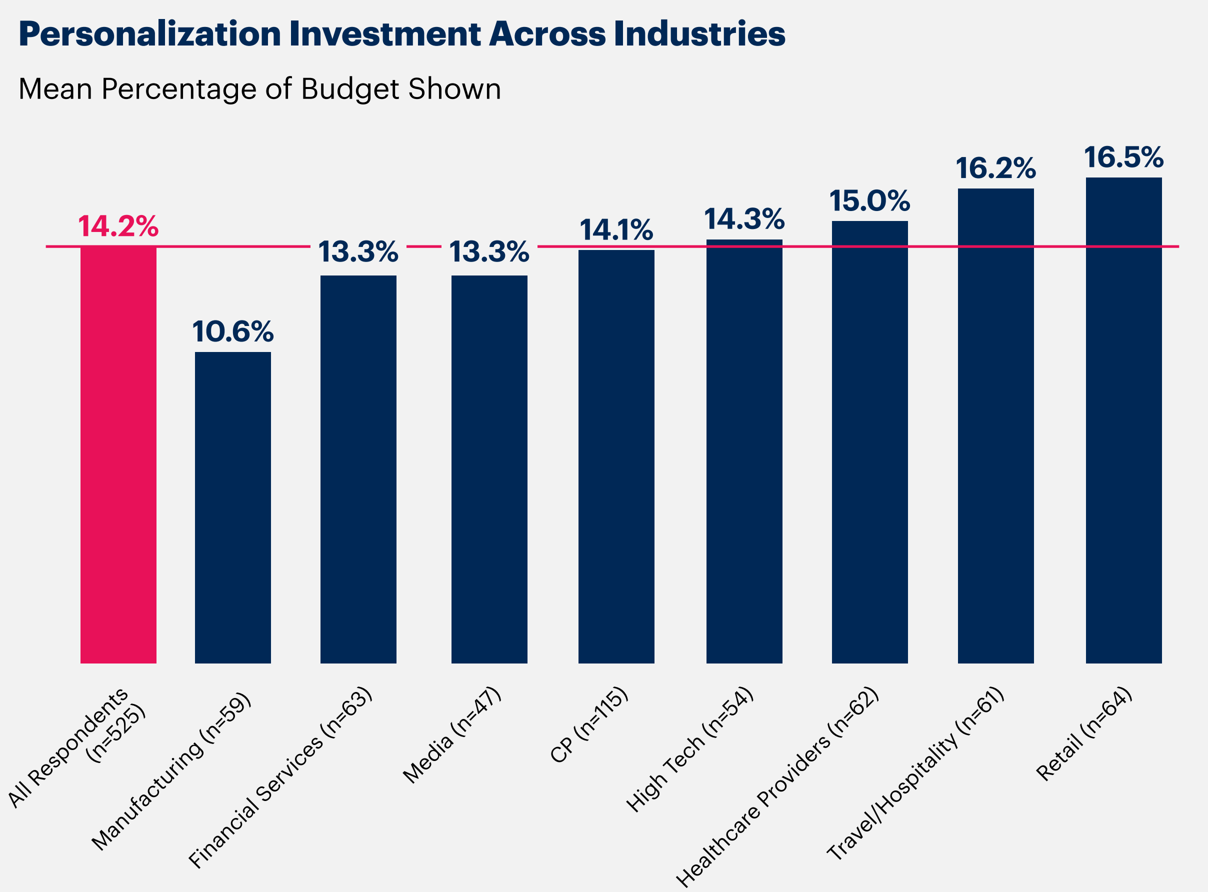
However, cross-industry investment belies the huge variance in personalization capabilities. Gartner's 2017 Multichannel Marketing Effectiveness Survey highlighted that, while "batch and blast" and broad-based campaigns are becoming things of the past, real-time personalization and event-triggered capabilities are far from where marketers need them to be.

Marketers spending big on personalization should proceed with caution. Personalization requires a deep well of customer data. And more data doesn't always make for more resonant personalization. While there's never been a time when more data has been available to marketers, consumers have grown wary of the way brands collect, store and use their personal data for marketing activities. Marketers must tread lightly in their personalization efforts to appease both consumers and regulators (see "Understanding Consumer Attitudes Toward Personalization").[10]

Recommendations:

- **Build a personalization strategy.** Define the role personalization can play in helping you achieve business objectives, whether through a marketing, digital commerce or CX use case. Consider your business context and goals to determine your company's strategic use case (see "Choose a Personalization Engine to Meet Your Needs").
- **Audit your brand's personalization capabilities.** Personalization goes beyond simply identifying your customers and reflecting what you know about them. Personalization is about offering customized experiences that truly help them along their journey with your brand. Use your customer journey maps to objectively appraise the value of your personalization offers across key

Figure 9. Personalization Investments Across Industries



Base: All respondents, excludes Don't knows. Base sizes vary by segment
Q. What percentage of your company's fiscal year 2018 total marketing expense budget is set aside for customer experience and personalization?
Source: Gartner (October 2018)

customer touchpoints (see "Personalization and Journey Mapping Framework [Clorox]").

