2020-21 PART 2

Gartner

Gartner for Marketers

The Annual CMO Spend Survey Research

CMOs Protect Digital Channels and Martech (for Now)

A collapse in economic activity during the pandemic forced many CMOs to make difficult budget decisions. This report looks at current spending priorities for people, technology and channels and indicates that leaders are still optimistic for 2021 despite numerous headwinds.

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Overview

Key findings

- In-house spending is accelerating. One-third of marketing work shifted from agencies to in-house, but budget challenges curb future plans.
- Martech has stayed strong over the past year. It has maintained 26.2% of marketing budgets despite, or because of, uncertain times.
- Digital channels account for almost 80% of budgets in 2020. Survey findings reveal that 62% of CMOs expect total media spend to bounce back in 2021.

Recommendations

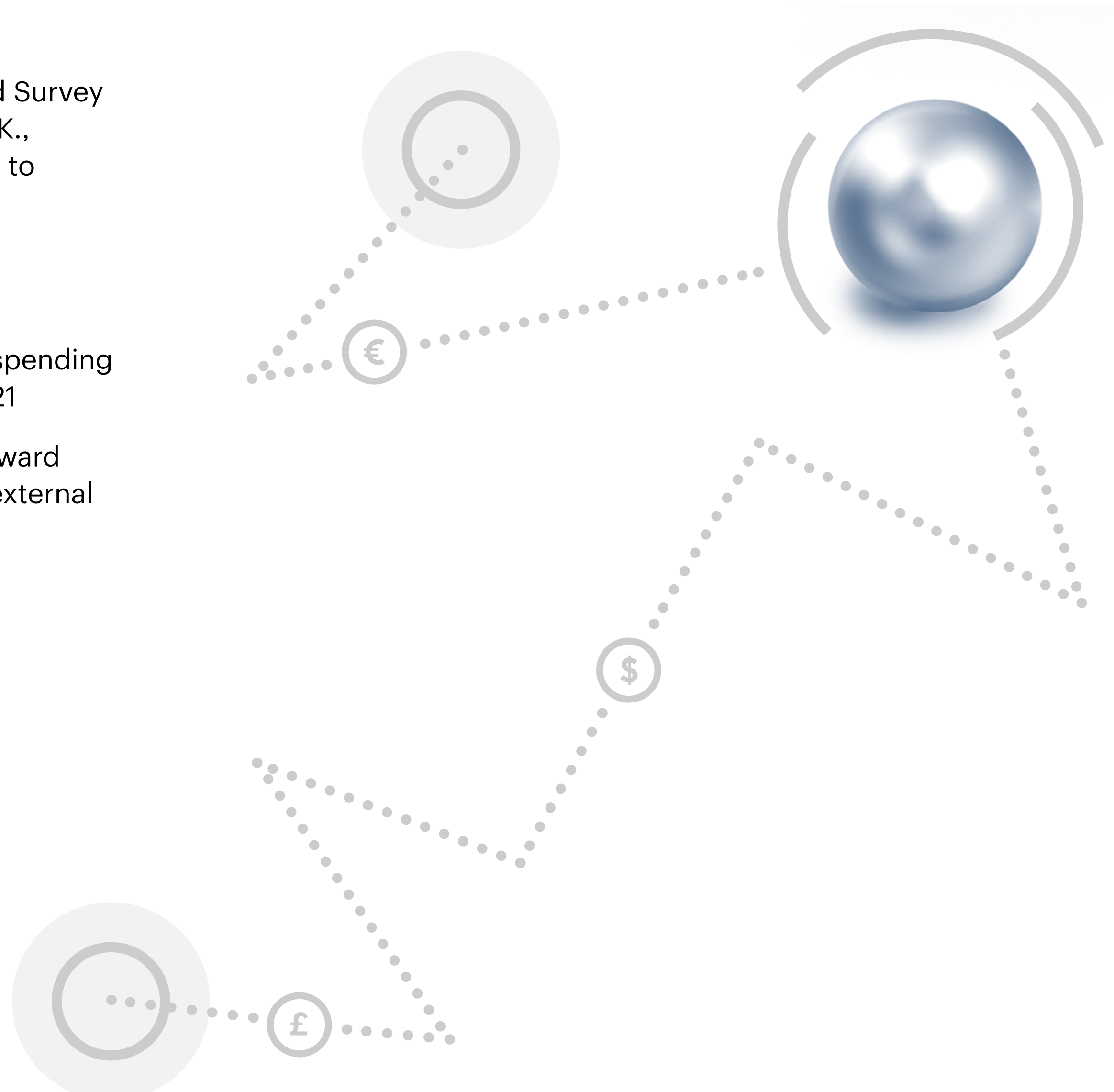
Use your marketing leadership and strategies to:

- Establish an organizational strategy by linking in-house and outsource decisions to strategic capability objectives, taking into account near-term cost and ROI considerations.
- Develop KPIs for technology investments by addressing martech's potential impact on operations such as improved campaign performance and higher productivity. Track martech adoption and usage rates, and apply these KPIs to manage technology investments that don't meet thresholds.
- Map channel investments and execution against evolving customer journeys. Ensure your journey mapping methodologies are adaptable to a changing environment by using data and insights to rapidly test, monitor and adjust.

