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Gartner for Marketers

# The State of Marketing Budgets 2021

Insights From Gartner's Annual CMO Spend Survey



Marketing budgets as a percentage of revenue have fallen to their lowest level in recent history. Meanwhile, marketing leaders continue to reprioritize channels, programs and resources. Use this research as your essential guide to the data and insights from Gartner's 2021 CMO Spend Survey that will help you secure and allocate the resources necessary to achieve your strategic objectives.

### Key Findings

- Marketing budgets as a proportion of company revenue have fallen from 11% in 2020 to 6.4% in 2021, their lowest point in the history of Gartner's CMO Spend Survey.
- Pure-play digital channels account for 72.2% of the total marketing budget, with CMOs indicating that they're shifting offline budgets into digital spend.
- 29% of work that was previously carried out by external agencies has been moved to in-house teams over the last 12 months. CMOs have focused in-housing efforts on high-value, strategic capabilities such as brand strategy, innovation and technology.

Gartner's annual CMO Spend Survey captures a snapshot of marketing's budget, spending and strategic priorities. This year's survey finds CMOs at a difficult juncture — budgets and resources are constrained, but marketing needs to demonstrate how it can support the enterprise's growth and transformation ambitions.

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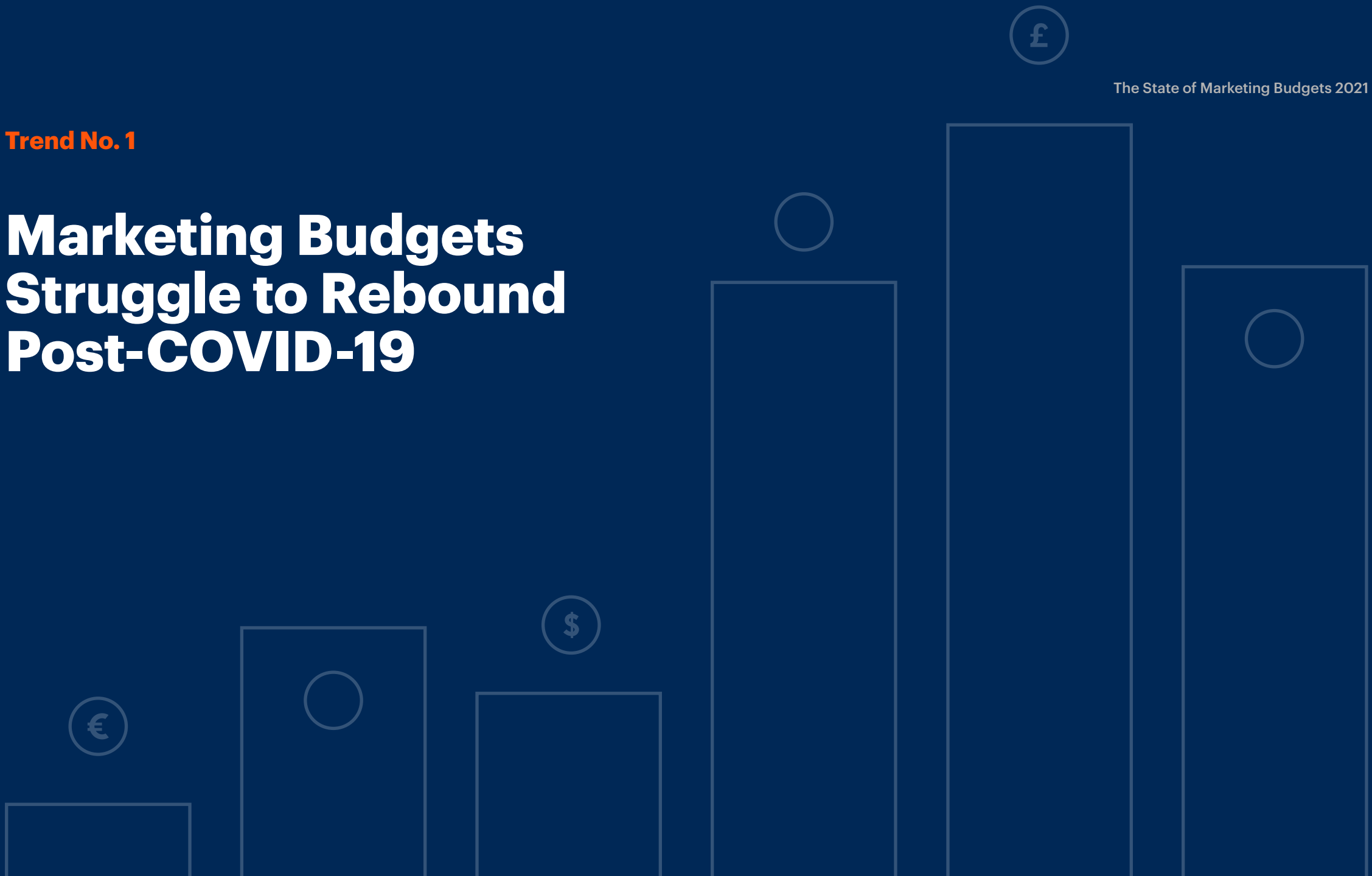
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Trend No. 1

