

CMO SPEND SURVEY 2017-2018: BUDGETS RECEDE AMID DEMAND FOR RESULTS



(Ewan McIntyre, Anna Maria Virzi)

SUMMARY

Growth in marketing budgets has stalled after continued increases over recent years. Marketing leaders must justify past budget commitments and demonstrate the returns they deliver to ensure the future fiscal health of marketing.



Marketing leaders must demonstrate the returns they deliver.

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Key Findings

- Following three consecutive years of growth, marketing budget growth has stalled, slipping from its peak of 12.1% of company revenue in 2016 to 11.3% in 2017.
- Two-thirds of CMOs plan to increase investment in digital advertising, while traditional media faces budget losses.
- Martech spending has fallen by 15%, as CMOs pull back on last year's high spending commitment amid **concerns over marketing's capability to acquire and manage technology effectively.** 
- Over half of marketing's budget goes to internal and external talent resources, but CMOs struggle to get the balance right, increasing agency spend while reducing spend on labor.

Recommendations

To lead and manage marketing:

- Prepare for budget cuts by building a proactive cost optimization strategy that plans for **near-term variable cost trimmings and long-term structural efficiencies.** 
- Deploy advanced models or RCQ analysis to align media investment decisions with customer journeys and your desired business outcomes. 
- **Build a martech roadmap that captures business and capability requirements.** Use the roadmap to identify opportunities to rationalize and refocus tools that are being underutilized by marketing.
- Design your marketing organization, defining how resource gaps can be bridged cost-effectively using a combination of in-house and outsource providers.

Survey Objective

This research is based on Gartner's 2017-2018 CMO Spend Survey of 353 marketing executives in North America and the U.K. at companies with more than \$250 million in annual revenue. It details:

- How much companies spend on marketing, how those budgets will change in 2018 — 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 fiscal maturity of CMOs based on the methods they use to set their budgets.



The time has come for marketing to show its financial management credentials.

Executive Summary

Marketing budgets hit a plateau in 2017 after three years of growth, with budgets falling from 12.1% of company revenue in 2016 to 11.3% in 2017. While the descent is not steep (yet), it still poses difficult questions for CMOs:

- Can they continue to fund their broad commitments for customer experience, innovation and martech while delivering marketing's core programs?
- How can they ensure the significant **investment in people and resources delivers solid ROI** today while preparing for the capabilities they will need tomorrow? 
- How can significant investments in technology deliver demonstrable value to the business, justifying past investment and securing future commitments?

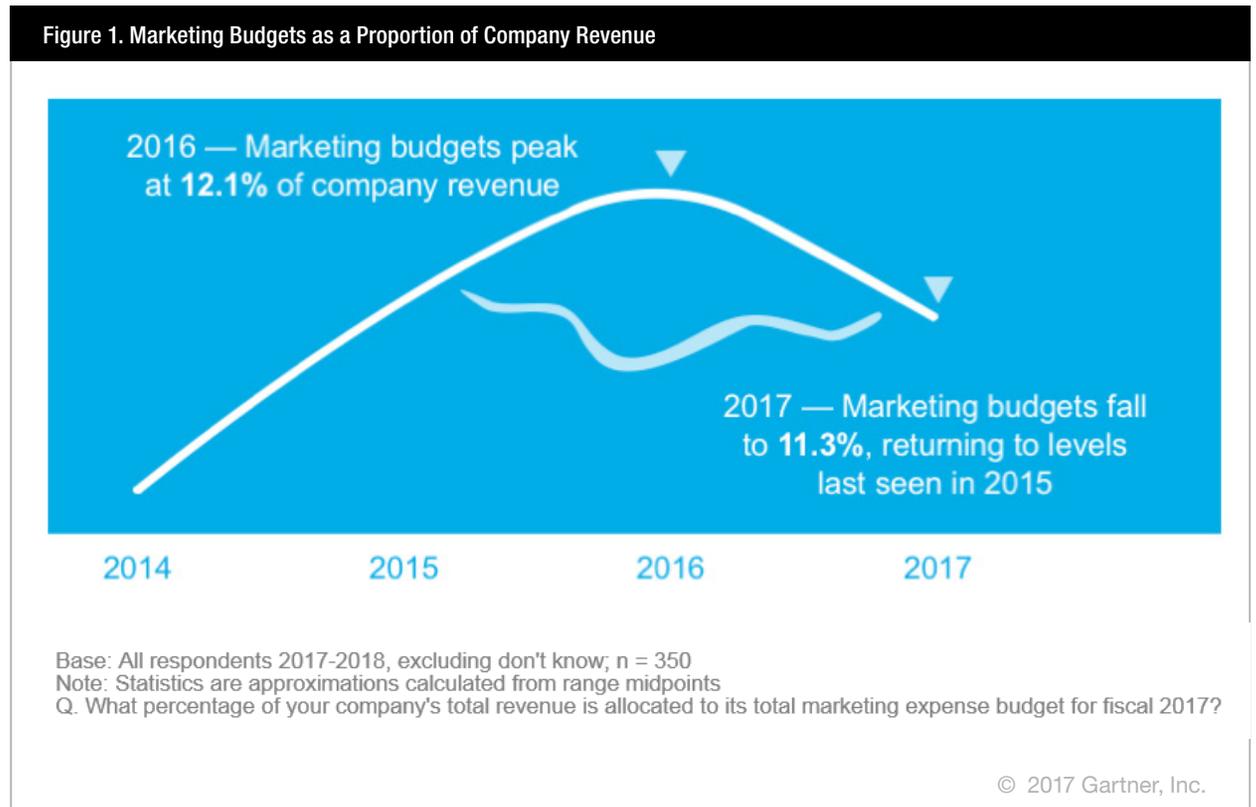
As CMOs survey the landscape, one thing is clear — **previous budget increases have come with weighty expectations, some of which have yet to be met.**  The time has come for marketing to show its financial management credentials, proving it can deal with financial constraints, assume accountability for business performance, build budgets based on future returns rather than past assumptions and grow the business while making hard choices.

DATA INSIGHTS

Finding No 1: Marketing Budgets Start to Recede, Dropping From Their Peak by 6%

CMOs' budgets have grown steadily over the last three years — but there are signs that marketing's budgetary growth may have peaked. Budgets as a share of company revenue declined from 12.1% in 2016 to 11.3% in 2017, representing a return to 2015 levels (see Figure 1).

Why the fall, and why now? Marketing budgets are tied to business performance, and 2017 has been a year of significant macro-environmental upheaval, in terms of both global politics and natural disasters. Consider North Korea, Brexit, and hurricanes Harvey, Irma and Maria, to name but a few. Marketing is not immune to the business impact that flows from these macro-environmental incidents. Furthermore, there's evidence that CMOs may have become distracted — either by a heavy focus on operational and tactical measures of performance, or by diverting their gaze toward large, cross-functional initiatives such as CX programs that have yet to provide hard economic benefits to the enterprise (see “[CMO Strategy Survey 2017: CMOs Go All In on Customer Marketing, but at What Price?](#)”). The risk is that CMOs are either being too nearsighted to be strategic or too visionary to deliver against marketing's objectives. The result? A lack of focus on the metrics that really matter to CMOs and to the business — how overall marketing activities deliver ROI and profitability to the organization.