Survey Objective

This research is based on Gartner's 2020 CMO Spend Survey of 432 marketing executives in North America, the U.K., France and Germany at companies with $500 million to $20 billion or more in annual revenue. It details:

- The immediate impact of marketing strategies and spending as a result of the COVID-19 crisis
- CMOs expectations of the future — how budgets, spending and strategic priorities will evolve heading into 2021
- How priorities are changing in terms of the shift toward digital channels, and the balance of in-house and external agency resources



Data Insights

As CMOs entered 2020, they anticipated budgets that averaged 11.0% of revenue (see “2020 CMO Spend Survey, Part 1: CMOs Gamble on Swift Recovery, but Strategic Priorities Reveal Hedging.”) Then the global COVID-19 pandemic struck, triggering a collapse in demand in some industries such as travel and hospitality, and significant disruptions to others such as healthcare and retail. Repercussions spread to other sectors such as automobile sales and business manufacturing. Forty-four percent of CMOs surveyed in April and May 2020 said they are facing midyear budget cuts in 2020 as a result of the pandemic.

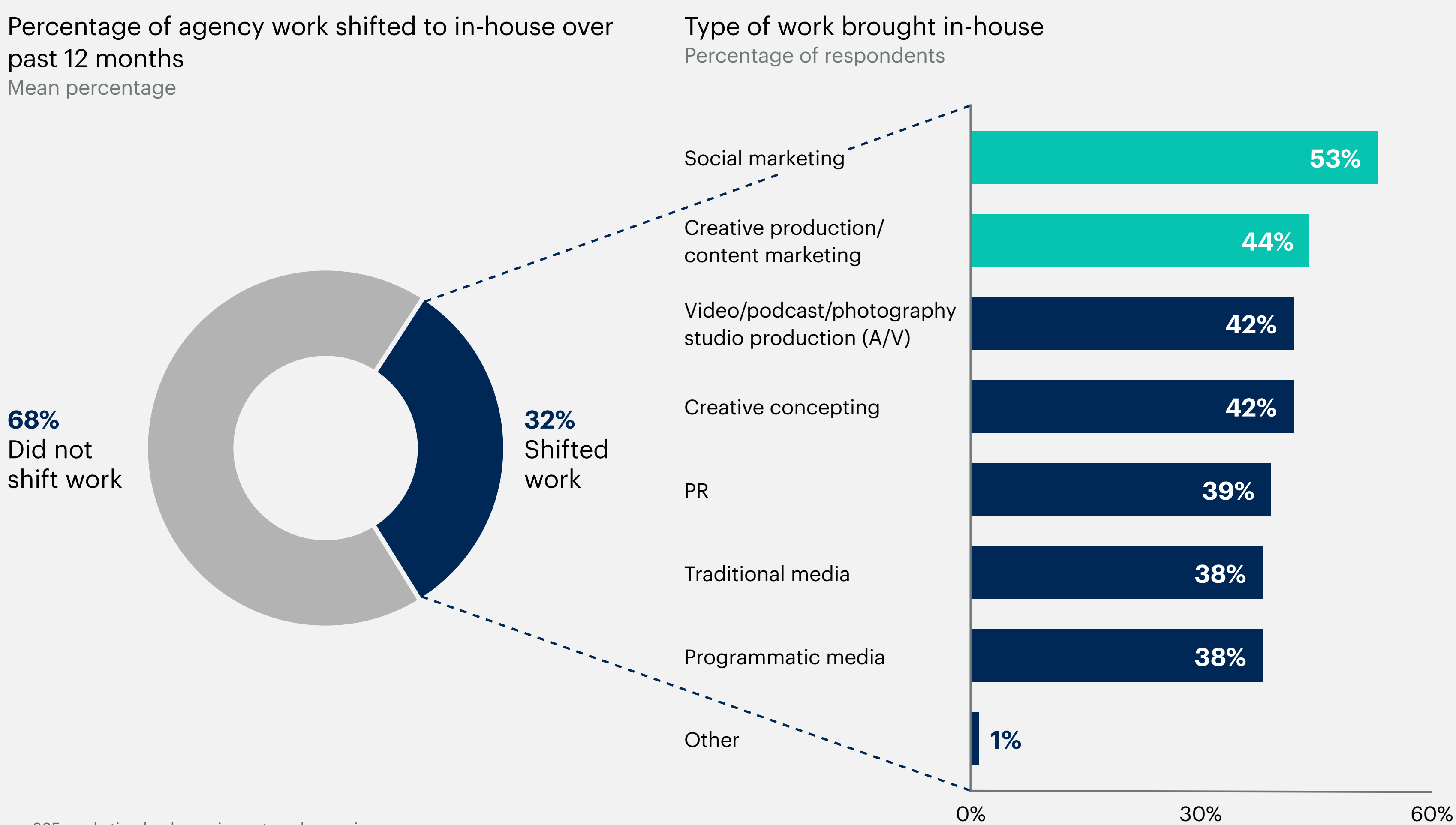
See “2020 CMO Spend Survey, Part 1: CMOs Gamble on Swift Recovery, but Strategic Priorities Reveal Hedging” for an analysis on budget strategy, most vital capabilities and most valuable metrics tracked.