- **Build a personalization program risk log.** Appetite and regulations regarding data and personalization are changing. Your personalization programs' initial objectives may be out of step with the current mood surrounding data privacy. Therefore, marketers should revisit the scope of their personalization program. Build a risk log that identifies potential risks and evaluates the severity of their impacts on your programs.

Methodology

Gartner's 2018-2019 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 July 2018 through August 2018 among 621 respondents in the United States (60%), Canada (5%) and the United Kingdom (35%). Respondents were required to have involvement in decisions pertaining to their company's strategy, activities and/or budget related to marketing. Ninety 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 (70 respondents), high tech (68 respondents), manufacturing (67 respondents), consumer products (126 respondents), media (71 respondents), retail (72 respondents), healthcare providers (76 respondents), and travel (71 respondents).

Gartner's 2017-2018 CMO Spend Survey: The purpose of this survey was to collect insight from business leaders responsible for marketing to understand marketing strategies, spending priorities and the CMO's responsibilities. The research was conducted using a mixed methodology (online/CATI) from June 2017 through August 2017 among 353 respondents in the United States (61%), Canada (12%) and the United Kingdom (27%). Respondents were required to have involvement in decisions pertaining to their company's strategy, activities and/or spending on marketing and/or digital marketing. Seventy-three percent of the respondents came from organizations with $1 billion or more in annual revenue.

The 2018 Gartner CEO and Senior Business Executive Survey: Gartner conducted this research from September through December 2017 to examine CEOs' and senior business executives' views on current business issues, as well as some areas of technology agenda impact. In total, 460 business leaders were qualified and surveyed. The bulk of the research was conducted via telephone interview (333), an additional 123 surveys were achieved online and four were selfadministered paper surveys. All respondents were screened for active employment in organizations with greater than $50 million in annual revenue. The sample mix is as follows: CEO (290 respondents); CFO (100); COO (13), chairperson, president, board director or other C-level (57). By region: North America (173 respondents); Europe (109), Asia/Pacific (92); Latin America (43); South Africa (12); Middle East (31).

Gartner's 2018 Marketing Technology Survey: Results presented are based on a Gartner study to understand how marketers are investing in, deploying and getting value out of technology. The primary research was conducted using a mixed methodology (online/CATI) from April 2018 through June 2018 among 504 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 (88 respondents), high tech (128 respondents), manufacturing (83 respondents), consumer products (33 respondents), media (31 respondents), retail (47 respondents), healthcare (51 respondents), and travel and hospitality (43 respondents). Respondents were required to have a primary role in involvement in decisions pertaining to their company's marketing technology strategy. Respondents were also required to provide direct support to marketing.

Gartner's 2018 Marketing Maturity Assessment: The findings in this report are based on the responses of 257 marketers who took the assessment from May 2016 through March 2018. Of those responding, 63% came from businesses with more than $1 billion in annual revenue, 33% were from businesses with less than $1 billion in annual revenue, and 4% were from government, educational or nonprofit institutions.

Gartner's 2017 CMO Strategy Survey: Results are based on Gartner's CMO Strategy Survey of 359 marketing leaders to determine the scope of their strategy and accountabilities, capabilities and resources. Participants were screened based on their responsibility for setting marketing strategy. The research was conducted using a mixed methodology (online/CATI) from March through April 2017; 197 marketing leaders were based in North America and 162 in the U.K. Respondents came from companies with annual revenue of more than $500 million; the mean was $4.4 billion. They came from eight vertical industries: high tech (53 respondents), financial services (42 respondents), healthcare (40 respondents), manufacturing (50 respondents), consumer packaged goods (41 respondents), media (42 respondents), retail (41 respondents) and transportation/hospitality (50 respondents).

The Gartner surveys were developed collaboratively by a team of Gartner analysts who follow marketing, and was tested and administered by Gartner's Research Data and Analytics (RDA) team.

Results do not represent global findings or the market as a whole but reflect sentiment of the respondents and companies surveyed.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"CMO Spend Survey 2017–2018: Budgets Recede Amid Demand for Results"

"Ignition Guide to Strategic Planning for Marketing (B2B & B2C)"

"How to Prove the Value of Marketing to the Enterprise"

"Driving Cost Optimization Across the Enterprise: A Marketing Perspective"

"Demystifying Marketing Technology Integration"

Evidence

1 "The Indicator That Heralds Impending U.S. Recessions Is Starting to Flash — but One Huge Factor Is Different This Time," Business Insider Australia.

2 "What Are Trade Tariffs and Who Will They Affect?" The Guardian.

3 "Finance Industry Tears Into Britain's Brexit Trading Plans," Reuters.

4 "Emerging Markets Briefly Enter a Bear Market as Higher Rates and Trade Fears Send Investors Fleeing," CNBC.

5 "Why a Recession In 2019 Is Possible When Unemployment Is at 50-Year Lows," Forbes.

6 "How the GDPR Will Impact Digital Advertising," The Telegraph.

7 "IAB Internet Advertising Revenue Report," Interactive Advertising Bureau.

8 "Vodafone Brings Digital Media-Buying In-House in Pioneering Move," Campaign.

9 "Google's Mobile-First Indexing Has Set Sail. Are You on Board? 5 SEO Essentials," Search Engine Land.

10 "Consumer Insight: The Halls Have Eyes and the Walls Have Ears," Gartner.

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