# Marketing Budgets Struggle to Rebound Post-COVID-19



## Trend No. 1

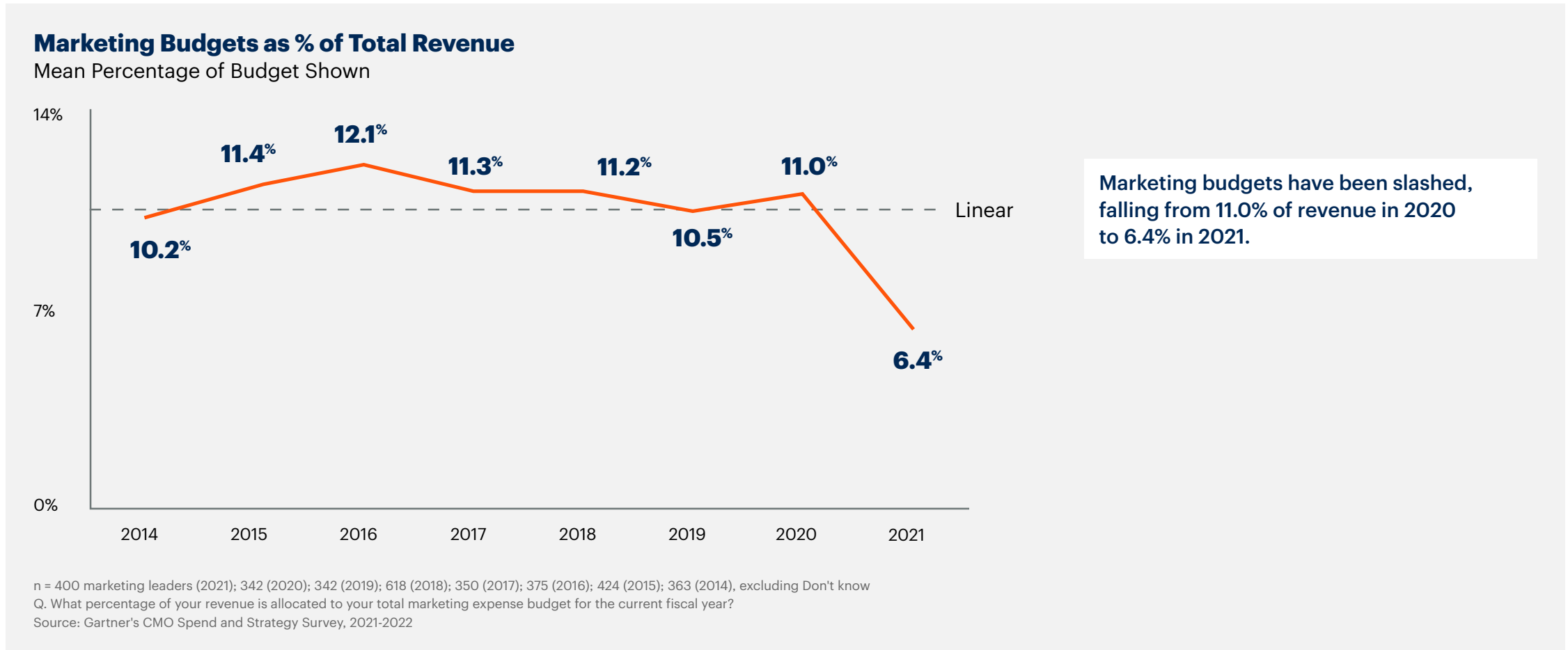
### Marketing Budgets as a Proportion of Revenue Down From 11% in 2020 to 6.4% in 2021

