Gartner

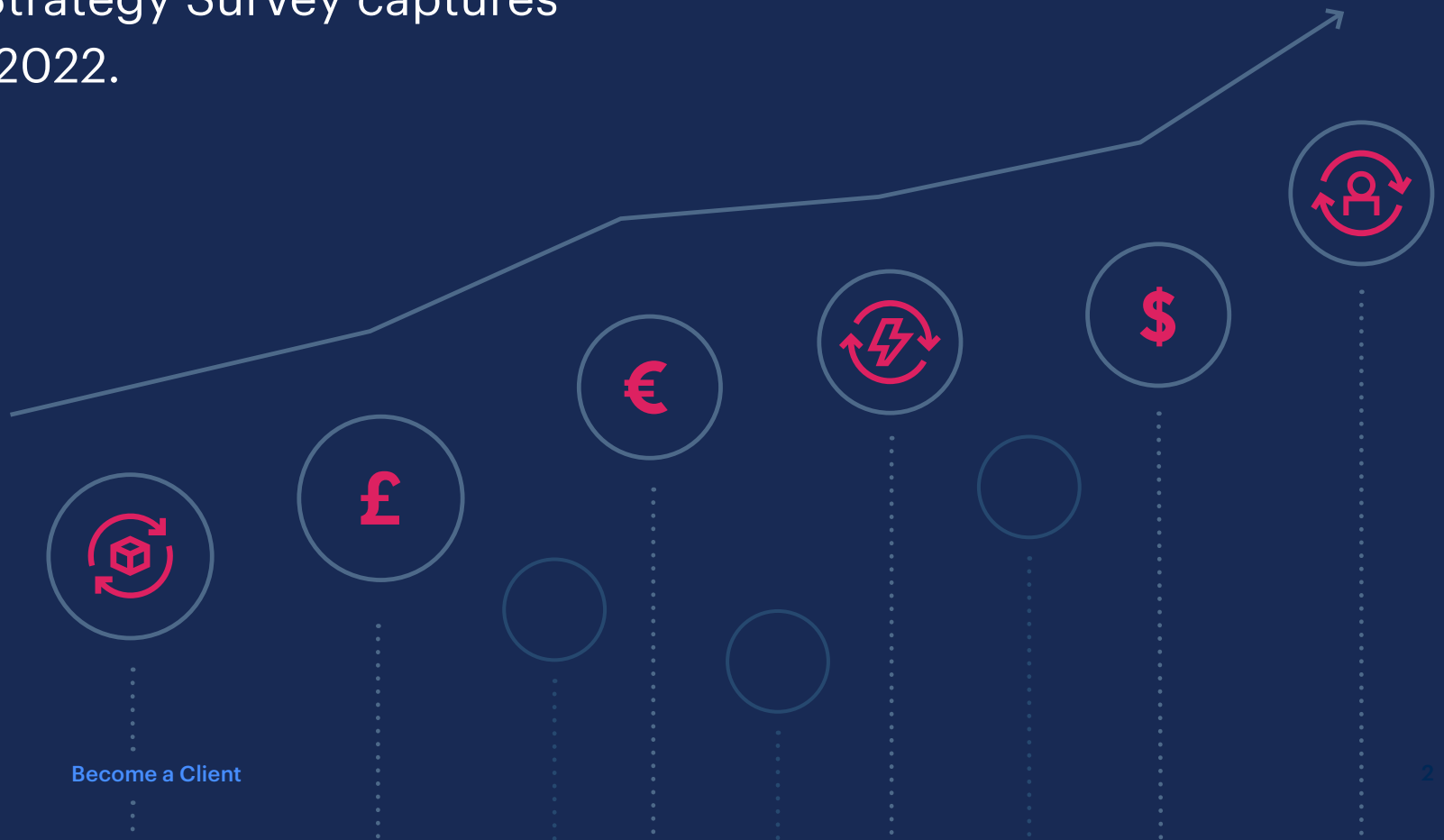
Gartner for Marketers

The State of Marketing Budget and Strategy 2022

Marketing budgets rise as share of company revenue

Following record lows in 2021, how have marketing budgets recovered? And how are CMOs allocating their budgets, as enterprises focus on growth amid financial and geopolitical uncertainty? Gartner's annual CMO Spend and Strategy Survey captures the state of marketing in 2022.

Ewan McIntyre
VP Analyst



Published 24 May 2022 - ID G00761383

Overview

Key challenges

- Marketing budgets climbed from 6.4% of company revenue in 2021 to 9.5% in 2022, but still lag behind prepandemic spending.
- Marketing channels adjust as post-lockdown customer journeys recalibrate and CMOs seek to balance awareness and performance. Digital channels account for 56% of marketing spend, while offline channels rebound.
- Fifty-eight percent of CMOs report they lack the in-house capabilities to deliver their strategy, yet spending on in-house labor is static. Meanwhile, CMOs go back to basics, prioritizing brand and campaign capabilities.

Recommendations

CMOs accountable for marketing strategy and spending decisions should:

- Use data from Gartner's CMO Spend and Strategy Survey to benchmark your marketing budget with your industry and peers.
- Assess how your marketing channel spending priorities measure up against respondents to this year's survey.
- Review how you fund marketing's key resources and capabilities. Start by looking at how your investments in people, agencies, technology and media compare with our benchmarks.

Data Insights

Gartner's annual CMO Spend and Strategy Survey takes a snapshot of marketing's budgets, spending and strategic priorities. Just as Western markets are released from COVID-19 restrictions, a plethora of geopolitical, cultural and fiscal challenges emerge. This is not the new normal that CMOs were promised, so how will marketing's plans and priorities adapt? This year's survey captures the priorities of CMOs as they grapple with a range of macroenvironmental, social and political realities.

