2019-2020 U.K. CMO Spend Survey

U.K. CMOs face falling budgets, but still face the future with confidence.
Summary

U.K. budgets have fallen to their lowest level in more than five years amid the uncertainty of Brexit. Still, U.K.-based CMOs face the future with confidence. Even if budgets do rebound in 2020, CMOs should plan for future volatility that may lie ahead.

Key findings

- U.K. CMOs reported that budgets have fallen from 11.4% of company revenue in 2018 to 9.3% in 2019. Despite Brexit uncertainty, 57% of U.K. CMOs expect their budget to increase in 2020.

- U.K. investment in digital advertising cools off, with the total invested in digital ads dropping from 11.8% of the U.K. marketing budget in 2018 to 8.0% in 2019. U.K. CMOs now invest a lower proportion of their budget in digital ads than peers in North America, France and Germany invest.

- Spend in martech in the U.K. has fallen by almost six percentage points, from 31.7% of the total marketing budget in 2018 to 25.8% in 2019, bringing the proportion of budget allocated to technology in line with peers’ in the United States budgets.
Recommendations

CMOs in charge of defining the marketing strategy and budget should:

• Deal head-on with the realities of a constrained budget. Apply the principles of cost optimization to define the areas of marketing investment that must be sustained and protected, and those areas that can be reduced or rationalized.

• Reevaluate digital advertising programs. Align integrated campaigns to core marketing objectives and bottom-line growth.

• Revive your martech strategy. Support capabilities with clear objectives, and redesign your martech investment plan using a capability-first approach versus the typical technology-first method.
Survey Objective

This research is based on Gartner’s 2019-2020 CMO Spend Survey of 430 respondents in the United States, Canada, France, Germany and the United Kingdom at companies with $500 million to $20 billion or more in annual revenue. It details:

• How much companies spend on marketing, how those budgets are built, how they will change in 2020 — and why.

• What budgets reveal about marketing’s continued commitment to digital techniques and channels, and how spend is balanced across online and offline channels.

• The most important metrics and indicators CMOs track to inform marketing strategy, both inside and outside the enterprise.
U.K. marketing budgets have seen a significant amount of variance over recent years (see Figure 1). At their peak in 2016, budgets sat at 11.6% of company revenue. However, 2019 saw budgets fall to a lower level than at any point over the previous five CMO Spend Survey studies. U.K. CMOs reported an average budget of 9.3% of company revenue in 2019 — a drop of more than two percentage points year over year. This places U.K. marketing budget allocations significantly behind peers in the United States, who reported marketing budgets for 2019 as 11.1% of company revenue. Indeed, of all the countries surveyed in the 2019-2020 study (Canada, the United States, the U.K., France and Germany), only CMOs in France reported a lower allocation to marketing budgets, at 8.8% of company revenue.
It would be easy to hang the steep budgetary descent on Brexit uncertainty. 2019 was a year of significant turbulence, with deadlines to leave the European Union set, and then missed, followed by a snap general election in December. The results of the general election may have put to bed questions regarding the initial withdrawal agreement, but uncertainty persists. The post-withdrawal transition period only lasts until the end of December 2020, with much to be defined regarding the U.K./EU future trading arrangements. The ongoing and extended period of uncertainty is starting to bite British businesses.

Undoubtedly, caution abounds — marketing is not immune to the potential fallout Brexit will have on U.K. businesses. Such repercussions — at least in the short term — may likely include disruptions to supply chains, obstructed access to skilled and unskilled labor, and wavering consumer confidence.

However, looking at the movement of U.K. marketing budgets over the last few years, it appears that U.K. budgets are much more volatile than those of their peers in North America. In 2015, the year before the Brexit referendum and when the U.K.’s departure from the EU seemed an unlikely prospect, budgets had fallen from 10.5% of company revenue in the previous year to 9.7%.
Elsewhere, there’s evidence that U.K. CMOs are sanguine about the economic and political situation, and its potential to disrupt business. Gartner asked CMOs to assess the impact the economic and business climate over the next 18 to 24 months will have on their company’s ability to meet business performance goals (see Figure 2). Seventy-eight percent of U.K. CMOs predicted that the impact would be positive, with 40% stating that they felt the positive impact would be marked or significant. Only 19% of respondents thought there would be a negative impact. This is extraordinary, given the potential impact Brexit could have on access to marketing talent, impact on the delivery of long-term projects and potential challenges regarding flows of data between the U.K. and the E.U. The unprecedented nature of Brexit makes planning for all eventualities a near-impossible task. And, given the initial withdrawal from the EU was only the start of a longer-term set of complex negotiations, the only thing that seems certain is that uncertainty will be the modus operandi for the U.K. in the medium term.