Throughout 2020, as the immediate impact of the COVID-19 crisis jolted businesses across the globe, Gartner reported that the majority of CMOs faced an in-year budget cut,<sup>1</sup> with some cuts well above 15% of the total marketing budget. Nonetheless, most CMOs anticipated a swift recovery and expected budgets to bounce back in 2021. Data from [Gartner's CMO Strategic Priorities Survey 2020-2021](#) reported that 56% of CMOs expected budget growth of more than 5% in 2021, with respondents positive even if COVID-19 had negatively impacted their business's performance.

But such a swift return to prepandemic funding levels proved elusive for many marketing organizations. Gartner's CMO Spend Survey takes a snapshot of the proportion of company revenue that's allocated to marketing. This year's snapshot revealed that the proportion of company revenue allocated to marketing had fallen from an average of 11.0% in 2020 to just 6.4% in 2021 — a cut of 4.6 percentage points. This is the lowest proportion allocated to marketing in the history of Gartner's CMO Spend Survey.

## Trend No. 1

Figure 1





## Trend No. 1

These results reflect ongoing downward pressure on marketing spend induced by the pandemic, but also the variability and volatility associated with rapid digitization and enterprise resource allocation decisions. In the first instance, several factors combined to ill effect on marketing budgets:

- Marketing budgets have always been the first of the enterprise budgets to be cut and the last to be restored.
- CFOs have become comfortable with the lower cost base that spending cuts in marketing, alongside savings on real estate and travel costs, have yielded.
- CMOs proved that they could do more with less, curbing spending on events, agencies and ad budgets in the face of a crisis.

This year's survey captures marketing budgets following a prolonged period of multiple, decremental budget cuts. For many, there's not been a single, joltingly precipitous drop in budget, but rather a steady erosion of marketing's funds. And so far, the enterprise has proved to be slow in replenishing marketing's depleted coffers.

One reason is that the impact of near-term marketing budget cuts on brand awareness and consideration are often not immediately appreciated by marketing's stakeholders in the enterprise. CMOs need to demonstrate in their next budgeting cycle that the illusion of savings today presents a significant risk to tomorrow, as brands lose customer relevance, share of voice, and the ability to reach customers with targeted and timely messages.

For further help and guidance on how to deal with the impact of budget challenges, see [Gartner's Strategic Cost Optimization Resource Center](#).

Trend No. 2

# Marketing Budgets Squeezed Across All Industries





## Trend No. 2

### Marketing Budgets Squeezed Across All Industries

Cuts impacted marketing budgets across all nine industries tracked in our survey, with no industry holding a budget of more than 9% of revenue in 2021. Meanwhile, CMOs in categories that were hit hard by the pandemic, such as travel and hospitality, faced significant belt-tightening. This is compared with budgets as a proportion of company revenue down from over 10% to just 5.4% in 2020. Of the nine industries in the survey, CMOs from consumer products companies reported the strongest 2021 marketing budgets at 8.3% of revenue. Still, that was a decrease from the prior year, showing that no industry was immune.