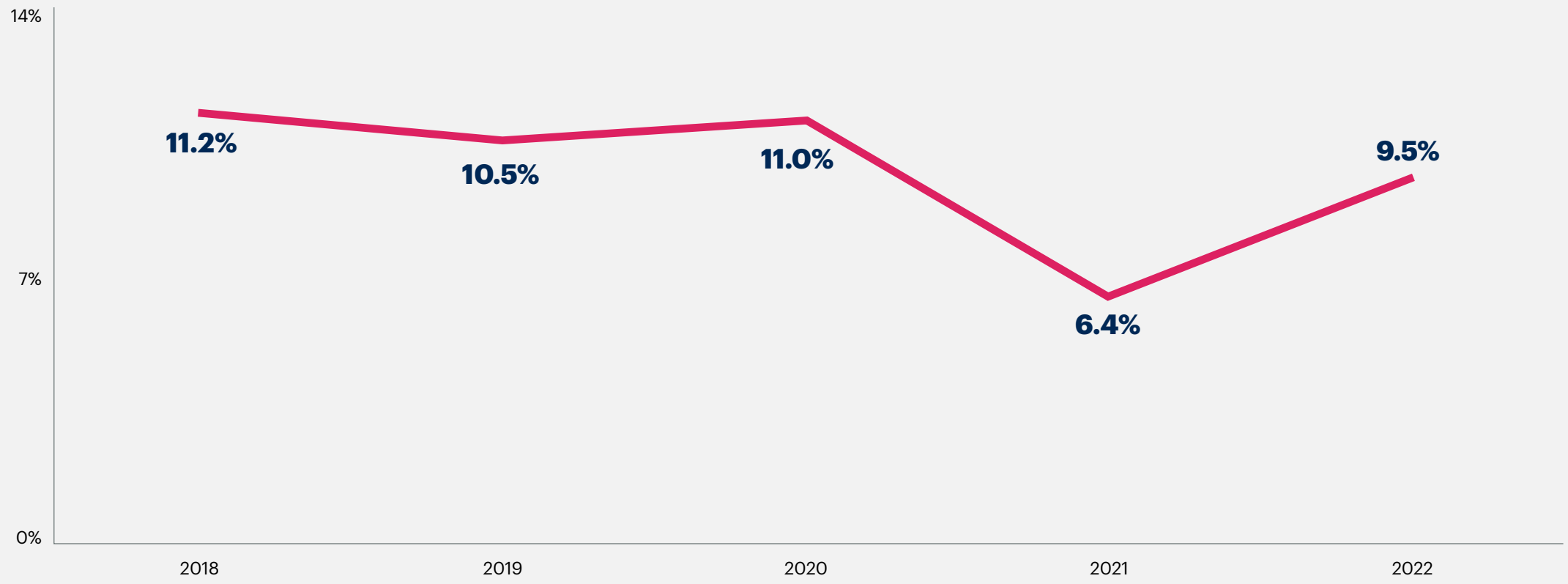
Marketing Budgets Climbed From 6.4% of Company Revenue in 2021 to 9.5% in 2022, but Still Lag Behind Prepandemic Spending

Marketing Budgets Recover From 2021's Historic Low, but Still Have Ground to Make Up

Each year we capture marketing budgets as a proportion of total company revenue. Last year's survey, taken amid the early stages of the COVID-19 vaccine rollout in North America and Western Europe, reported an unprecedented dip in marketing spend.

This year's survey reports that budgets have recovered somewhat, with the average across industries increasing from 6.4% of company revenue to 9.5% (see Figure 1). While this represents a significant climb-back, budgets still lag behind prepandemic levels — the average budget between 2018 and 2020 was 10.9%.

Figure 1: Budgets Build Back, but Lag Pre-COVID-19 Levels
Mean Percentage of Budget Shown



n = 405 CMOs (2022); 400 (2021); 342 (2020); 342 (2019); 618 (2018), excluding "don't know"
Q: What percentage of your revenue is being allocated to your total marketing expense budget in 2022?
Source: 2022 Gartner CMO Strategy and Spend Survey

Average marketing spending has increased across almost all of the industries surveyed, with some significant variances:

- **Financial Services** companies recorded the highest budget, at 10.4% of company revenue, up from 7.4% in 2021.
- **Travel and Hospitality,** an industry heavily impacted by COVID-19 lockdowns, reported a significant budget increase, from 5.4% in 2021 to 8.4% in 2022.
- **Tech Product** CMOs reported the largest increase in budget year over year, jumping from 5.0% in 2021 to 10.1% in 2022. It should be noted that the 2021 Gartner Technology Marketing Benchmarks Survey (which surveyed 500 hardware, software and service companies) reported average tech marketing as 8.5% of company revenue.

Consumer Brands See Budgets Stagnate as Inflation Starts to Bite

While eight out of the nine industries surveyed reported budget increases, spending for CMOs in consumer goods firms has stagnated, moving from 8.3% in 2021 to 8.0% in 2022. This means that consumer goods has fallen from the highest reported budget across industries in last year's survey to the lowest this year.