Source: Gartner (October 2017)

There are variations — extra-large businesses have been shielded from cuts thus far, for example. And cuts have varied across industry vertical, with retail and manufacturing hit hardest. Retail has been adversely affected by harsh trading conditions; manufacturing is adapting to emerging yet complex B2B2C opportunities. But how long will this resilience last?

While Gartner predicted these cuts (see [“Survey Analysis: What Marketing Leaders Should Learn From Marketing Spend Patterns”](#)), they come as a surprise to many CMOs. Only 14% of respondents surveyed in last year’s CMO Spend survey anticipated a cut in 2017. The unexpected nature of these cuts means many CMOs will be ill-prepared for change. CMOs need to think and act fast, ensuring they continue to meet the growing business expectations of marketing (or, at best, manage them), or further cuts will be ahead.



Prepare for budget cuts by building a proactive cost optimization strategy that addresses all areas of marketing spend.

Recommendations:

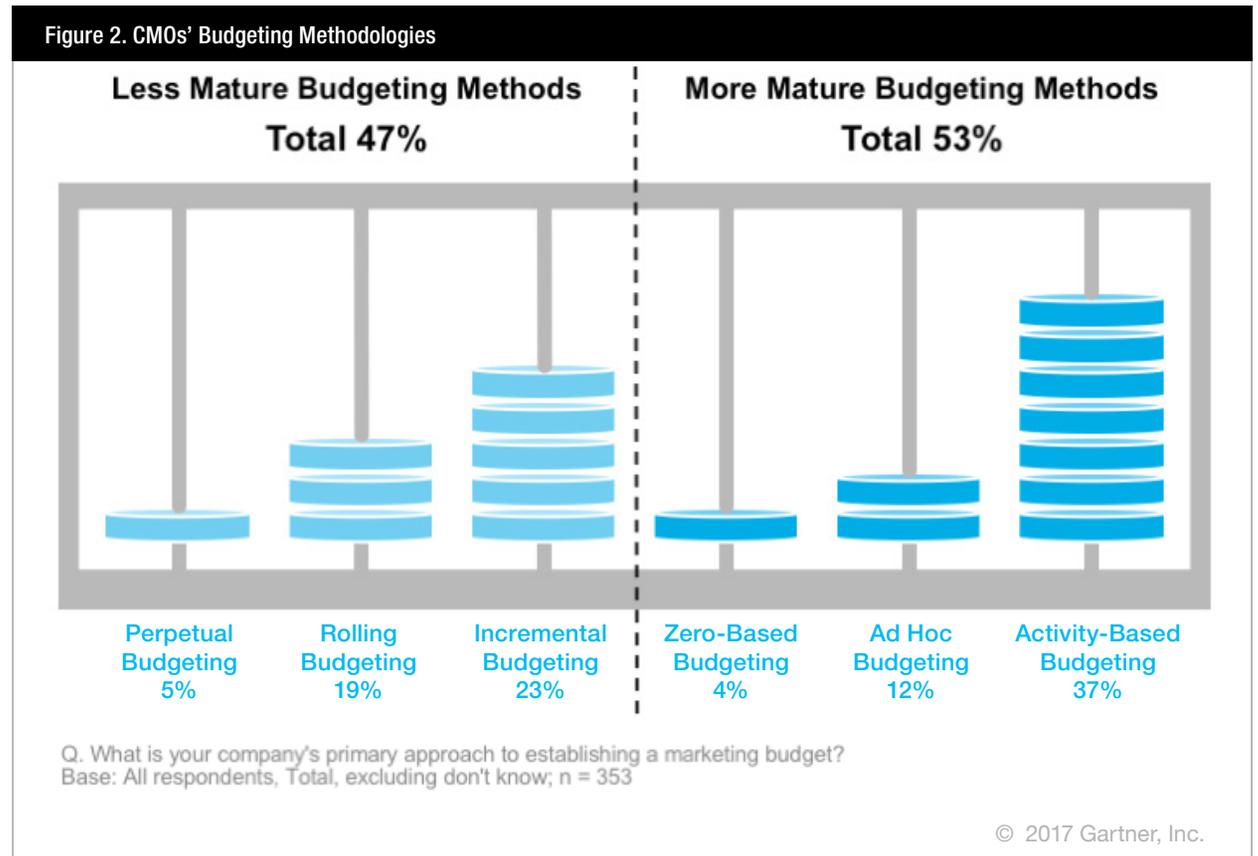
- Launch a top-to-bottom review of marketing programs and commitments based on their costs (both financial and resource) and their contribution to marketing and business goals. Pull together a tiger team, including financial analysts to ensure the review is objective and rigorous. Divest of programs that require high resource costs but deliver low contribution to goals (see [“Use Cost Optimization Techniques to Manage Marketing Budget Constraints”](#)).
- Prepare for budget cuts by building a proactive **cost optimization strategy that addresses all areas of marketing spend** within your purview. Your strategy should look at the near-term cost cuts that can be delivered quickly, sharpening ROI without jeopardizing longer-term business performance. It should also incorporate long-term efficiencies that ensure the financial viability of marketing in the future (see [“Use Gartner’s Cost Optimization Matrix to Achieve Balanced Marketing Budget Efficiencies”](#))



Finding No. 2: Half of CMOs Lack Financial Planning Muscle

Marketing's key performance indicators (KPIs) have shifted from broad measures of brand and demand generation to targeted metrics that capture the discrete value that marketing delivers to the business. Still, when it comes to setting marketing budgets, analytical maturity lags behind. In building their budgets, CMOs must ground their plans on the expected returns they will deliver. Only just over half of CMOs use advanced budget methodologies that enable this level of scrutiny. Instead, 47% of CMOs depend on basic methods that either roll last year's budget into the next financial period or incrementally apply a percentage increase or decrease on last year's budget (see Figure 2).

Budgeting immaturity presents significant risks to CMOs. Budgeting methods that lean heavily on historical data rely on the assumption that the logic that drove those decisions was sound and will remain sound. When this logic fails, as it often does, CMOs are left overinvesting in areas that don't yield measurable returns, including capital expenditures that can consume resources for years to come. An inability to plan and proactively communicate the value of marketing investments upfront makes future cost cutting more likely.



Source: Gartner (October 2017)

Fiscally mature CMOs speak the same language as their C-suite peers and hold their own in budget discussions and decisions. Need proof? CMOs with profit and loss (P&L) responsibilities get nearly 50% higher marketing budgets. Put another way, budgeting and fiscal immaturity stifles the relationship CMOs have with CFOs, and puts future budgets at risk (see [“How Marketing Leaders Can Overcome Finance and IT Tensions to Improve Execution”](#)).