## Trend No. 2

Figure 2



## Trend No. 2

With increased optimism in the U.S.<sup>2</sup> and other major markets, these cuts may appear mismatched with enterprise sentiment. However, the COVID-19 crisis was a turning point for many businesses, regardless of industry. Business leaders responding to Gartner's annual CEO and Business Executive Survey<sup>3</sup> firmly placed growth as their top strategic business priority for the next two years, and their sights are fixed on digital business as a path to growth.

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**As the enterprise accelerated investments in digital business, they shifted spending priorities. Gartner's 2021 CEO Survey reported that increased investments in digital business capabilities has come at the expense of functions like marketing, where CEOs have deprioritized and defunded.**

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That said, a direct reduction in enterprise expenditures for marketing-owned activity is not the only reason for these results. The volatility associated with a rapid digitization of commercial activity, and renewed commitments to customer centricity can also induce organizations to shift budget for such activity outside the control of a CMO. For example, CEOs state the top focus points for their Chief Digital Officers (CDOs) in 2021 include customer experience and e-commerce. As these capabilities move to be enterprise digital business initiatives, a CMO's accountability and budget authority may give way to mere supporting roles. Therefore, CMOs must not only focus on how to reclaim the wholly cut resources needed to achieve their objectives but also continuously justify their ownership in both budget and delivery of critical business priorities.

Trend No. 3

# Pure-Play Digital Channels Dominate

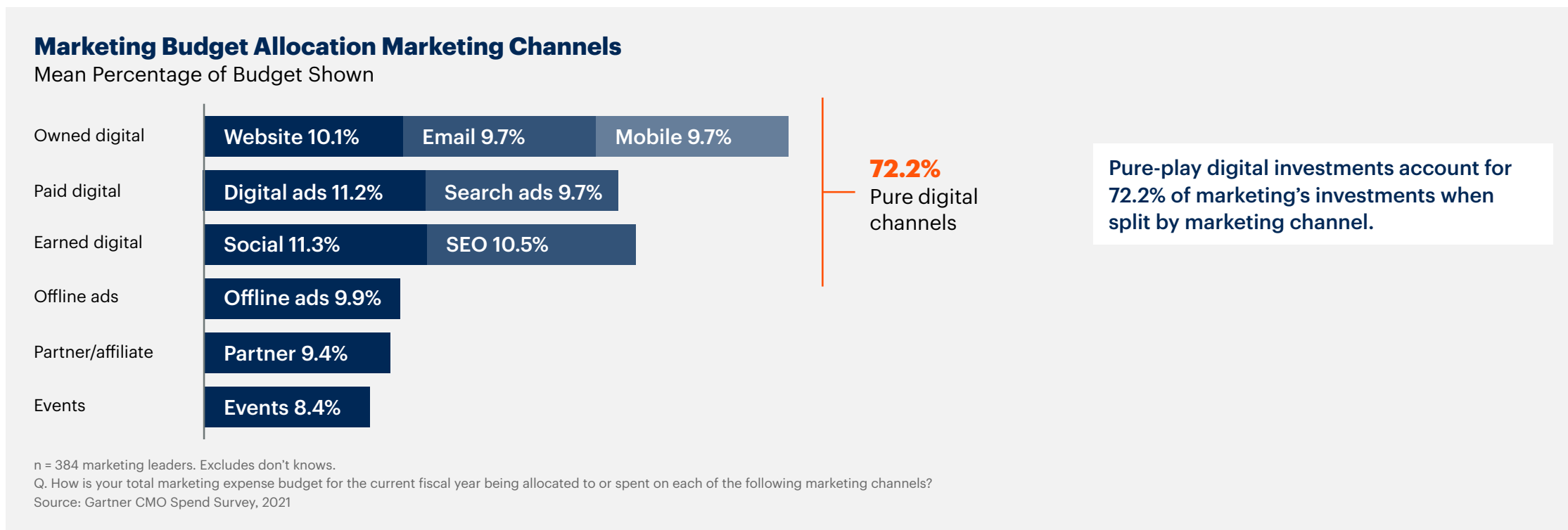


### Trend No. 3

#### CMOs Reprioritize Channel Spending — Pure-Play Digital Channels Dominate

Facing a reduction in resources, CMOs have reprioritized the spending commitments across their channels and programs. Investments in pure-play digital channels, be they owned, paid or earned dominate CMOs' investment priorities, accounting for 72.2% of the total marketing budget.