How is this positivity reflected in 2020’s budgets? When surveyed in 2019, U.K. CMOs were positive about their budgets heading into the new year. Fifty-seven percent of U.K. CMOs expected their budgets to increase in 2020 — a further 27% expected their budgets to stay the same.
Despite the challenges Brexit presents, only 17% of U.K. CMOs expected their budget to fall in 2020

So, why the optimism? Evidence suggests that Brexit’s impact has already been priced into CMOs’ plans. According to a recent CBI survey, most businesses have already built scenario plans to anticipate future potential disruptions brought about by Brexit. However, the survey also revealed that planning for such an event is being hampered largely by a lack of (or inconsistent) information from the government, as well as a number of potential future scenarios.

Brexit isn’t the only major global event fueling uncertainty among U.K. organizations. Mounting concerns over a potential U.S. downturn and slowing economic growth in China continue to weigh on the minds of U.K. marketing leaders. Furthermore, Gartner has observed historical peaks in fundamental business trends — changes in the business environment, challenging economic signals and an unprecedented competitive environment.

Confidence in future budgetary prospects must be grounded in a pragmatic view of the threats (and opportunities) that face U.K. enterprises in the uncertain times ahead.

Recommendations:

• Deal head-on with the realities of a constrained budget. Use the principles of cost optimization to define the areas of marketing investment that must be sustained and protected, and those areas that can be reduced or rationalized.

• Create or strengthen scenario and contingency plans in preparation of any future potential repercussions of uncertainty caused by Brexit or other macroeconomic and business factors.
**U.K. investment in digital advertising cools off, dropping from 11.8% of the marketing budget in 2018 to 8.0% in 2019**

The 2018-2019 CMO Spend Survey reported that U.K. marketers were significantly outspending their North American counterparts on digital advertising. Out of 15 marketing channels, U.K. marketers allocated the highest percentage of their budgets (11.8%) to digital advertising channels (excluding search advertising) in 2018, compared to 7.4% in North America. Roll forward a year, and we find U.K. CMOs are cooling off when it comes to digital ads — reducing investment to 8.0%, a fall of almost four percentage points (see Figure 3).
This now places digital advertising sixth in terms of channel spending commitments. However, it should be noted that the reported 8% excludes investments in search advertising — a channel that saw growth in the U.K. year over year, from 5.1% of the total budget in 2018 to 6.3% in 2019 (see Figure 4).

Figure 4. Changes in U.K. digital advertising allocations 2018-2019

To get a complete view on paid digital media, we need to consider the total, including search advertising. Adding paid search and digital advertising spend together, this amounts to 14.3%.

While there’s been a significant fall in elements of the digital advertising mix year over year, paid digital media still accounts for one in every £5 spent across all paid, owned and earned marketing channels.

When compared against the total from 2018 of 16.9% (11.8% allocated to digital advertising and 5.1% allocated to paid search), this still amounts to a drop of more than two and a half percentage points. Despite this fall, paid digital media still dominates, accounting for almost as much budget as the combined allocation to offline and TV ads in the U.K.

Looking at the digital channels favored by U.K. marketers, paid social activation makes up for the loss of organic reach for brands, accounting for more than a quarter of the digital advertising budget (see Figure 5). Whereas in the past, social may have been considered the domain of B2C marketers, commitment is strong across industries, with almost all industries except financial services committing at least 20% of their digital ad budget to paid social activation, and more than a third of the total digital budget allocated to social for high-tech and consumer product brands.
Despite the downtick in total investment, confidence in digital ads continues to grow. In 2018, 68% of U.K. CMOs reported that they planned to increase digital advertising spend in 2019. Roll forward a year, and this figure has jumped to 81%. Furthermore, 71% reported that they expect their investment in search advertising to increase. However, care must be taken, as intent to grow investment heading into 2019 was not matched with budgetary commitment.

Even though U.K. marketers are investing heavily in digital advertising, results aren’t always commensurate with their efforts. Indeed, there can be a large discrepancy between marketers’ focus on online media and the value it actually delivers to the organization.

Gartner’s survey data has found that U.K. marketers tend to favor “cost-effectiveness” and “relevance” over “conversion” or “the ability to measure marketing channels.” According to the survey, U.K. marketing leaders cited digital advertising’s cost-effectiveness and ability to complement other channels as the top two reasons for investing in the channel.

Digital advertising may present the allure of being relatively inexpensive in terms of cost per touch and its impressive reach, but quality of engagement (i.e., delivering targeted, interactive, rich media engagement) is also a primary factor in channel selection. Successful media planning and optimization requires a focus on value, not cost — it’s about finding the discrete value that each touchpoint delivers across the customer journey.
Marketers often rely on easily measurable metrics such as cost per click (CPC) in determining the effectiveness of their advertising campaigns. However, CPC is a very limiting way to look at cost. CPC focuses on one specific micro moment without taking into consideration all the interactions that took place before (and after) that click across the entire customer journey (see “When and How to Use Rule-Based Marketing Attribution Analysis”).