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Recommendations:



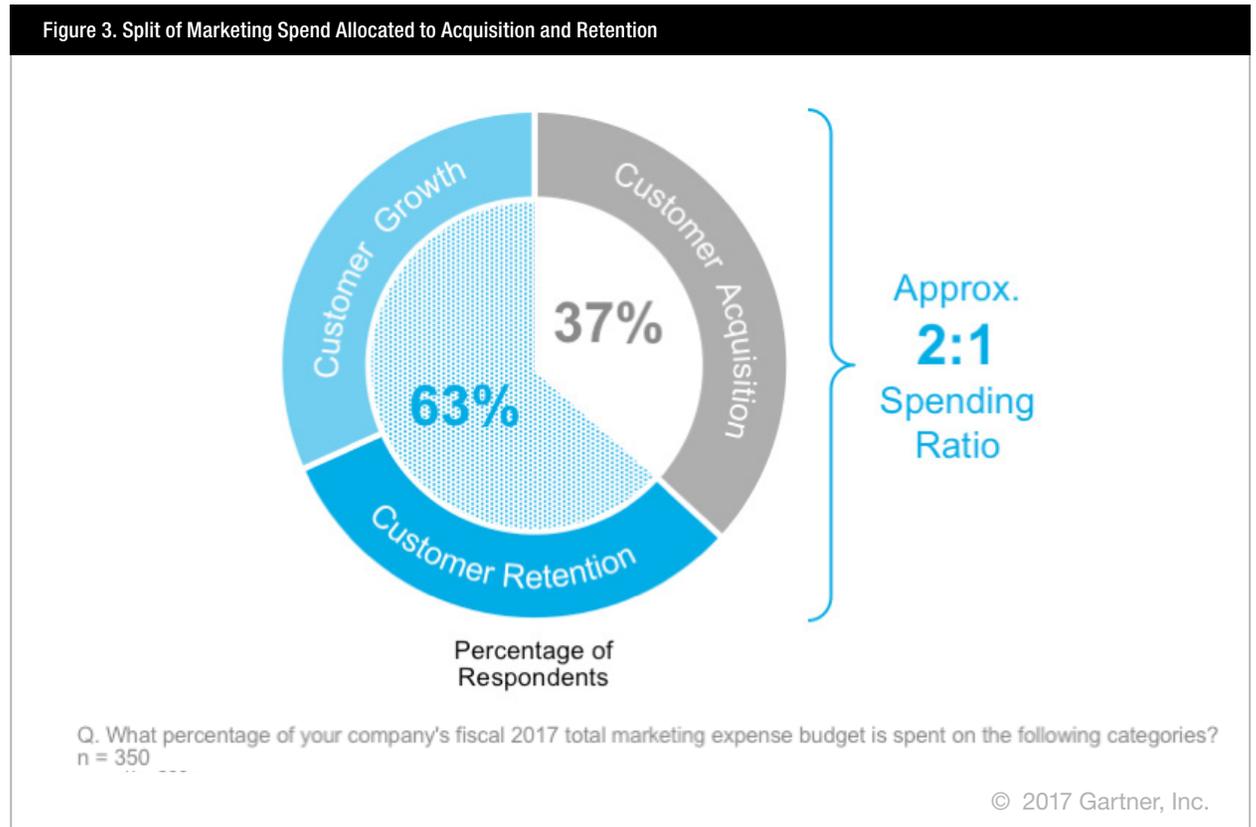
- Restructure your annual budget-setting process to allocate funds to programs that deliver the highest return, leaving flexibility to adapt to emerging opportunities and threats. Look out for common budget pitfalls, such as outdated assumptions, disjointed planning and an overreliance on legacy planning processes (see [“CEB Ignition™ Guide to Creating the Annual Marketing Budget”](#)).
- Build your budgeting maturity. Work with peers in finance to pilot zero-based budgeting (ZBB). Pilot in a discrete area of the business, such as a defined business unit or market, so you can understand the analytical skills and additional resources required for this advanced methodology. Test the benefits of the technique compared with basic budgeting methodologies (see [“Use Zero-Based Budgeting Techniques to Improve Marketing Performance”](#)).
- Leverage your marketing performance data to implement activity-based budgeting (ABB) where ZBB is not feasible. ABB is a method that allocates budgets based on performance at the activity level rather than assuming inflation-based increases year over year.



Finding No. 3: CMOs Are Playing It Safe, Focusing Budgets on Existing Customers and Outspending Customer Acquisition by a Ratio of 2-to-1

Marketing logic, grounded in sound financial reasoning, dictates that it requires more resources to acquire a new customer than to retain or grow an existing one.

Consequently (and understandably), this means that CMOs' budgets have become heavily skewed toward retention, with retention budgets dwarfing acquisition budgets by a ratio of 2-to-1 (see Figure 3). But a focus on retention should be driven by a goal of building long-term, profitable relationships with the right customers. This ratio can only be justified if it reflects the profitability existing customers bring to the business and their alignment with your long-term strategy.



Source: Gartner (October 2017)

CMOs must recognize that not all of their existing customers are the right customers — different customers have different value profiles. Valuable marketing budget may be diverted to nurturing the wrong customers — those that are a long-term drag on profitability because they buy low-margin products, buy only when they're offered promotional pricing or have high servicing costs (see [“CMO Perspective: Understanding Value Segmentation — How to Identify and Build Strategies Around Your Highest Value Customers”](#)).

Furthermore, discarding the value of acquisition may harm the long-term financial health of the business. According to the Ansoff Product-Market Matrix (see [“Use Gartner’s Marketing Strategy Framework to Build Accountable, Actionable Strategic Plans”](#)), [selling existing products to existing markets represents the lowest risk strategy](#). However, it also offers the lowest long-term return. Diversification and market development pose greater risk, but they also offer greater potential gains. [By focusing solely on servicing your existing customers and markets, you may score operational wins but risk strategic victory](#).