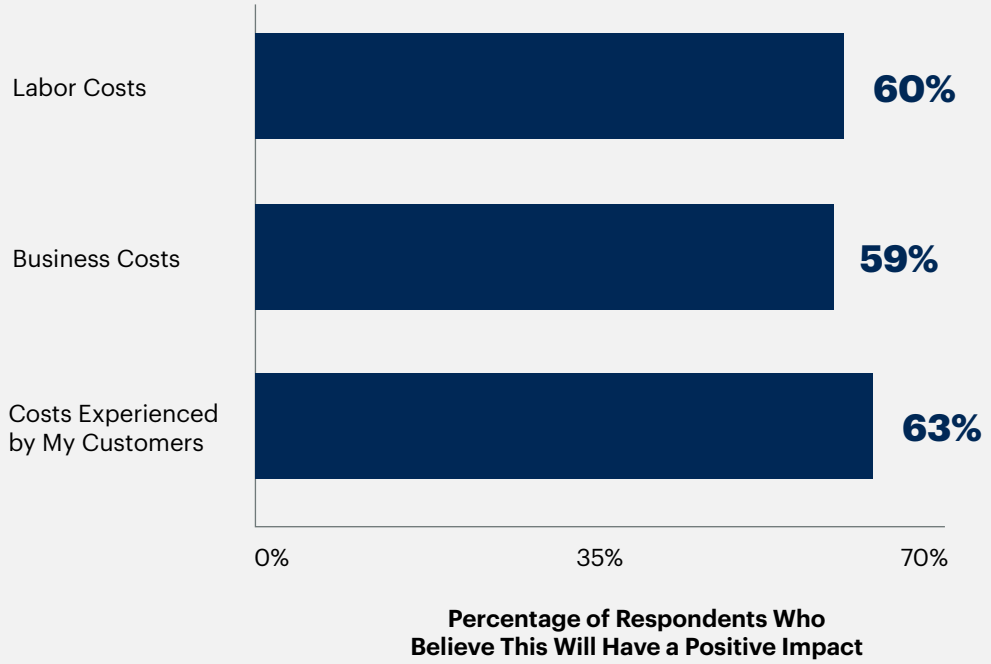
Inflationary pressures have already started to hit consumer goods brands, an industry that traditionally operates with slim margins and tight supply chains.[1] As the cost of living increases, price-sensitive consumers are forced to make fast and difficult decisions, with potentially negative consequences for brands (see Consumers Begin to Blame Companies for Price Increases). In markets such as the U.K., consumer confidence has fallen below levels seen in the 2008 financial crash.[2] The result is that prices are rising and consumer spending is being squeezed.[3] Consumer goods giant Unilever recently reported that it has raised its prices by 8%, impacting the volume of goods sold.[4] Early predictions that inflation would be transitory appear to be optimistic, and cost pressures are likely to be a feature throughout 2022.

The Majority of CMOs Shrug Off Fiscal and Geopolitical Uncertainty

Consumer goods may represent the canary in the coal mine — an early indication of budgetary challenges that are coming down the line for other industries. If this is the case, it appears that CMOs are not heeding the warning signs. Despite inflation, the Russian invasion of Ukraine, supply chain issues exacerbated by China's lockdown measures and unprecedented talent competition, CMOs appear sanguine.[5]

In the face of a barrage of bad news, CMOs hold on to a belief that their own economic outlook is strong. For example, the majority of CMOs surveyed thought inflationary pressures hitting their business and their customers will have a positive impact on their strategy and investment in the year ahead (see Figure 2).

Figure 2: Macroeconomic Challenges — Marketing's Cognitive Dissonance



n = 405 CMOs
Q: What level of impact do you expect each of the following to have on your 2022 marketing investment and strategy as compared to 2021?
Source: 2022 Gartner CMO Spend and Strategy Survey

These results reveal a potentially dangerous state of marketing cognitive dissonance. Those distanced from the epicenter of geopolitical and fiscal upheaval feel impervious to its potential impacts. However, the shockwaves of disruption and uncertainty will be experienced by all, and a recession looks increasingly likely in 2022 across major Western markets.[6]

In previous years, marketing has been caught off guard by fiscal and budgetary shocks. For example, 2020's CMO Spend Survey, fielded in the early stages of the pandemic, painted a picture of a marketing function in denial, ill-prepared for COVID-19's impacts on their business and their budgets. A lack of preparedness for a global pandemic was understandable — it was the epitome of an unprecedented event. While inflation is not a new phenomenon, almost all business leaders in North America and Europe will have no experience whatsoever of leading their function in an inflationary environment. And while some will have weathered the storms of the 2008 Great Recession, the combination of slowing growth and rising costs creates a particularly challenging situation, not seen in many markets for decades.

It's imperative that 2022's budget optimism must turn to budget optimization. And while the best time to plan for fiscal uncertainty was yesterday, the next best time is today. Start by building scenario plans, looking at potential downstream implications of fiscal and geopolitical upheaval (see Ignition Guide to Conducting Scenario Planning for Marketing).