One-third of marketing work shifts from agencies to in-house, but budget challenges curb future plans

As budget pressures mount, CMOs are tempted to bring work in-house, anticipating that using employees instead of agencies for marketing initiatives will deliver cost savings. In our survey, respondents reported that almost 32% of work has shifted from external agencies to in-house teams (see Figure 1). They expect that trend to grow slightly over the next 12 months. Still, average spend on agencies has increased year over year.

This presents an interesting question: If global consumer product company Unilever can attribute multimillion dollar savings using in-housing, then why are other brands not enjoying the same benefits? For CMOs optimizing costs, pursuing in-housing can turn into a futile effort. It first requires putting people on the payroll, establishing new processes to manage the movement of work and investing in technology to support the changes. And that assumes CMOs are able to recruit and retain the necessary talent. This shift from working with agencies to bringing work in-house is a long-term investment and involves more financial risk than relying on a contracted partner.

Figure 1. CMOs Shift External Agency Work to Internal Marketing Services



n = 385 marketing leaders using external agencies
Q: What percentage of your organization's agency work shifted to internal marketing services over the past 12 months?
Q: What areas did your external agency work shift to internal marketing services over the past 12 months?
Source: 2020 Gartner CMO Spend Survey
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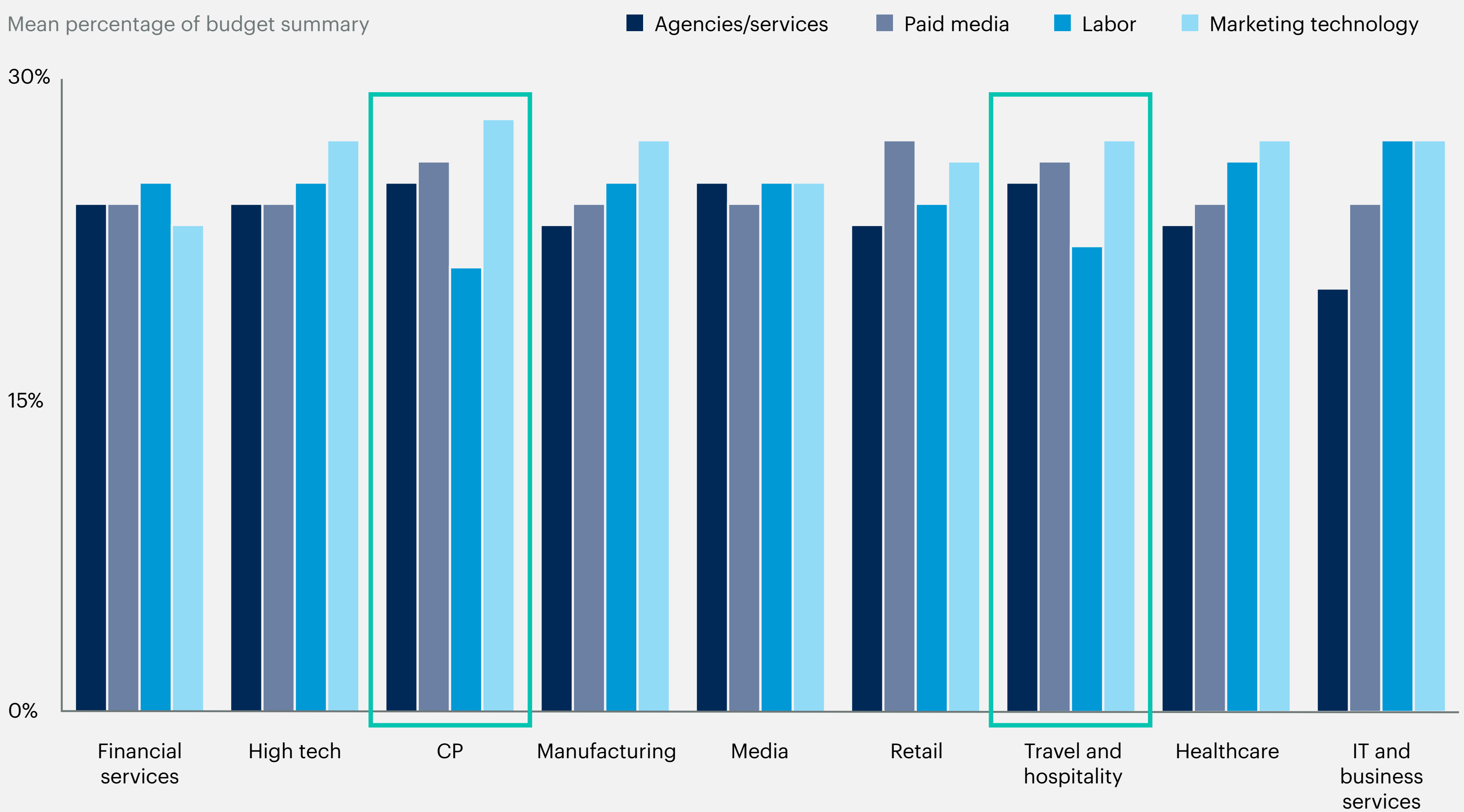
Another reason why in-house labor and external agency costs are rising simultaneously: CMOs are bringing lower margin tactical capabilities in-house such as social marketing, creative production and traditional media management rather than more costly strategic services. These changes give CMOs more control, but not necessarily significant savings. Likewise, major agency players are refocusing on strategic services, which have higher margins (see “Magic Quadrant for Global Marketing Agencies”), nullifying CMOs’ efforts to reduce agency costs.