Recommendations:



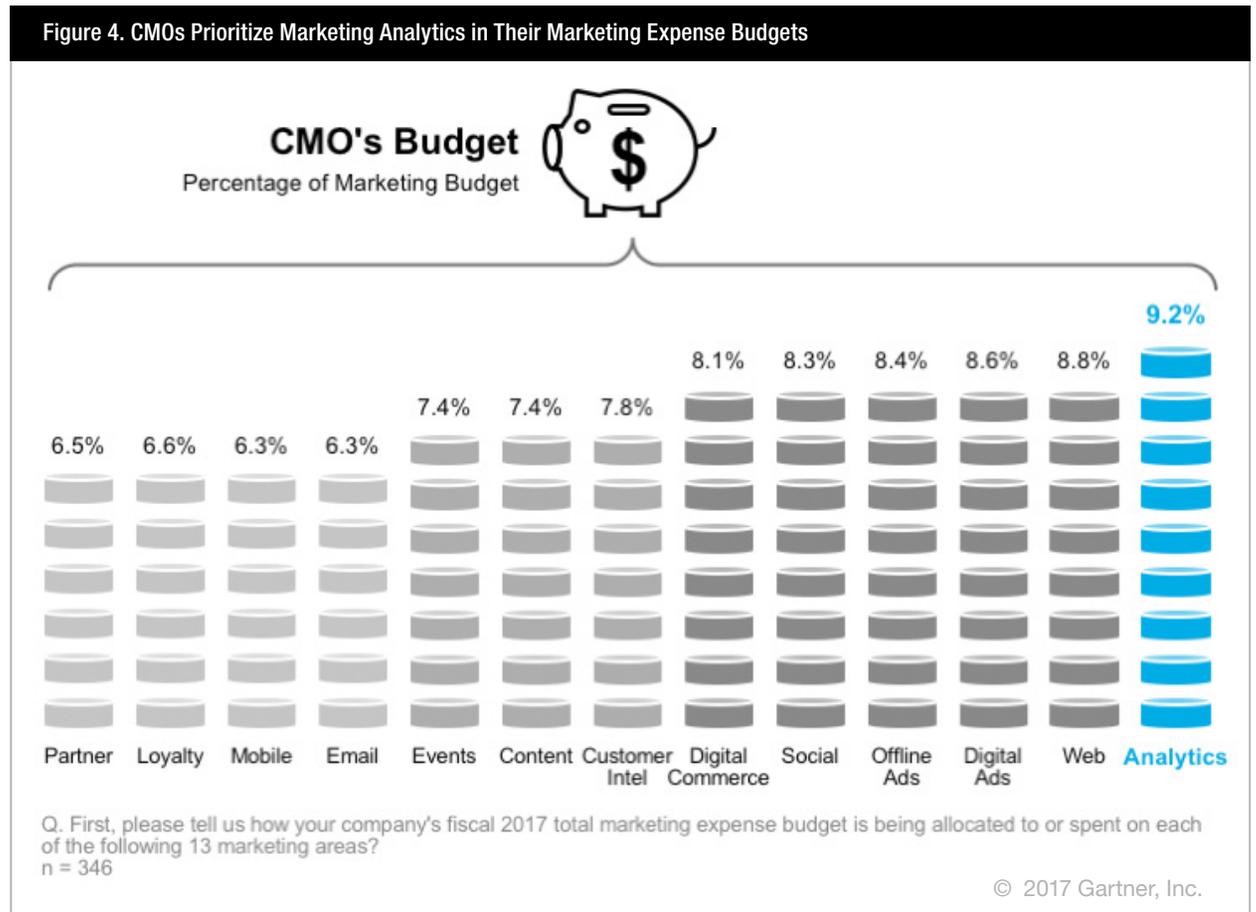
- [Focus segmentation efforts on understanding customer value](#), using measures that capture lifetime value, profitability and average order value. Use these segments to build your target audience, ensuring that you identify and exclude existing customers that are a drag on long-term profitability (see [“How to Build Segments and Personas for Digital Marketing”](#)).
- Build look-alike audiences based on your most valuable customers. Use your first-party data to understand the behaviors, channel and product preferences of these customers. Based on these segments, tap into third-party data sources to find and target new customers, ensuring that valuable acquisition resources are targeted on attracting the right kind of customers (see [“Grow Customer Lifetime Value With Digital Commerce”](#)).



Valuable marketing budget may be diverted to nurturing the wrong customers. Use first-party data to understand the behaviors, channel and product preferences of your most valuable customers.

Finding No. 4: Marketing Analytics Gets the Greatest Share of Budget at 9.2%

The strategic priority of marketing analytics for CMOs has been evident for some years, as cited across a range of Gartner research (see “[CMO Strategy Survey 2017: CMOs Go All In on Customer Marketing, but at What Price?](#)”). This priority is backed by firm spending commitments. Out of 13 marketing capabilities, CMOs allocate the most, 9.2%, of their total marketing expense budget on marketing analytics (see Figure 4). Marketing analytics jumps ahead to the No. 1 area of spending compared with last year, when it came in at No. 4 behind the website, digital commerce and digital advertising. **The emphasis on marketing analytics comes as marketing leaders must eke every cent out of existing programs and refocus on ROI by centering efforts on the right customers.**



Source: Gartner (October 2017)

This significant budgetary commitment is grounded in CMOs' understanding that analytics is a strategic enabler, central to delivering customer experience, identifying, understanding and growing customers, and measuring and optimizing marketing performance. Where deployed correctly, marketing analytics investments offer complementary benefits, ensuring that investments across other marketing programs deliver greater return to the business. It's little surprise then that most CMOs (62%) expect to increase their investment in marketing analytics.



Significant investments require strategic direction and oversight — the continued growth in analytics must be tied to actionable outcomes and meaningful business growth. Investing in tools and talent alone will not ensure data-driven marketing success. Efforts must be focused on the right metrics, and the prevailing marketing culture must be aligned with data-driven decision making and optimization (see [“How to Foster a Data-Driven Culture in Your Marketing Organization”](#)). Gartner's CMO Strategy survey shows that analytics efforts are often confused, with no firm agreement on the metrics that are material to success across the marketing organization (see [“CMO Strategy Survey 2017: CMOs Go All In on Customer Marketing, but at What Price?”](#)). There is evidence that the wrong metrics are making it to the wrong stakeholders, impeding decision making, and placing this significant budget line at risk (see [“CMO Strategy Survey 2017: Marketers Track Many Metrics, but Risk Overlooking What Matters Most to the Business”](#)).



Recommendations:



- Appoint a marketing analytics leader within your team with the seniority and experience to maximize your analytics investment. Empower your analytics leader to think beyond the analytics marketing technology roadmap. Enable the leader to build a holistic marketing analytics strategy that ensures investments and resources are prioritized based on the value they deliver to the business (see [“Toolkit: How to Hire a Marketing Analytics Leader”](#)).
- Identify opportunities to drive cost-efficiencies in your marketing analytics investments. Create consistency by centralizing tool investment and coordinating data sharing and processes. Move off of platforms that no longer drive value, and identify opportunities to integrate data across platforms. Focus on return on effort to judge how to allocate scarce analytics resources (see [“Cost Optimization: Maximize the Value of Your Marketing Data and Analytics Investments”](#)).