Digital Accounts for 56% of Marketing Spend, but Offline Channels Rebound, as Journeys Recalibrate and CMOs Balance Awareness and Performance

Hybrid Marketing Replaces Digital-First as Customer Journeys Change (Again)

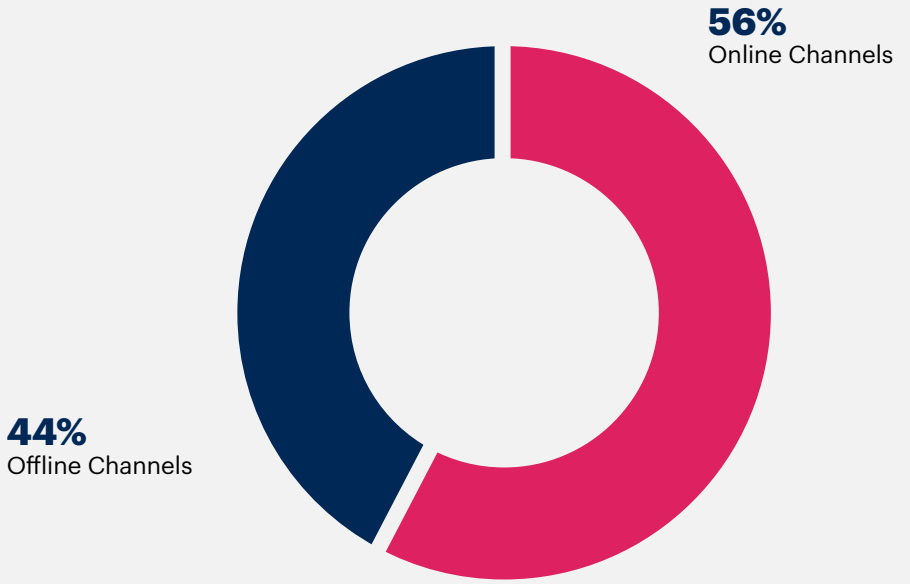
CMOs have made the shift from digital-first to hybrid multichannel strategies. When CMOs were asked to report the proportion of their 2022 budget allocated to online and offline channels, online channels took the largest share (56%). However, offline channels account for almost half the total available budget (see Figure 3) — a more equitable split than in recent years.

So, why hybrid, and why now? Gartner identified customer journey orchestration as a strategic marketing theme in 2022, reflecting the speed of change and growing complexity of multichannel journeys (see Understand the 4 Key Themes Driving Marketing Strategies in 2022). In simple terms, brands need to meet the customer where they are, not where brands wish them to be. This requires tools and competencies to understand increasingly complex and changeable customer journeys. It requires the capability to deploy the right message through the right channel (be it online or offline) at the right time. And it requires an agile marketing function, able to flex plans when journeys inevitably change.

In 2020 and 2021, CMOs moved their budget to online channels as a response to COVID-19 lockdown restrictions. As Western Europe and North America relax pandemic protocols, customer journeys have recalibrated, and funds flowed back to offline channels. An evolving channel mix has also challenged some of the biggest digital winners of the last couple of years. Evidence for this can be seen in YouTube's reported advertising revenue, which missed market expectations in 1Q22 as the company faces stiff competition from other online channels.7 This recalibration reflects the essential truth of hybrid multichannel marketing — customers must always come before channels.

Figure 3: Marketing Allocates More Than Half Its Budget to Online Channels

Total Marketing Budget Allocations Across Online and Offline Channels



n = 404 CMOs, excluding "don't know"
Q: What percent of your 2022 total marketing expense budget is allocated to digital channels versus offline channels?
Source: 2022 Gartner CMO Spend and Strategy Survey

Social and Search Advertising Are Top Areas of Digital Spending in 2022

How are CMOs prioritizing their channel mix in service of hybrid journeys in 2022? Starting with digital channels, when we look at budget allocations across paid, owned and earned channels, paid digital media accounts for more than 60% of total digital spend. Looking at the average spend across industries, social advertising tops the list, closely followed by paid search and digital display (see Figure 4).

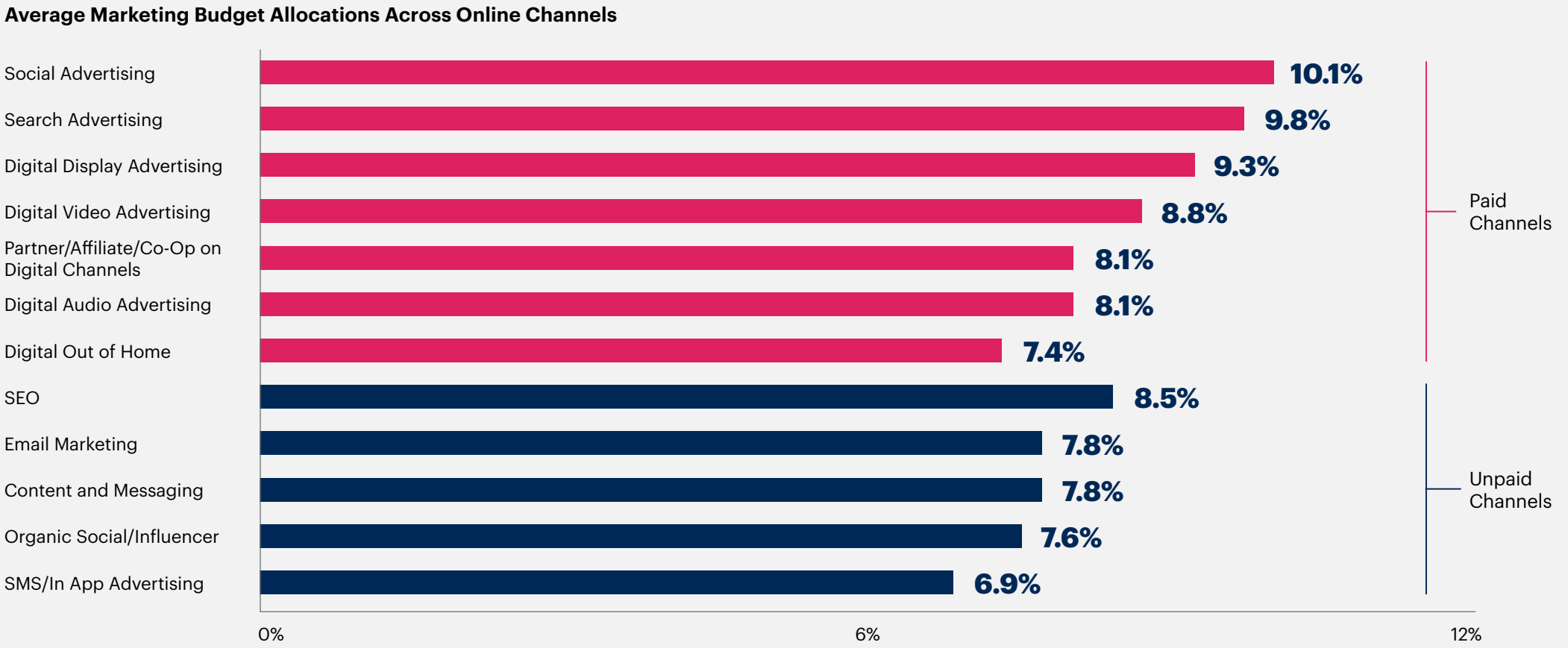
Social advertising is a logical choice for marketers in 2022, as relative newcomers such as TikTok thrive and even long-established channels like Facebook see user numbers recover.8 Social channels continue to offer an opportunity for brands to get highly targeted messages in front of audiences at scale. But CMOs should be aware that growth in daily users will not directly correlate with growth in the total available audience, or in the quality of engagement. Users are likely to be multihoming — regularly using many platforms at the same time, with varying use cases and levels of engagement across platforms. Social channel strategies require balance and nuance to deliver the appropriate message at the right time (see Where to Invest Your Paid Social Media Budget).