CMOs are first to admit: Cost savings isn’t the only motivation for building in-house capabilities. Top reasons for using internal marketing services include ensuring brand consistency and building valuable relationships with vendors and media owners besides improving operational efficiency (see “Marketing Organizational Survey 2019: Marketers Aspire for Agility and Control but Fight Operational Challenges”).

In 2020, CMOs estimated they allocated 24.5% of budgets on in-house labor with ratios varying by industry (see Figure 2). CMOs in travel and hospitality, for example, spend a greater proportion of the marketing budget on technology (27.0%) than on labor (21.5%). CMOs from consumer products companies had a similar difference with 27.8% for marketing technology and 21.4% on labor.

Figure 2. Marketing Budget Allocation Across Major Resources by Industry



n = 420 marketing leaders (excludes "don't know"); base sizes vary by industry.
Q: How is your total marketing expense budget for the current fiscal year being allocated to or spent on each of the following major resource categories?
Source: 2020 Gartner CMO Spend Survey
Note: Does not include percentage for "other."
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CMOs remain under pressure to cut labor and other costs. Thirty-four percent of senior finance leaders polled said they had furloughed staff across all business functions, and 65% had imposed hiring freezes. Longer-term budget cuts will require another look at staffing that could result in permanent changes to hiring and organizational makeup.