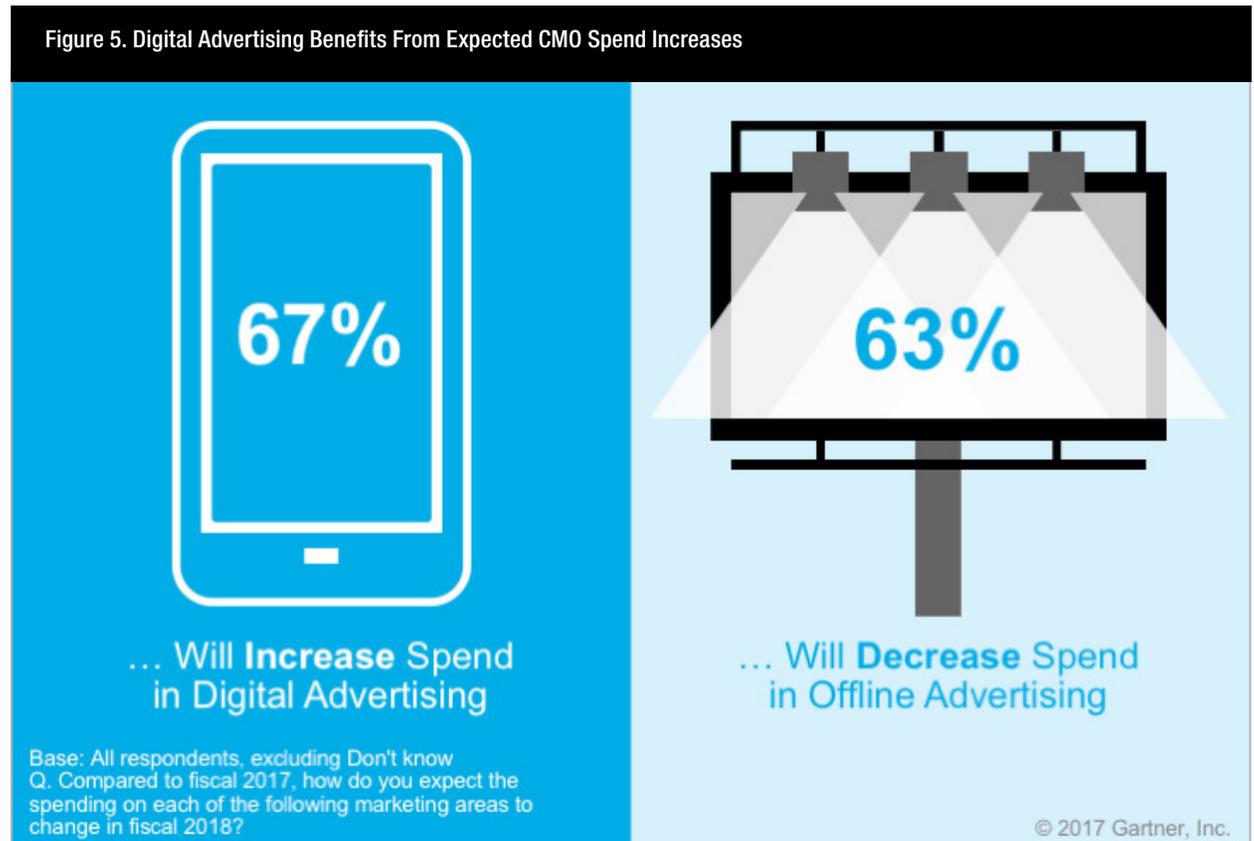
Analytics is a strategic enabler, central to delivering customer experience, identifying, understanding and growing customers, and measuring and optimizing marketing performance.

Finding No. 5: CMOs Back Digital Advertising, With Two-Thirds Planning to Increase Investment, While Traditional Media Faces Losses

Two-thirds (67%) of CMOs plan to increase their spending in digital advertising (see Figure 5), despite concerns over digital advertising fraud. It's likely that \$6.5 billion will be diverted from the advertising ecosystem due to fraud in 2017 (see [“Understand and Mitigate Advertising Fraud”](#)). Research data from the Interactive Advertising Bureau (IAB) reports that more than a quarter of respondents block desktop display advertising (see [“Understand and Overcome the Ad-Blocking Arms Race”](#)). **As marketers spend more on digital advertising, their investments may be more exposed to waste.**



Traditional media channels are hit the hardest as CMOs shift budget to digital media. More than half of CMOs expect their investments in event marketing and partner/channel marketing to fall or flatline, with 63% of marketers stating they expect flat growth or cuts in offline advertising investment.



Source: Gartner (October 2017)

The shift to digital away from traditional media reflects changing media consumption habits of target audiences (see [“The State of U.S. Advertising, 2017-2018”](#)). However, without capabilities like marketing mix modeling (MMM), CMOs risk cutting away at channels based on gut feel, irrespective of the journeys their customers and prospects actually take to buy, own and advocate their product and brand. These journeys likely include a range of digital and traditional touchpoints, which interplay and integrate with each other.



This interplay and integration will be fed by an increase in spend in 2018 across other nonmedia channels. Investments are growing across a range of digital channels, including websites (61% of CMOs expect to increase investment) and mobile (59% expect to increase spending). CMOs also show a strong and continued commitment to social marketing, with 64% planning to boost budgets, proving that reports of its death have been greatly exaggerated.



Measurability is a contributing factor to digital media budget growth. CMOs' focus on analytics reflects the need to demonstrate marketing and advertising performance and effectiveness to the business. Digital channels are purpose-built to feed CMOs' metrics requirements, facilitating easy calculations in marketing program performance in terms of reach, engagement and conversion. But, the multichannel journey demands that marketing leaders go further than channel performance metrics and challenges them to employ advanced analytics to answer the elusive total marketing ROI question.



Email should be a vital channel in the digital marketing mix, binding together customer journeys (see [“Three Ways to Optimize Your Email Marketing Program”](#)). But, in terms of investment, not all digital channels are equal.

Recommendations:

- Identify the right metrics to assess and improve marketing plans and campaigns. Understand how different types of campaign responses (e.g., perception, engagement and action) guide the metrics you select and how you weight metrics to effectively measure the contribution media on customer journeys and desired outcomes (see [“How to Measure a Multichannel Marketing Campaign”](#)).
- Deploy advanced modeling to assess the impact of marketing channels and media tactics on customer journeys and actions (see [“Understand Attribution and Marketing Mix Modeling”](#)). Alternatively, if implementing MMM is not feasible, use heuristic tools like reach, cost and quality analysis (RCQ) to understand the dynamics of your media mix before making decisions on channel investments (see [“Assess Your Advertising Mix Based on Reach, Cost and Quality”](#)).