Figure 3



## Trend No. 3

Looking at the budgets that have benefited from increased investment year-over-year, social marketing, SEO and digital advertising topped the list of channel winners reported by CMOs. Offline advertising, mobile marketing and events were the most likely to have faced a cut in budget when compared with 2020's spending.

What part do budgetary challenges play in shifting channel priorities? When asked what's driving channel reallocations in 2021, only 24% of respondents stated that they'd prioritized to reduce costs. CMOs' top responses were:

- 1 To better meet the pace of change brought on advances in digital technology (47%)
- 2 To improve brand awareness (40%)
- 3 To gather data-driven insights from digital channels (39%)

This reflects the fact that customer journey disruptions brought about by the pandemic have prompted CMOs across industries to question long-held beliefs on the relative value of their channel investments. Channels that have traditionally been seen as drivers of **awareness**, such as TV or out of home (OOH), are now vying for budget alongside those that have been considered as **performance marketing channels**, such as search and social advertising.

Trend No. 4

# In-Housing Shifts From Tactical to Strategic Capabilities



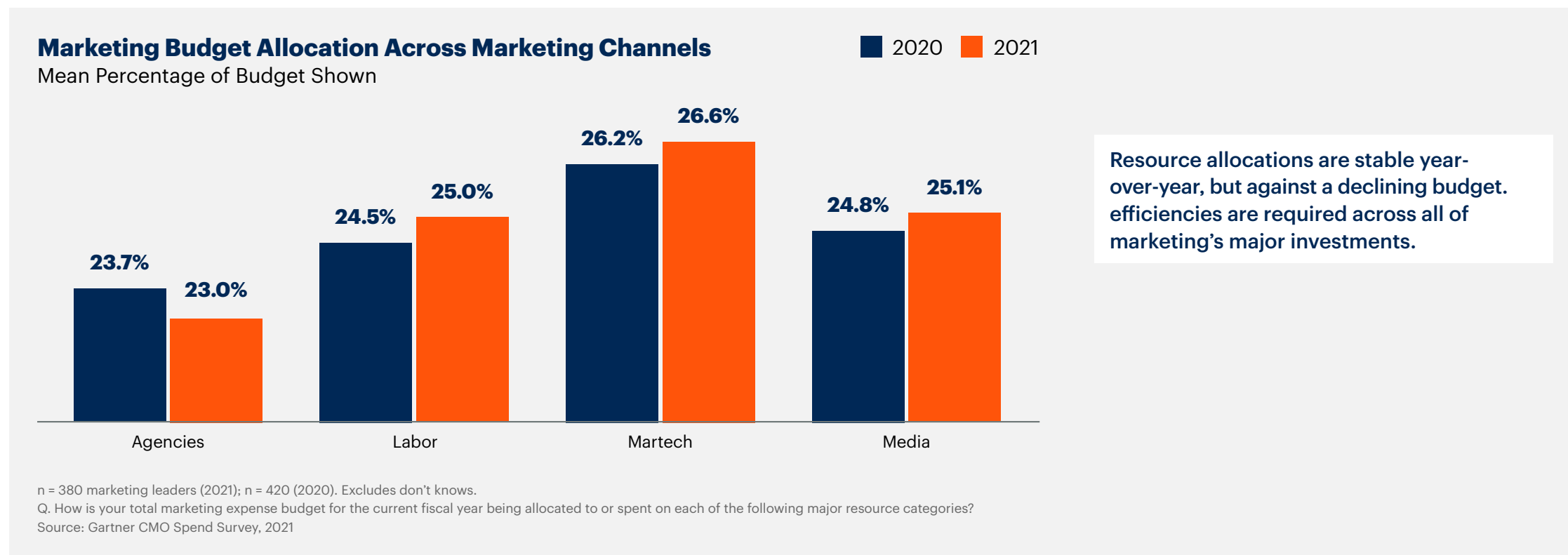


## Trend No. 4

### In-Housing Shifts From Tactical to Strategic Capabilities

Each year, we ask respondents how their total budget is allocated across major marketing resource areas: agencies, media, labor and paid media. As can be seen in Figure 4, priorities have changed little year-over-year.