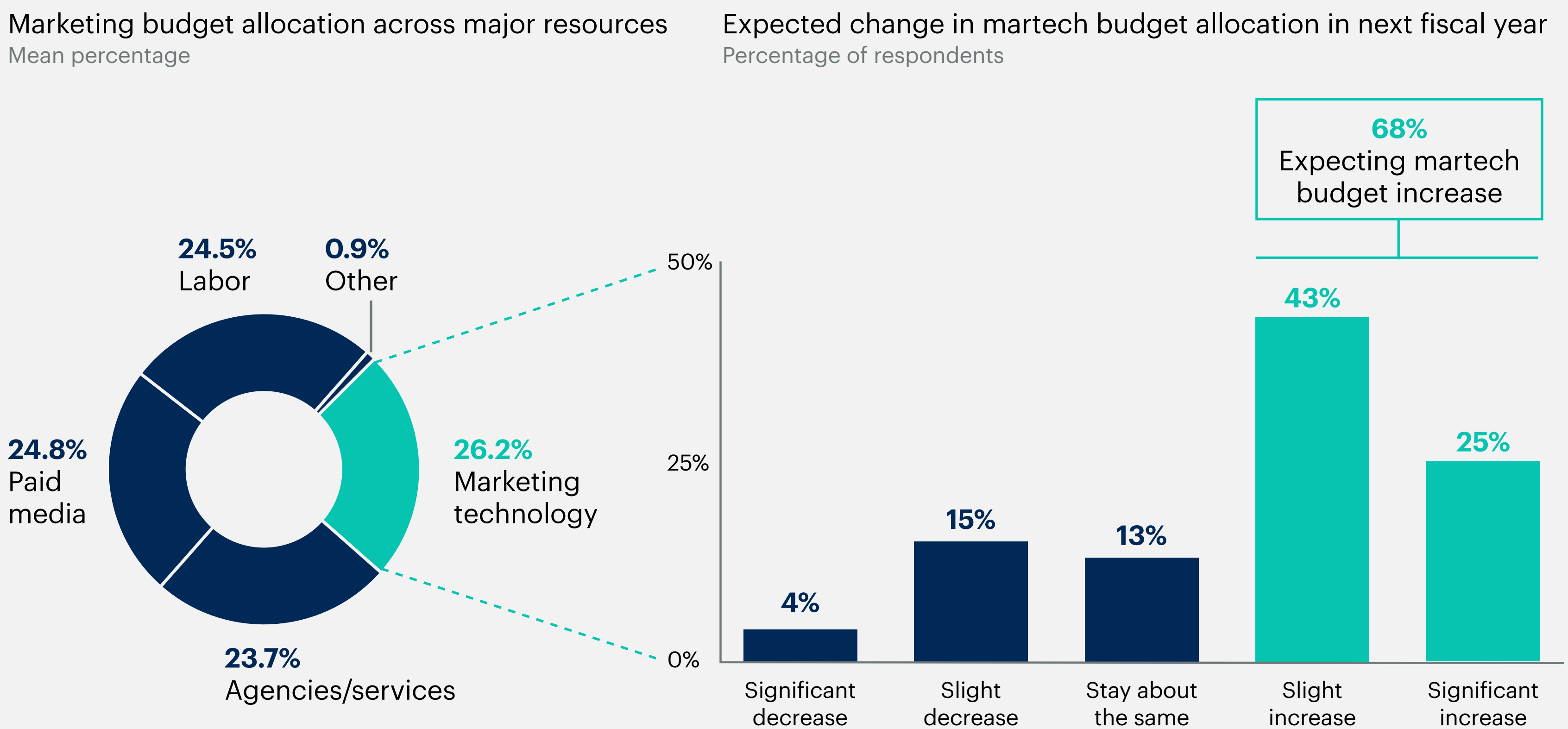
Recommendations

- Take a holistic view of marketing's capabilities as they span internal and external teams. Avoid the trap of using the raw measure of cost when assessing the value of agency contributions.
- Map out external agency capabilities by identifying areas of discrete value, and areas of overlap with in-house resources. Drill down into the individual agencies' scope of work by ensuring the projects support current marketing objectives. Use this review to discontinue underperforming programs and consolidate agencies where there's overlap with other agencies or internal resources (see "Agency Cost Optimization the Right Way").

Martech maintains 26.2% of marketing budget despite, or because of, uncertain times

Tough economic times have done little to dull enthusiasm for technology. In 2020, technology spend will account for the largest proportion of marketing budgets when compared with media, agencies and in-house labor (see Figure 3). CMOs surveyed remain bullish about martech heading into the next 12 months — 68% expect their (already significant) investments to increase. Marketers participating in a recent Gartner webinar, “Optimize Marketing Technology Cuts in Turbulent Times,” were more pessimistic: six in 10 said they’re faced with cutting their martech budget within 90 days. The more pessimistic responses of webinar participants may reflect a priority for that particular audience.

Figure 3. Marketing Technology Budget Withstands Cuts



n = 420 marketing leaders (excludes "don't know")
Q: How is your total marketing expense budget for the current fiscal year being allocated to or spent on each of the following major resource categories?
Q: Compared to the current fiscal year, how do you expect your total marketing expense budget allocated across the following major resource categories to change in the next fiscal year?
Source: 2020 Gartner CMO Spend Survey
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The COVID-19 crisis has shifted CMOs' focus from customer acquisition to customer retention and growth. This complements priorities championed well before the pandemic and guarantees improved customer understanding and insight will remain an imperative. When asked what planned technology deployments they'd postpone in the event of an economic downturn, marketing leaders surveyed were least likely to cut customer data platforms, mobile marketing platforms and digital commerce. For more on this, see "Marketing Technology Survey 2019: Marketers Boost Martech Efficacy Through Disciplined Planning and Collaboration With IT."

An ongoing challenge: Marketers in North America and the U.K. report using only 58% of their martech stack's full capabilities, according to Gartner's 2019 Marketing Technology Survey. But extracting full value comes with costs such as upskilling existing marketing talent or investing in workflow management capabilities (see "Use Gartner's Martech Survey Research to Boost Marketing Technology's Impact").