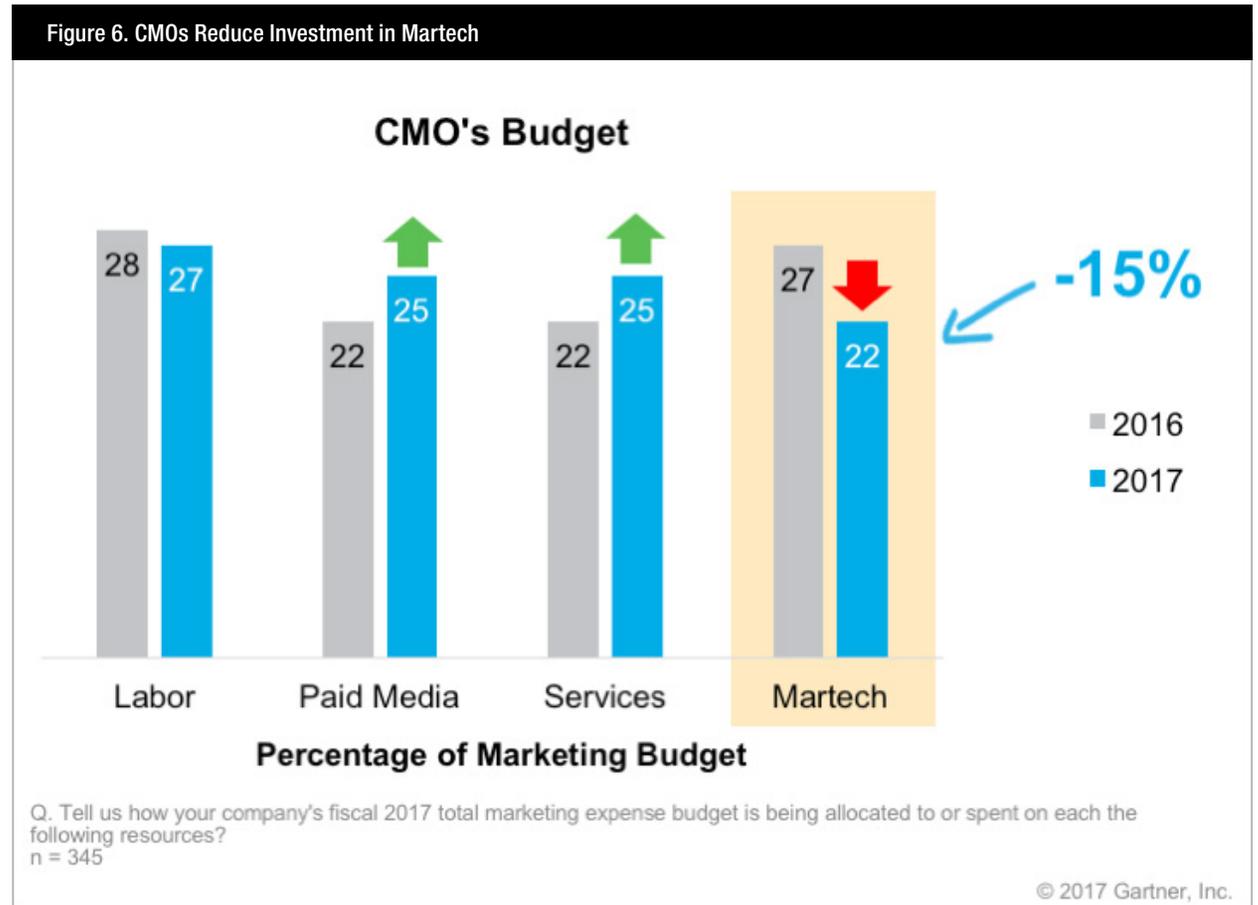


The shift to digital away from traditional media reflects changing media consumption habits of target audiences.

Finding No. 6: CMOs Pull Back on Martech Spending, Decreasing It by 15%

Martech continues to account for a significant proportion of CMOs' spending power, with 22% of the total marketing expense budget allocated to technology. However, this is a significant drop year over year, as last year's CMO Spend survey reported that 27% of marketing budget was allocated to martech, representing a fall of 15% (see Figure 6).

Why the steep decline, and why now? First, when total marketing budgets are squeezed, line items that constitute a quarter of total investment are likely to be hit hard. So, too, are investments in labor and services (see Finding No. 7). The challenge is that CMOs' ascent to their lofty technology role has been swift, and the learning curve has been intense. The result, as evidenced in Gartner's CMO Strategy survey, is that only half of CMOs currently regard themselves as effective at acquiring and managing tech (see ["CMO Strategy Survey 2017: CMOs Go All In on Customer Marketing, but at What Price?"](#)).



Source: Gartner (October 2017)

Martech acquisition inadequacies place pressure on CMOs. Furthermore, poorly selected, underperforming or underused marketing technology forces marketing teams and agencies to rely on manual processes, which hurts marketing efficiency and effectiveness. Significant investments need to prove business value, or else they end up being considered costly vanity projects. Pressure from CFOs and CIOs (evidenced in our Marketing Strategy survey) means that now, more than ever, CMOs need to improve their martech capabilities and prove their technology chops.



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Recommendations:

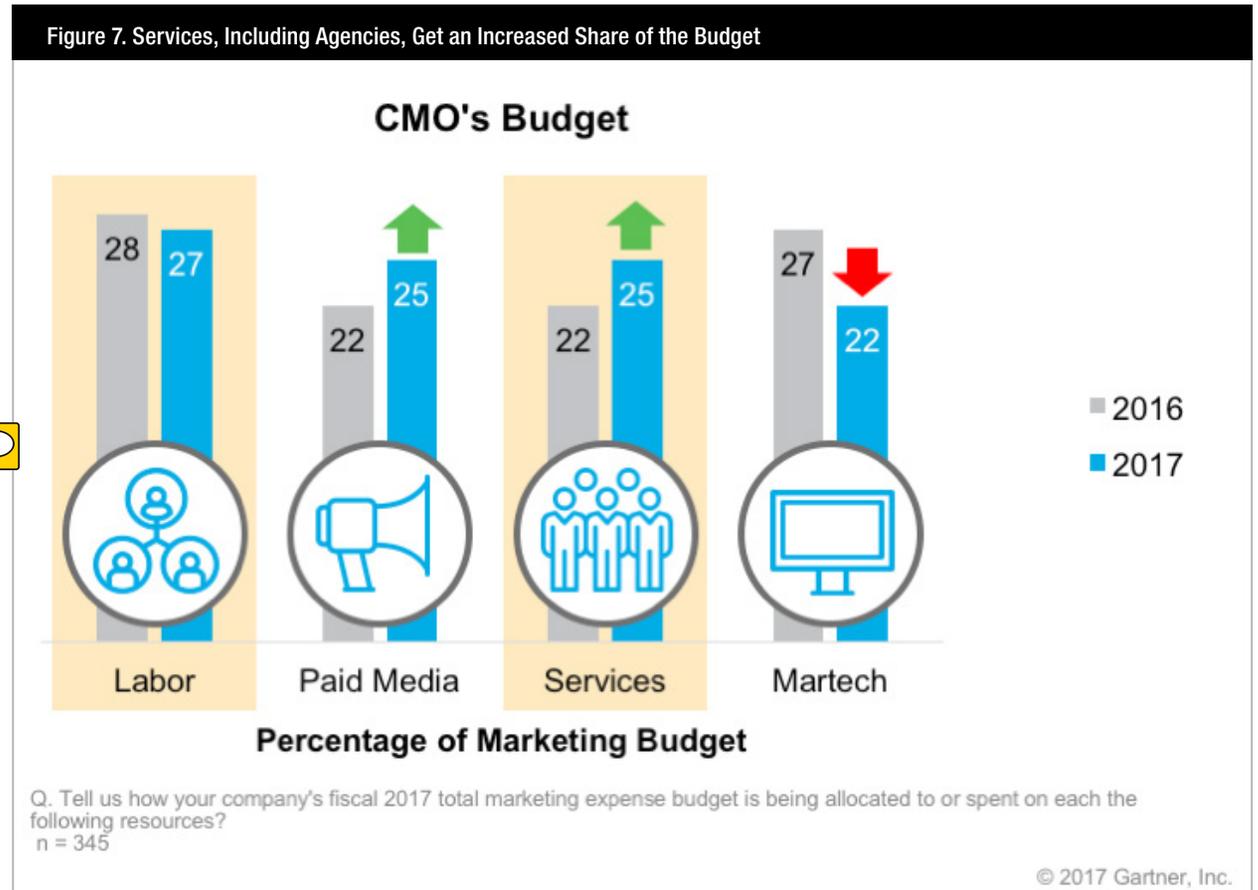
- Build a martech roadmap that captures business and capability requirements, and allows you to prove the value your martech ecosystems delivers against business goals. Use the roadmap to identify opportunities to rationalize and refocus tools that deliver overlapping functionality or redundant capabilities (see [“Build an Adaptable Marketing Technology Roadmap”](#)).
- Maximize the ROI of your martech investments. Build a complete picture of the costs associated with capabilities supported by martech, stripping out extraneous costs and focusing on the combination of internal resource, external support and technology costs. Use your ROI calculations as a key input into your martech roadmap, ensuring that decisions are firmly grounded in business and financial benefit (see [“How to Avoid Martech Abandonment and Maximize Technology ROI”](#)).