Figure 4



## Trend No. 4

Marketing technology still dominates, taking 26.7% of the total budget — a small increase from 2020. However, given the decrease in top-line marketing budgets, this means that all resources will be squeezed, even in strategically important technology investments.

Agencies' share of the total budget has declined a little year-over-year (23.7%-23.0%). However, this small change masks significant in-housing activity, as CMOs reimagine the capabilities that can be supported by their internal teams. Respondents to this year's survey reported that 29% of work previously carried out by agencies has moved in-house in the last 12 months. While this number is similar to the proportion reported in 2020, the capability mix has changed significantly. Last year we reported that in-housing had largely favored high volume, lower value agency services — this year CMOs are looking to high cost and high-margin strategic agency investments.

When asked to rank the external agency capabilities they're moving in-house, CMOs' top 3 were:

- 1 Brand strategy
- 2 Innovation and technology
- 3 Marketing strategy development

[The Gartner 2021 Magic Quadrant™ for Global Marketing Agencies](#) describes the strategic services agencies provide to marketing teams, including business strategy and digital business transformation skills. Given the strategic importance of capabilities, CMOs must balance their need for cost-efficient internal resources with the scale and experience that strategic partners such as agencies provide (see Figure 2 in [“Making the Case for Your In-House Agency, Part 1: Strategy and Benefits”](#)).

Trend No. 5

# Analytics Spend Fails to Make Top 3



## Trend No. 5

### **Digital Commerce Tops Program Spend — Analytics Spend Fails to Make Top 3**

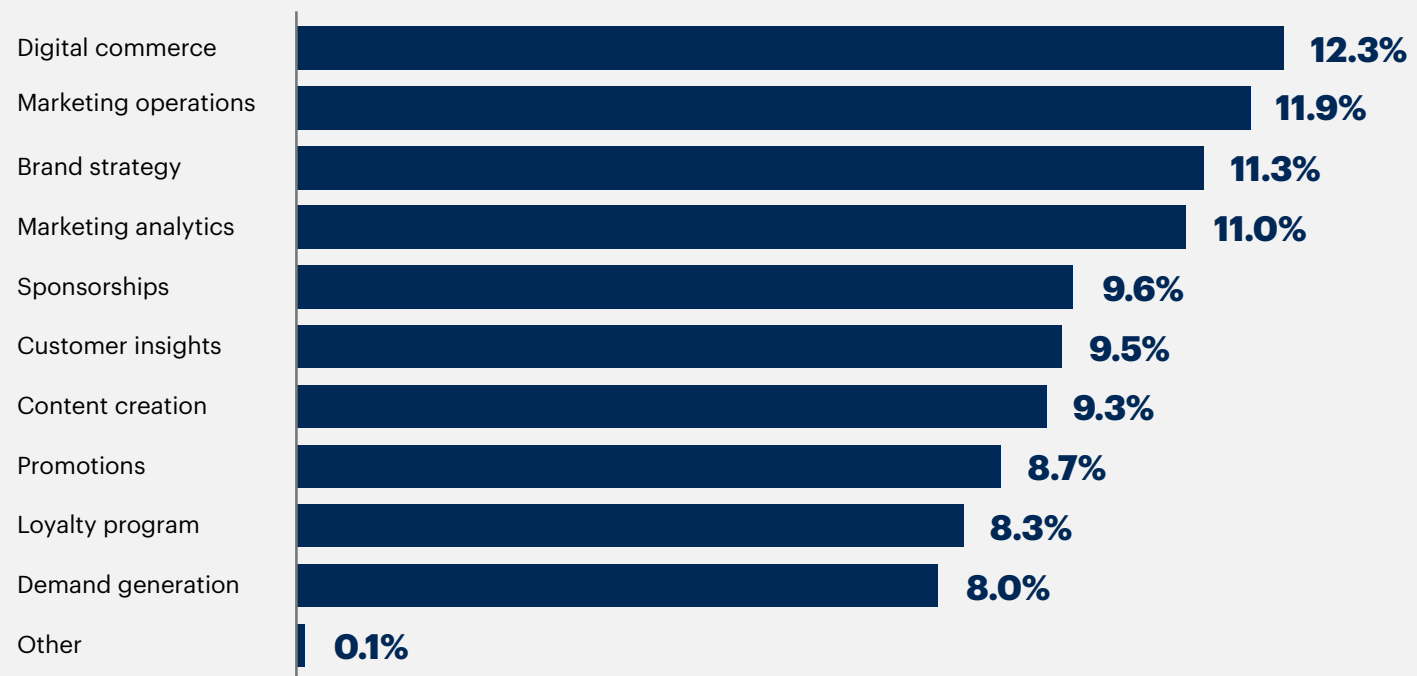
Social distancing rules transformed buying journeys for B2B and B2C customers alike throughout 2020. And these digitally oriented journeys continue in 2021 — the majority of customers who used a digital channel for the first time in the first wave of the COVID-19 crisis state that they will continue to use them when the crisis passes.<sup>4</sup> This means that even digital late-comers have been forced to accept the inevitable shift to online channels. Consequently, CMOs have prioritized investment in the programs and capabilities that fuel digital commerce success. When we asked CMOs how they divide up their budgets by programs and operational areas, digital commerce investments were the most popular, accounting for 12.3% of the total budget (see Figure 5).