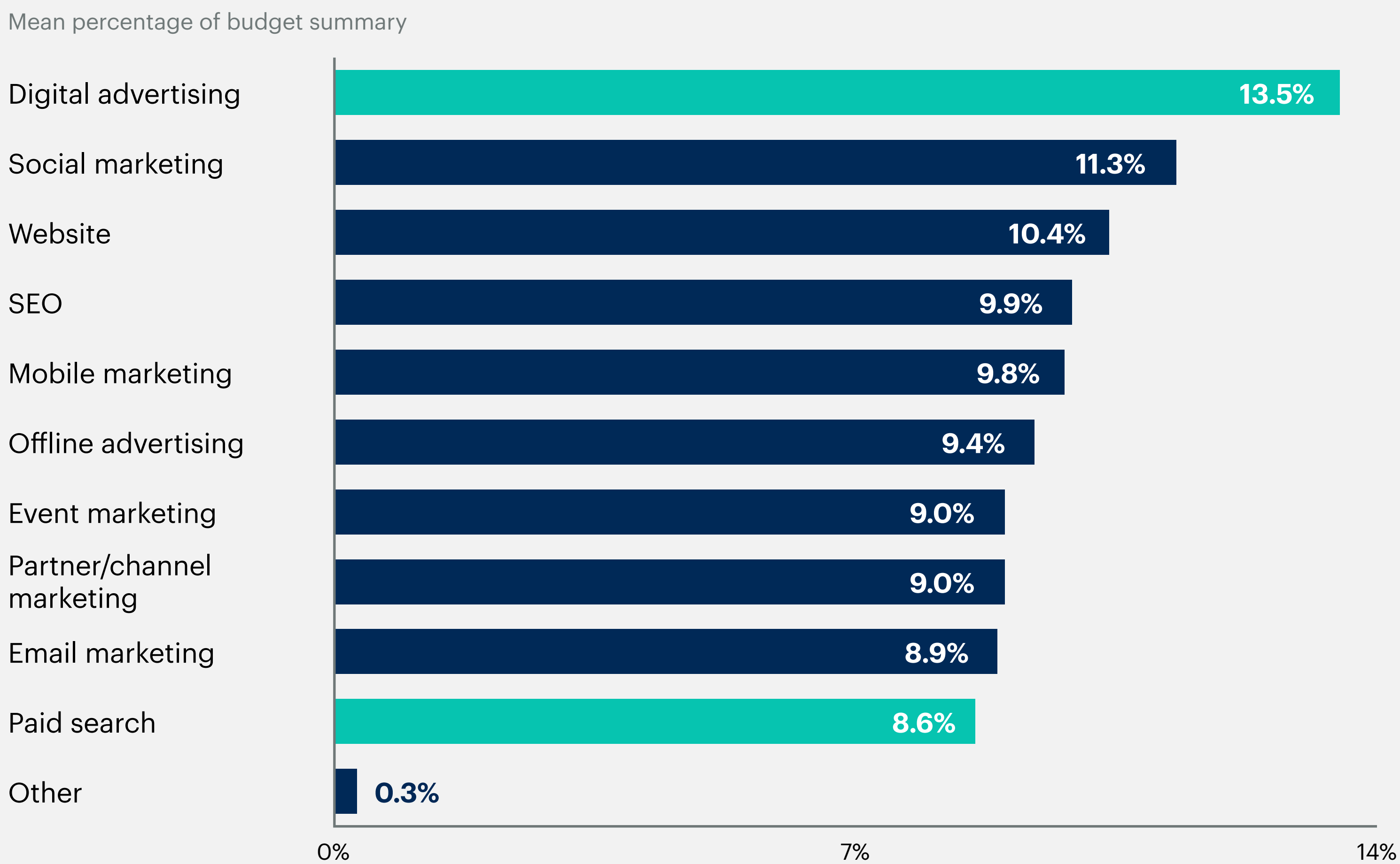
Recommendations

- Create a centralized catalog of currently deployed marketing technologies. This roster will provide an indication of how the martech stack supports the customers, marketing team, partners and overall business objectives such as growth or improved efficiency (see "3 Steps to Maximize Existing Marketing Technology Investments").
- Deconstruct the marketing technology stack by revisiting the marketing problems and opportunities the technology was supposed to address when it was initially deployed. While appraising the technology's capabilities and value, take into account how people, channels and partners fuel success as well. Technology is a powerful enabler of customer understanding and intimacy, but it's only part of a complex capability mix.
- Establish what would happen if the marketing organization decommissioned the technology. Probe questions such as: What processes or programs would need to change if the technology is no longer in place? What data sources come from the marketing technology? Test the impact of cutting the marketing platform on a single product line or business unit.

Digital dominates channel mix; nearly two-thirds expect channel budgets to increase in 2021

When asked how they carve up their budget across 10 channels, CMOs surveyed said they spend nearly one-quarter (22%) of the marketing budget on digital advertising (13.5%), including display, video or ads on platforms like Amazon, and paid search (8.6%). Another 59% went to owned and earned digital channels such as social marketing, the website, SEO and mobile marketing (see Figure 4). The emphasis on digital channels was magnified during the early months of the global pandemic as consumers flocked online for information, entertainment and connection (see "COVID-19 Impact: Consumers and Social Media").