Finding No. 7: CMOs Struggle to Balance Resources by Increasing Agency Spend While Reducing Spend on Labor

For CMOs, getting the optimal balance between in-house and agency resources is an enduring organizational design challenge. Together, labor costs and services constitute more than half (53%) of the total marketing budget, with 25% spent on services (up from 22% last year) and 27% spent on labor (down from 28% last year) (see Figure 7).

Managing the mix between your people and your partners is one of the most important investment decisions a CMO will make. Of late, there has been a trend toward in-sourcing, evidenced by Gartner's CMO Strategy Survey. Strategically important capabilities are being brought into the marketing organization, and agencies and third parties are playing a supporting or executorial role.



Source: Gartner (October 2017)

The gap between desire and reality is stark, as CMOs struggle to acquire and retain the talent central to their marketing organization vision. For proof, look to [Gartner's Organizational Design and Strategy Survey](#). CMOs report that the most important roles that are central to achieving their strategy, such as marketing analytics and digital commerce, are the hardest to acquire and retain. The inability to attract these roles means that agencies and third parties step in to fill resource and capability gaps.



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Recommendations:

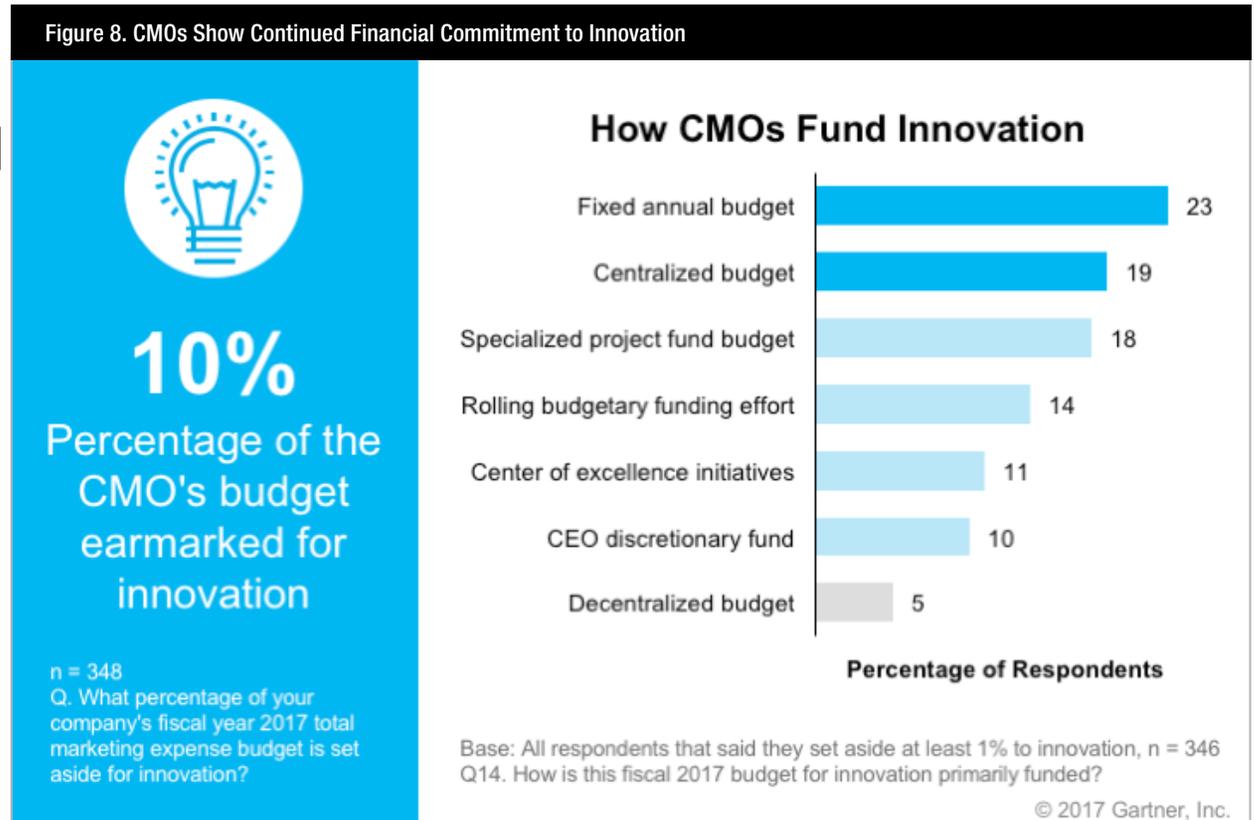
- Design your marketing organization aligned to your strategic goals and objectives. Build a picture of the deliverables marketing must support and the capabilities material to those deliverables. Build a gap analysis, defining how marketing can support the capabilities, the mix of resources required and how resource gaps can be bridged using a combination of in-house and outsource providers. Make this a core part of your strategic marketing framework (see [“Use Gartner’s Marketing Strategy Framework to Build Accountable, Actionable Strategic Plans”](#)).
- Review your agency and partner portfolio. Identify the optimal agency ecosystem model for your organization by aligning agencies to a common set of business objectives. Ensure that your agency portfolio maximizes efficiency and ROI (see [“How to Manage Your Marketing Agency Portfolio Effectively”](#)).