While the top three digital channels feature in the multichannel plans of all industries surveyed, significant variances in channel allocations are apparent. The attached PowerPoint includes a detailed industry breakdown. Key highlights include:

- **Consumer goods and retail brands** allocate the highest proportion of their digital budget to social advertising.
- **Financial services brands** spend more on email marketing than other digital channels.
- **Healthcare brands** allocate the biggest share of their digital budget to search advertising.

While paid digital media dominates, further customer journey orchestration will be needed in the year ahead. Third-party cookie data has fueled digital media investment for more than a decade. As cookies become obsolete, marketing strategies will have to adapt, shifting focus from using third party data for targeted ads to acquiring and nurturing first-party data (see Google to Drop Cookies, but Still Hold the Cards).

Figure 4: More Than 60% of Digital Spend Allocated to Paid Channels



n = 400 CMOs with budget allocated to online channels. Bases vary by channel.
Q: How is your 2022 total marketing expense budget allocation for digital channels being allocated to or spent on each of the following digital channels?
Source: 2022 Gartner CMO Spend and Strategy Survey

Spending in Events and Sponsorship Bounces Back Post-Lockdown

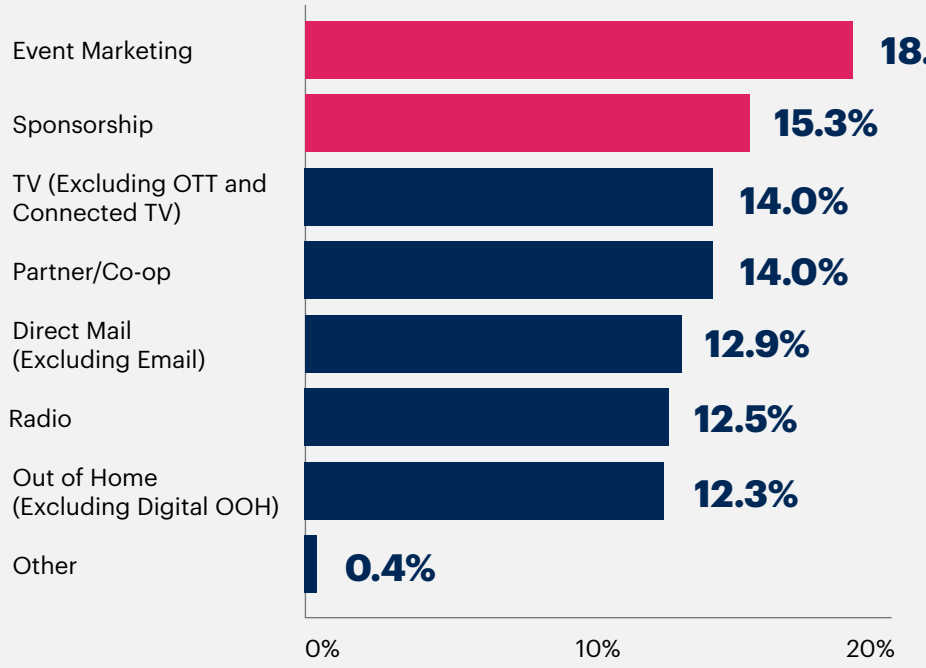
Gartner research from late 2020 identified the marketing channels most likely to be cut amid the heat of pandemic austerity.9 Events and sponsorships were logical choices in the face of lockdown and social distancing measures. Eighteen months later, and both channels are enjoying a budget comeback, with events accounting for almost one-fifth of the total budget when cut by offline spend (see Figure 5).

B2B respondents outspend B2C when it comes to events, allocating 21.9% of their offline budget compared with 16.4%. The largest area of offline budget spend for B2C is TV (excluding OTT and connected TV), accounting for 16.7%.