Figure 4. Digital Dominates the Channel Mix



n = 423, total (excludes "don't know")
Q: How is your total marketing expense budget for the current fiscal year being allocated to or spent on each of the following marketing channels?
Source: 2020 Gartner CMO Spend Survey
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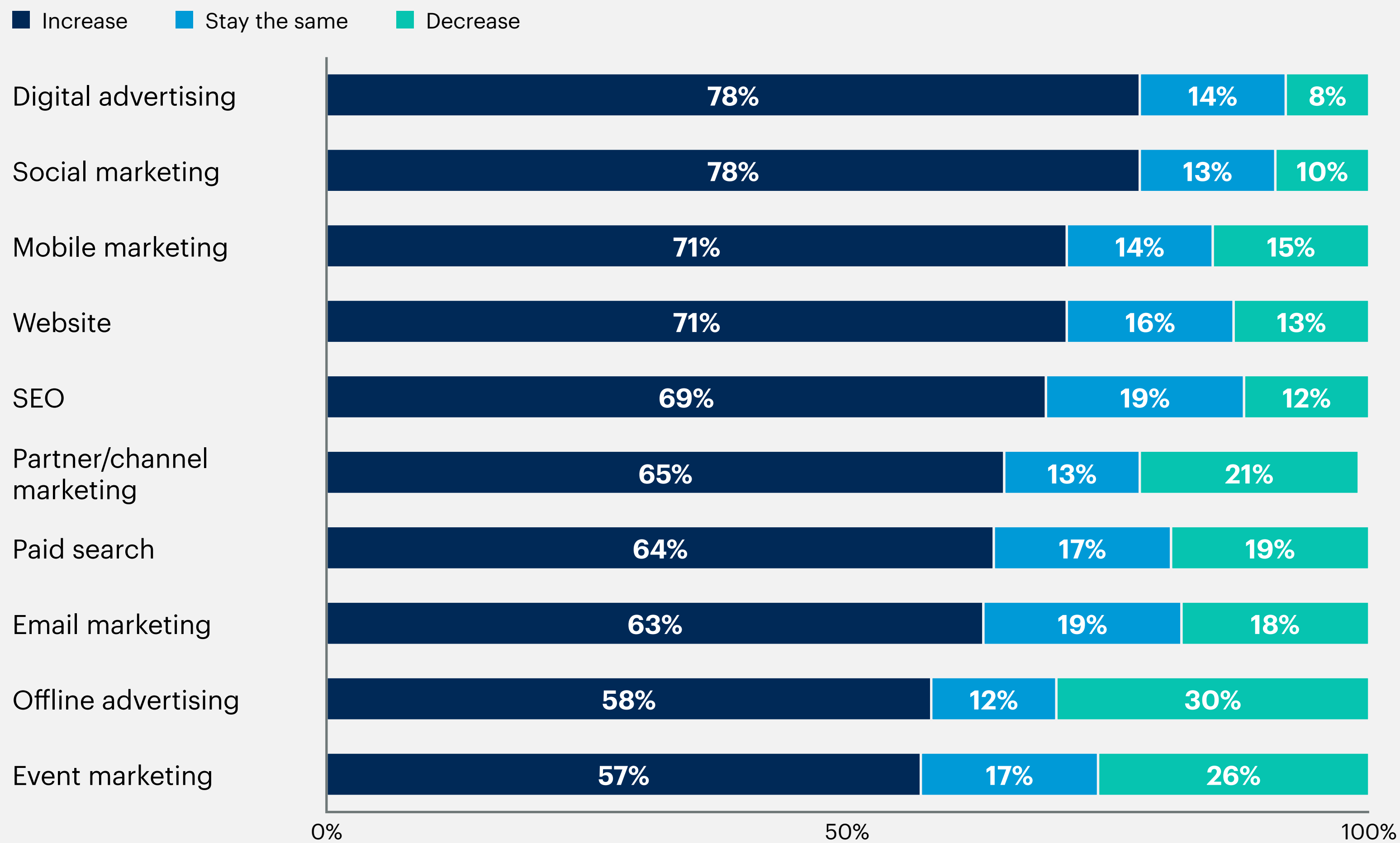
Event marketing was severely impacted by social distancing and international travel bans. Events require significant forward planning and investment, so 2020 event budgets still account for almost 9% of the total. Forty-four percent of CMOs either canceled in-person events, transitioned to virtual events, or postponed in-person events to the second half of 2020.

Offline advertising, which includes TV advertising, held ground in 2020, accounting for close to 10% of the budget. Like events, offline media planning and buying is less immediately adaptable than digital advertising. Industries most heavily impacted by the lockdown, such as travel and nonessential retail, significantly curtailed spend. Meanwhile, those sectors on the front lines of changing healthcare requirements — and customer journeys resulting from lockdown — maintained, and even increased investment in TV advertising and other offline channels. Food delivery, healthcare brands and retailers used media investments to convey vital messages to customers.

When asked what actions they took in response to COVID-19, 28% of respondents stated they had canceled a media buy. Uncertainty still abounds as many markets shift from the respond phase to the recover phase of the COVID crisis (see "Use Gartner's Crisis Framework to Plan for COVID-19 Marketing Scenarios"). Yet CMOs feel confident on the outlook for paid media in the coming 12 months: On average, 74% said they expect to increase spending on digital advertising and 66% expect to increase spending on paid search. B2C CMOs are more optimistic than B2B CMOs about projected increases across channels. For example, 78% of B2C CMOs expect to spend more on digital advertising in 2021 compared to 69% of the B2B CMOs surveyed (see Figures 5 and 6). A slightly higher percentage of B2B CMOs expect to increase spending on email marketing (67%) and paid search (66%) than B2C CMOs. Overall, this confidence may be misplaced, and solid investment intentions are likely to weaken as economic challenges following the pandemic persist.