Finding No. 8: Marketing Innovation Stays Protected From Budget Pressures, Maintaining 10% of Budget

Despite budgetary pressures, innovation remains a spend priority for CMOs, securing 10% of total marketing expense budget. Furthermore, almost a quarter of CMOs (23%) now have a fixed annual innovation budget (see Figure 8).

The continued commitment to innovation is admirable. In times when budgets are being squeezed, focusing on innovation shows a commitment to balancing the value marketing delivers in the future alongside the performance it delivers today. Furthermore, failing to invest in innovation puts CMOs at risk of missing game-changing opportunities their competitors may be able to exploit. Still, concerns abound regarding the scope of innovation programs and how innovation ideas are prioritized, developed and managed. Gartner's **CMO Strategy Survey** indicates that innovation programs are strongly guided by internal organizational concerns, rather than aligned to an external view of the customers' current and future needs.

As with martech, innovation budgets that support programs with little understanding of scope and objectives risk getting diverted to fill budget gaps elsewhere.



Source: Gartner (October 2017)

Recommendations:

- Define the role of innovation in the marketing organization (see [“How to Execute Against a Marketing Innovation Mandate”](#)). Be clear on the scope of programs, differentiating low-risk, small-scale optimizations that deliver near-term financial benefits from higher-risk, longer-term innovation programs.
- Proactively communicate the different levels of risks associated with your innovation portfolio to stakeholders in marketing and beyond. Be clear about how and when different programs will deliver benefits to the business, dealing with questions regarding scope and objectives head on. Avoid putting the “innovation” label on activities that emphasize continuous improvement and maintain business as usual (see [“CMO Perspective: Prioritize Innovation Programs Using the Marketing Innovation Matrix”](#)).



Innovation needs to pay its way in the long term, ultimately contributing toward business goals and profitability — failure to do so will result in disinvestment.

Methodology

Gartner's 2017-2018 CMO Spend Survey: The research was conducted using a mixed methodology (online/CATI) from June through August 2017 among 353 respondents in the United States (61%), Canada (12%) and the United Kingdom (27%). The purpose was to collect insight from business leaders responsible for marketing to understand marketing strategies, spending priorities and the CMO's responsibilities. 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 respondents came from a variety of industries: financial services (48 respondents), high tech (59 respondents), manufacturing (47 respondents), consumer products (39 respondents), media (41 respondents), retail (47 respondents), healthcare providers (43 respondents), and transportation and hospitality (29 respondents). 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.

Additional contribution: Karen Carter of Gartner's Primary Research Management Design and Delivery team.

Definitions

Content creation and management: Creation, distribution and amplification of content assets via digital and offline channels. This content fuels audience engagement to drive business results.

Customer experience: The practice of designing for and reacting to customer interactions to meet and exceed customer expectations to increase customer satisfaction, loyalty and advocacy.

Digital advertising: Paid media in digital channels that uses text, images, audio, video and/or interactive elements. It includes search, online display, video, mobile and social ads.

Digital commerce: Design and execution of marketing activities that enable and encourage customers and prospects to research, evaluate and purchase products using the internet, mobile networks and commerce infrastructure.

Digital marketing: A set of integrated techniques, technologies and information that enables marketing to create new products and services; enter new markets; improve the processes needed to engage in a dynamic conversation with people who are influencers and buyers; and ultimately target, acquire and retain customers.

Email marketing: The use of the email channel to deliver marketing messages, such as brand newsletters or contextually relevant, real-time and personalized communications in support of touchpoints throughout the customer life cycle.

Event marketing: Live events where audiences interact with a product or brand face to face.

Innovation: Creation, management, prototyping and implementation of ideas that create or enhance business value.

Labor: In-house, full time and part time.

Loyalty management: A discipline used to promote a sustained relationship with a brand by illustrating achievable benefits — such as convenience, cost and customization through long-term loyalty.

Marketing analytics: Encompasses techniques and tools to optimize marketing and advertising campaigns by understanding prospects and customers and their behaviors across channels. It includes activities such as web analytics, social analytics, mobile analytics, customer journey analytics, campaign measurement, attribution and A/B testing.

Marketing capital budget: Anticipated large expenditures for assets which are capitalized and depreciated, such as marketing software that is installed and runs in your company's data center, computer equipment, and major tradeshow exhibits.

Marketing expense budget: This includes marketing personnel costs, investment in marketing software as a service, external marketing services and advertising. It does not include the capital expenditure budget, for example, for marketing software that is installed and runs in the company's data center or the infrastructure to run it, which is capitalized.

Marketing operations: The management, development and operation of the in-house marketing team and the investment in and performance evaluation of their activities.

Marketing technology: The selection, integration and deployment of marketing tools for competitive advantage, marketing process automation and improved marketing performance.

Media planning and advertising: The creation, delivery and orchestration of targeted marketing messages across channels.

Mobile marketing: Marketing initiatives to enable customers and prospects to use their mobile devices to engage with a business via mobile messaging, mobile-optimized websites and mobile applications. Excludes paid mobile advertising on third-party platforms.

Offline advertising: Major mass mediums for advertising preinternet, i.e., television, radio and print media. Includes out-of-home advertising.

P&L: Shorthand for a profit and loss statement, which measures income and expenses over time. In this context, we are asking whether marketing has responsibility for a profit center that recognizes revenue and associated expenses for certain sales.

Paid media: Includes both digital and traditional advertising.

Partner/channel marketing: Techniques that marketers, including those in manufacturing, use to manage relationships with marketing, sales, account managers and program managers. Examples include the use of collaboration platforms, campaign and lead management, sales enablement, and partner program management.

Product management: The analysis of the market, developing strategies for the product or service, and making decisions about price, advertising, promotion, channels of distribution and service.

Product marketing: The delivery of marketing strategy, driving product positioning and messaging.

Services: External creative, campaign and media services, analytics, consulting, web design, system integration, etc.

Social media marketing: The creation, curation, consumption, promotion and distribution of marketing content for purposes primarily related to communities and social activities. Excludes paid advertising on social network sites.

Web: Use of a company's website to engage customers and support overall marketing objectives. Includes SEO; excludes mobile.

GARTNER RECOMMENDED READING

[“CMO Spend Survey 2016-2017: Budgets Climb \(Again!\) to 12% of Revenue as Marketers Juggle More Demands”](#)

[“Cost Optimization — A Marketing Leader’s Guide”](#)

Evidence

This research is based on Gartner’s 2017-2018 CMO Spend Survey of 353 marketing leaders in North America and the U.K. at companies with more than \$250 million in annual revenue. The research was conducted using a mixed methodology (online/ CATI) from June through August 2017. Please see the Methodology section above for further details.

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