The flight to digital over the last two years has often resulted in media plans that are mismatched with campaign goals and channel realities. Offline's fightback illustrates the need for marketing budgets to support a range of objectives across multiple channels. CMOs must balance the need to build long-term value through brand awareness and sentiment while supporting near-term revenue generation and ROI. This year's survey reports an aspiration for a more balanced approach. When we asked how CMOs allocate budget to fund brand awareness, engagement and performance marketing, they reported that:

- 50.1% of their budget is spent on brand awareness and engagement.
- 49.8% is spent on performance media.

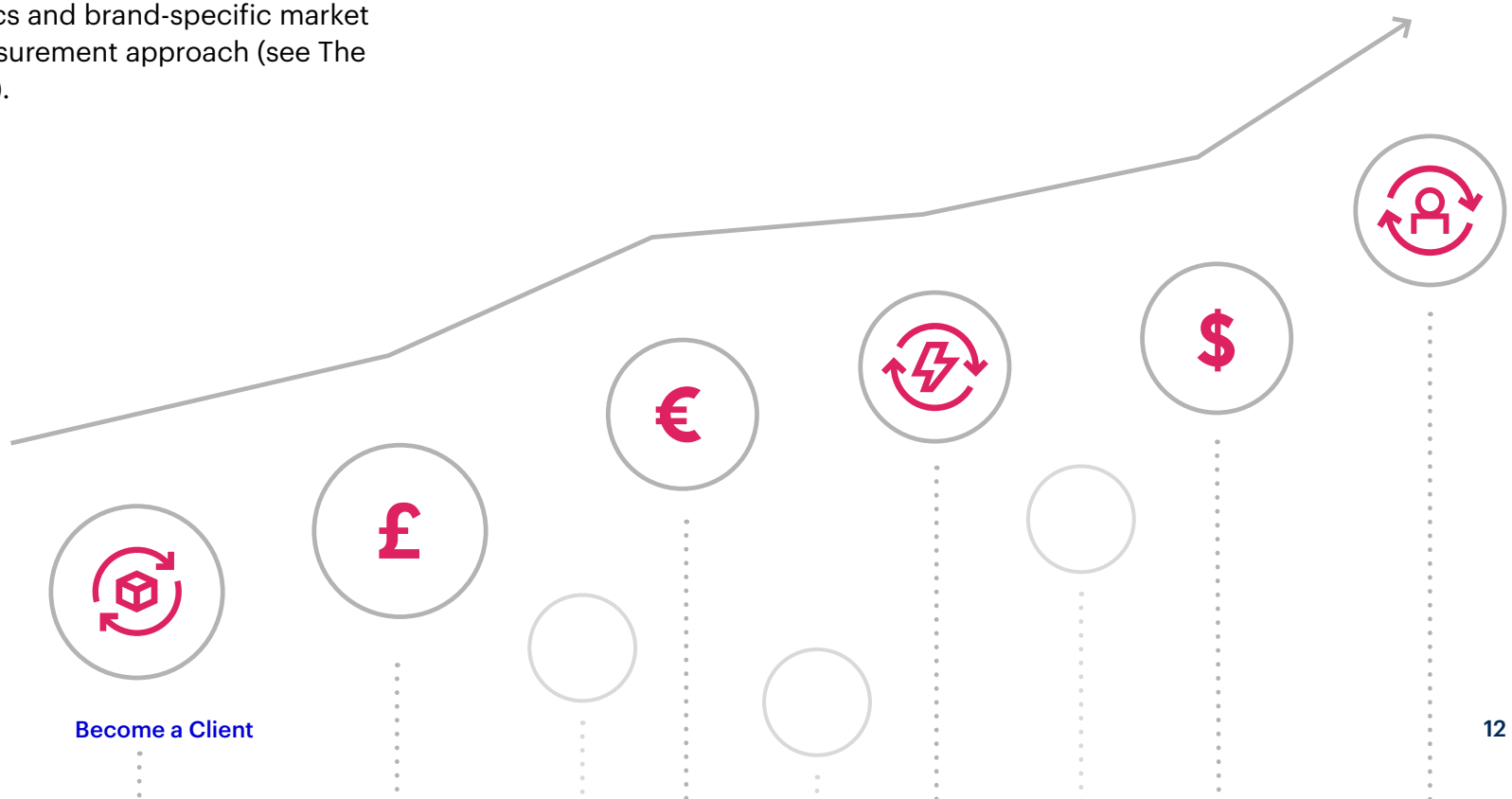
Figure 5: Events and Sponsorship Investment Bounces Back



n = 397 CMOs allocating budget to offline channels
Q: How is your 2022 total marketing expense budget allocation for offline channels being allocated to or spent on each of the following offline channels?
Source: 2022 Gartner CMO Spend and Strategy Survey
Note: Figures may not total 100% due to rounding.
OTT: over the top

While this is an equal allocation, is it an equitable one? The only right level of channel investment is the one that supports your unique business goals. But consider that your customers only transact with your brand a small proportion of the time. Allocating half your budget to performance channels may give the illusion of equity, but may also result in an unbalanced portfolio that favors near-term conversions and stymies long-term awareness and growth. On the flip side, spending half your budget on brand and awareness but being ill-equipped to measure and optimize investment may divert essential funds from channels that support demonstrable value. CMOs must align strategy and spend, taking into account market size dynamics and brand-specific market share to determine the optimal media and measurement approach (see The Gartner Media Strategy Playbook for Marketers).