## Trend No. 5

Figure 5

### 2021 Marketing Budget Allocation Across Marketing Programs and Operational Areas

Mean Percentage of Budget Shown



n = 384 marketing leaders. Excludes don't knows.

Q. How is your total marketing expense budget for the current fiscal year being allocated to or spent on each of the following marketing programs and operational areas?

Source: Gartner CMO Spend Survey, 2021

## Trend No. 5

Marketing operations and brand strategy — both strategic priorities over the last couple of years — also fared well. And while analytics accounted for a respectable 11.0% of the total budget, it sits outside the top three areas of spending. This could be due to the fact that, while still viewed as a strategically important capability, data and analytics have failed to live up to marketing expectations (see [Gartner's 2020 Marketing Data and Analytics Survey](#)).

## Gartner's CMO Spend and Strategy Survey, 2021

The purpose of this survey is to understand the marketing organization's strategic priorities and budget allocations for 2021 as well as those impediments and opportunities facing CMOs as they forge a path to success in 2021. The research was conducted online from March through May 2021 among 400 respondents in the U.S. (49%), Canada (1%), France (12%), Germany (11%) and the U.K. (27%). Respondents were required to have involvement in decisions pertaining to setting or influencing marketing strategy and planning, as well as have involvement in aligning marketing budget/resources. Eighty-one 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 (51 respondents), high tech (42 respondents), manufacturing (49 respondents), consumer products (45 respondents), media (49 respondents), retail (43 respondents), healthcare providers (50 respondents), IT and business services (37 respondents), and travel and hospitality (34 respondents).

The survey was developed collaboratively by a team of Gartner analysts and was reviewed, tested and administered by Gartner's Research Data and Analytics (RDA) team.

Disclaimer: Results of this survey do not represent global findings or the market as a whole, but do reflect the sentiments of the respondents and companies surveyed.

### Evidence

- <sup>1</sup> ["Cost Optimization Lessons Learned Through a Crisis"](#) Gartner
- <sup>2</sup> ["Conference Board Economic Forecast for the US Economy"](#) The Conference Board, June 9, 2021
- <sup>3</sup> ["2021 Gartner CEO Survey: The Year of Rebuilding"](#) Gartner
- <sup>4</sup> ["The COVID-19 recovery will be digital: A plan for the first 90 days"](#) McKinsey, May 14, 2020

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