Figure 5. B2C 2021 Marketing Budget Outlook by Channel



n = 167 B2C marketing leaders, bases vary (excludes "don't know")
Q: Compared to the current fiscal year, how do you expect your total marketing expense budget allocated across the following marketing channels to change in the next fiscal year?
Source: 2020 Gartner CMO Spend Survey
Note: Total may not equal 100% due to rounding.
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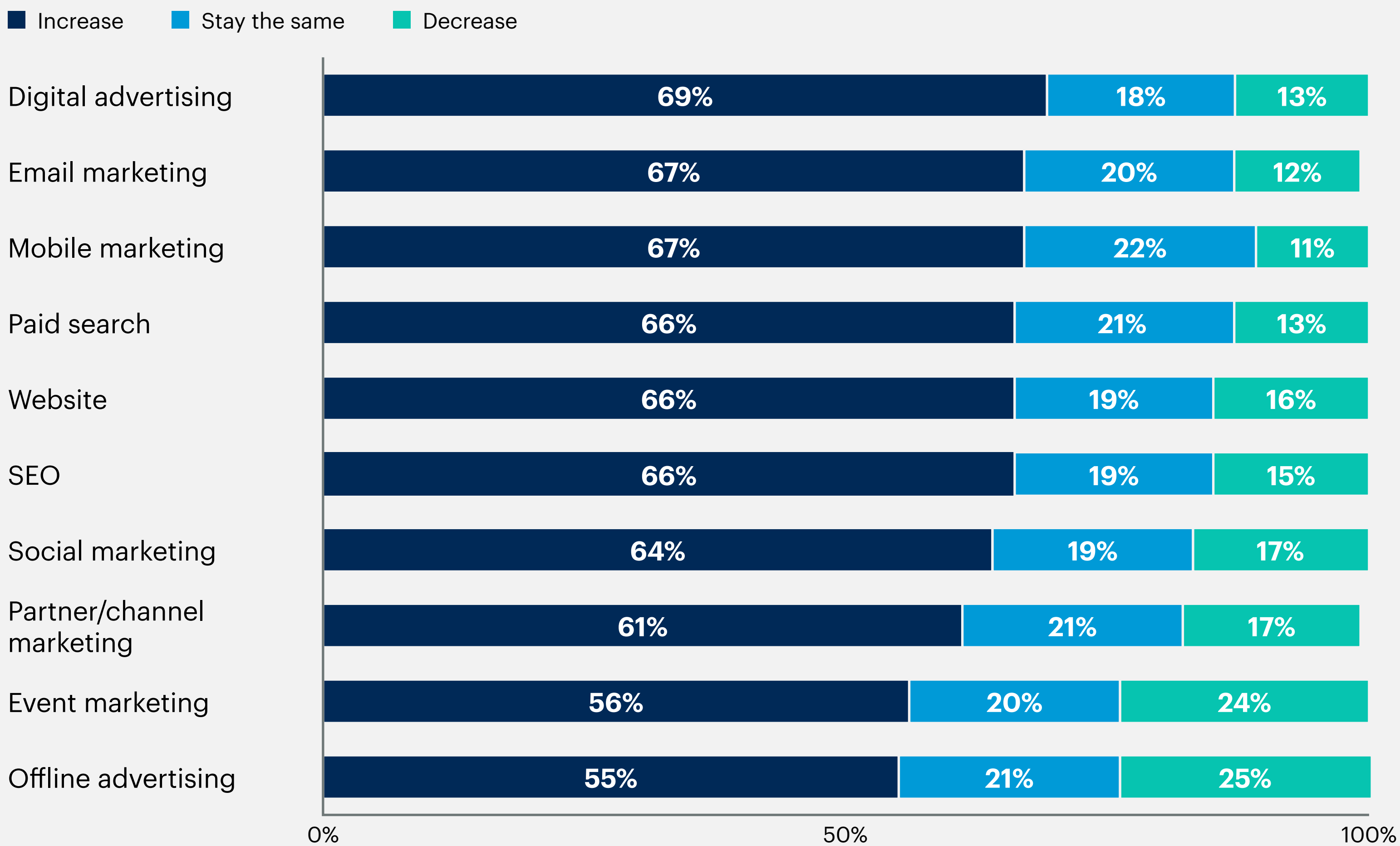
Figure 6. B2B Marketing Budget Outlook by Channel for 2021



n = 188 B2B marketing leaders, bases vary (excludes “don’t know”)
Q: Compared to the current fiscal year, how do you expect your total marketing expense budget allocated across the following marketing channels to change in the next fiscal year?
Source: 2020 Gartner CMO Spend Survey
Note: Total may not equal 100% due to rounding.
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Recommendations

- Increase agility by moving to a weekly or biweekly media planning cycle. Monitor competitor media and creative strategies and avoid being absent from markets where competitors are running media campaigns. Use programmatic buying for maximum flexibility (see “How to Advertise in Uncertain Times: Lessons From COVID-19”).
- Map channel investments and execution against evolving customer journeys. Use data and insights to rapidly test, monitor and tweak your tactics (see “Get Customer Insights Needed to Create Communications and Experiences During the COVID-19 Pandemic”).
- B2B CMOs should build and promote digital-first programming, like webinars and digital-guided selling tools, that help answer customer questions and support conversions (see “Digitally Agile B2B Brands Adapt in the COVID Crisis”).
- B2C CMOS need to prioritize transparent communications with consumers on the channels that garner authentic engagement for their products or services. Mitigate the risk of tone-deaf marketing during periods of crisis by leveraging current strengths and continuing the business priorities that reflect an understanding of consumer sentiment (see “How Digitally Agile B2C Brands Adapt in Times of Crisis” and “Guide to Addressing Cultural Tension Through Brand Activism and Social Cause Marketing”).

Methodology

Gartner's 2020 CMO Spend Survey: The purpose of this survey is to understand the marketing priorities and budget allocations of marketers to help clients benchmark, allocate spend and prioritize. The research was conducted online from March 2020 through May 2020 among 432 respondents in the United States (44%), Canada (8%), France (12%), Germany (11%) and the United Kingdom (25%). Respondents were required to have involvement in decisions pertaining setting or influencing marketing strategy and planning, as well as have involvement in aligning marketing budget/resources. Eighty-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 (55), high tech (49), manufacturing (68), consumer products (44), media (50), retail (55), healthcare providers (38), IT and business services (27), and travel and hospitality (46). The survey was 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 this study do not represent global findings or the market as a whole but reflect sentiment of the respondents and companies surveyed.

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