Marketing Capabilities and Resources: CMOs Confident on Brand Capabilities, but 58% Lack In-House Resources



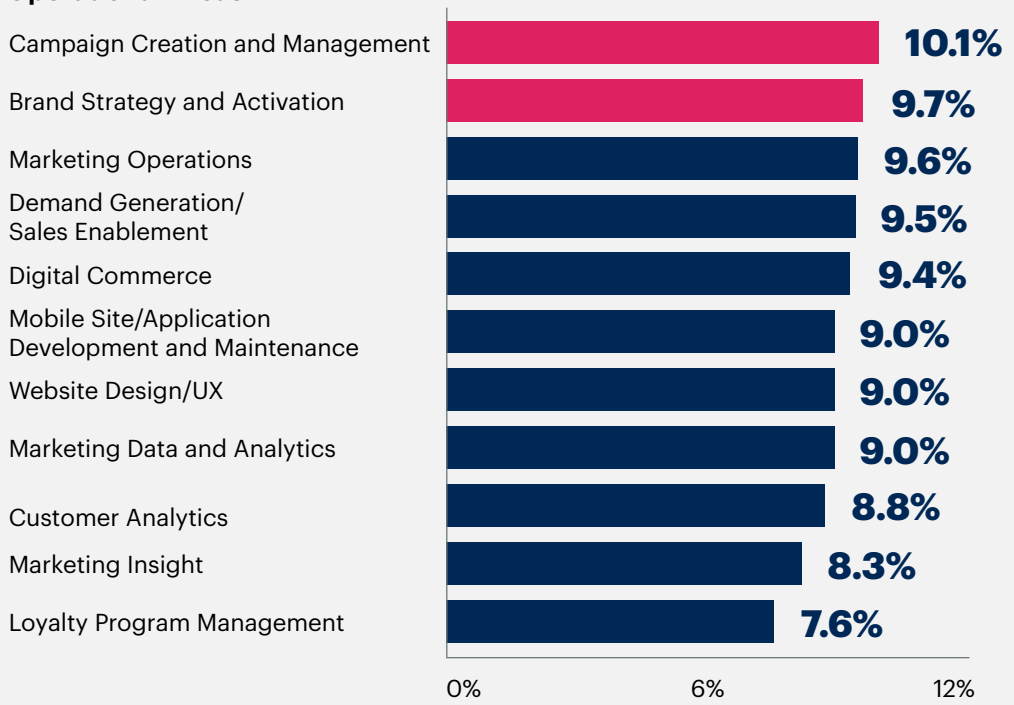
Campaign and Brand Capabilities Replace Digital Commerce as Top Areas of Program Spend, as Marketing Goes Back to Basics

Each year, we ask CMOs to report their budget allocations across marketing's programs and operational areas. In 2021, digital commerce topped the list, reflecting that B2C and B2B companies had to ramp up investment in online sales channels to serve customers through continued pandemic restrictions.

In 2022, digital commerce remains a priority, but falls to fifth position in the ranking (see Figure 6) as post-lockdown buying journeys adjust and the need for fast-track investment and capability building recedes.

Digital commerce's top spot has been taken by campaign creation and management, closely followed by brand strategy and activation and marketing operations. It could be argued that this represents a back-to-basics approach — a return to marketing's core value proposition; building awareness and engagement through compelling brands and effective campaigns that connect with customers, tie strategy to execution and deliver results.

Figure 6: Campaigns and Brand Top Marketing Program Spend



n = 401 CMOs, excluding "don't know"
Q: How is your 2022 total marketing expense budget being allocated to or spent on each of the following marketing programs and operational areas?
Source: 2022 Gartner CMO Spend and Strategy Survey

CMOs' Core Priorities Match CEO's Goals, but 58% Lack the In-House Capabilities to Deliver Their Strategy

So what do marketing's powerful stakeholders need CMOs to focus on? Gartner's 2022 CEO and Senior Business Executive Survey asked about the priority issues CEOs require CMOs to focus on in the year ahead (see Figure 7). CEOs clearly articulated that also have embraced the back-to-basics ethos. They need CMOs to focus on customer acquisition and retention while building and maintaining strong brands. In short, they need marketing to deliver campaigns and brands that deliver value and results.