Furthermore, the perception of investments in digital ads being the low-cost option is being disrupted. Programmatic ad buyers and publishers increasingly employ tactics like advanced supply-side bidding (ASSB) (see “Hype Cycle for Digital Marketing and Advertising, 2019”). Furthermore, Google, Facebook and Amazon are consolidating and taking market share away from ad tech companies, and advertisers can expect costs to inflate.

**Recommendations:**

- Plan your integrated digital media campaigns so that the core marketing objectives drive bottom-line growth for the organization. Avoid assuming that digital advertising is just another cost-effective way to reach mass or targeted audiences.

- Strengthen your campaign analytics capability, and evolve legacy measurements that limit your ability to measure and manage advertising spend and effectiveness.
Martech spend falls by almost six percentage points, from 31.7% in 2018 to 25.8% in 2019

U.K. marketers devoted nearly one-third (31.7%) of their overall marketing expense budgets to martech in 2018. But technology budgets have been hit hard in 2019, falling almost six percentage points to 25.8% (see Figure 6).

Martech budget volatility is not restricted to the U.K. Looking at the average allocations across marketers in North America and the U.K., budgets have fallen year over year from 29% of the total budget to 26%. But, 71% of U.K. CMOs expected budgets to rebound in 2020, with almost a quarter (24%) anticipating the increase to be significant.

It’s clear that U.K. CMOs still see marketing technology as a vehicle to drive differentiation and competitiveness. When asked why they intended to grow their budget heading into the new year, almost half of U.K. respondents stated that they felt technology would help them compete more effectively in their market.

Despite the confidence in the future, the drop in martech budgets in 2019 is perplexing. U.K. CMOs did not see this coming — looking back to data from 2018’s CMO Spend Survey, only 11% of U.K. respondents expected their martech budget allocation to decline in 2019.

Figure 6. U.K. martech budget volatility — 2017-2019

U.K. marketing budget allocations across major resources
Mean summary

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Source: Gartner 2019-2020 CMO Spend Survey
Q. How is your company’s fiscal 2019 total marketing expense budget being allocated to or spent on major resource categories?
Note: Percentages may not add to 100% due to rounding
Budget volatility doesn’t help address the martech challenges faced by marketers in the U.K. Gartner’s 2018 Marketing Technology Survey revealed that U.K. marketers trail their North American counterparts in usage across 34 marketing technology categories. These categories include core capabilities such as email marketing, content marketing platforms and digital marketing analytics (see Figure 7).

Elsewhere, there’s further evidence that investment in technology doesn’t always deliver desired results. Gartner’s Marketing Technology Survey found that, overall, marketing leaders in the U.K. and North America report using only 61% of their martech stack’s capabilities, with three in 10 stating that their martech was ineffective.

Marketers’ affinity for martech will likely be challenged in the future, unless they can prove that these sizable investments are delivering transformative capabilities and experiences, and, most importantly, producing real, incremental, bottom-line value to the organization.
Recommendations:

• Revive your martech strategy. Break objectives into supporting capabilities, and reorient your martech investment plan to a capability-first approach versus the typical technology-first approach.

• Attain and maintain buy-in for martech investments among influential stakeholders in the enterprise. Embrace a visual approach to martech communication that illustrates how marketing data flows throughout the martech ecosystem, clarifies your stack’s upstream and downstream dependencies within the broader enterprise tech ecosystem, and identifies potential gaps or areas of future investment.
Methodology

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

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/computer-assisted telephone interviewing) 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 2018 Marketing Technology Survey: The purpose of this study was to understand how marketers are investing in, deploying and getting value out of technology. The primary research was conducted using a mixed methodology (online/computer-assisted telephone interviewing) from April through June 2018 among 504 marketers in North America (60%) and the U.K. (40%). Eighty-six percent of respondents came from organizations with $1 billion or more in annual revenue. Respondents came from a variety of industries: financial services (88), high tech (128), manufacturing (83), consumer products (33), media (31), retail (47), healthcare (51), and travel and hospitality (43). 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.

A team of Gartner analysts who follow marketing developed the surveys, and Gartner’s Research Data and Analytics team reviewed, tested and administered them.

Disclaimer: Results from the three studies above do not represent global findings or the market as a whole but reflect sentiment of the respondents and companies surveyed.

Gartner’s 4Q18 Emerging Risks Webinar Snap Poll was conducted on 11 December 2018.
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