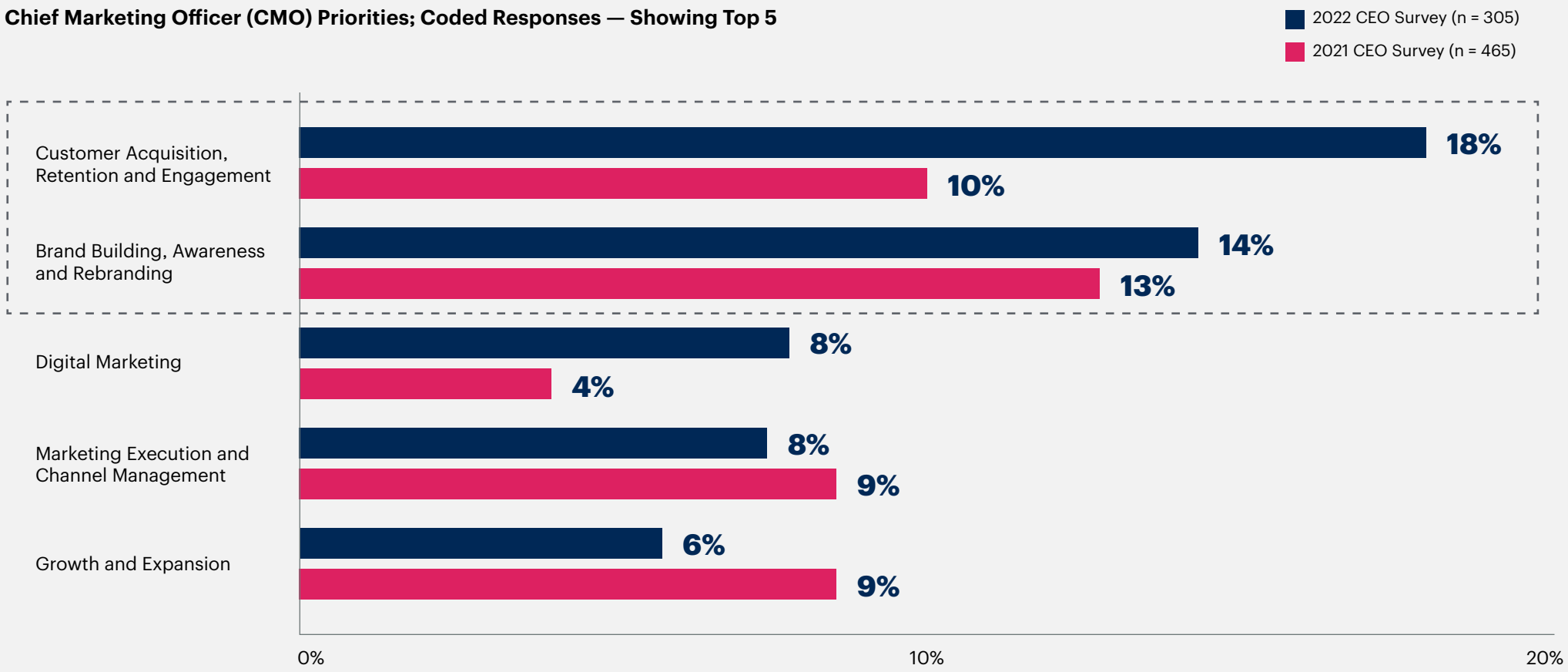
CEO/CMO alignment is a positive story, but elsewhere marketing's capability mix presents CMOs with a complex and often challenging situation. For example, CMOs report that they are confident in their capabilities to manage brands (brand was one of the lowest-ranked capability gaps in the survey), but strategically important capabilities gaps persist:

- **Marketing data and analytics** — 26% of CMOs placed this as a top three capability gap
- **Customer understanding and experience management** — 23% of CMOs placed in the top three
- **Marketing technology** — 22% of CMOs placed in the top three

These specific instances speak to a larger resource challenge for CMOs, with the majority (58%) of CMOs reporting that their teams lack the capabilities required to deliver their strategy.

Marketing is experiencing a historic surge in talent demand in 2022 (see Hiring Top Digital Marketing Talent in a Competitive Environment). Prioritizing marketing's resource mix should be a mission-critical priority for CMOs in order to attract and retain the capabilities they need to deliver against their CEO's goals. This goes beyond organizational design adjustments — it requires a fundamental overview of marketing's operating model (see 4 Steps to Bridge the Strategy-Execution Gap With Adaptive Capabilities).

Figure 7: CEOs Prioritize Customer Acquisition and Brand for CMOs



n varies, all respondents
Q: In next 6 to 12 months, what is the #1 issue you or your CEO is pushing each of your executives to focus on, within their respective functional specialism?
Source: 2022 Gartner CEO and Senior Business Executive Survey

CMOs' Resource Mix Largely Unchanged, Despite Talent and Capability Challenges

How are CMOs tweaking their resource mix to account for unprecedented talent challenges and significant capability gaps? The answer is that little has changed year over year when it comes to top-level allocations to labor, agencies, technology and media (see Table 1). Looking further back to previous surveys, it's surprising how little has changed — for example, agency and labor spend are stubbornly static. This is despite in-housing aspirations and expanding marketing accountabilities, with 54% of CMOs reporting that the function is growing in scope.

CMOs' reticence to reappraise spending on the major resource areas has near-term and longer-term implications. Near-term, in-house capability gaps mean marketing teams must continue to lean on agencies and vendors for support, whether they want to or not.

Longer-term, the majority of CMOs know that they must make large-scale changes to marketing, with 71% of respondents agreeing that they need to reevaluate the role the function plays to achieve their long-term vision. To achieve that vision, CMOs must lean in to their role as change agent, reimagining and reappraising the components required to drive the marketing machine.

Table 1: Marketing's Resource Mix Largely Unchanged Year Over Year

	2021	2022
Agencies and Services	23.0%	23.7%
Paid Media	25.1%	25.7%
Labor	25.0%	24.9%
Marketing Technology	26.6%	25.4%

Source: Gartner

Actionable, objective insight

Explore these additional complimentary resources and tools for marketing leaders:

Research

The Future of Marketing Organizations

Adapt your marketing org structure to a changed environment.

Download Research

Webinar

The Gartner CMO Spend Survey 2022: The State of Marketing Budget and Strategy

Dive deeper into this year's survey in our complimentary webinar.

Watch Webinar

Podcast

#Hashtags: The Gartner Marketing & Communications Podcast

Get insight into the latest marketing trends. (Available on Spotify, Apple or Google)

Listen Now

Conference

Gartner Marketing Symposium/Xpo™

The World's Most Important Gathering of CMOs and Marketing Executives™

View Calendar

Already a client?
Get access to even more resources in your client portal. Log In

Connect With Us

Get actionable, objective insight to deliver on your mission-critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. Contact us to become a client:

U.S.: 1 855 811 7593

International: +44 (0) 3330 607 044

Become a Client

Learn more about Gartner for Marketers

gartner.com/en/marketing

Stay connected to the latest insights

Gartner