

2020-21 **PART 1**

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Gartner for Marketers

The Annual CMO Spend Survey Research

CMOs Gamble on Swift Recovery,
but Strategic Priorities Reveal Hedging

As CMOs respond to the COVID-19 crisis and social tensions, this year's survey captures strategies, budgets and priorities at a time of upheaval. This report, one of a two-part series, also examines ways CMOs plan to maintain and grow revenue into 2021.



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Overview

Key Findings

- CMOs dismiss economic pessimism as 73% expect COVID-19's near-term negative impacts to be short-lived, at odds with the expectations of C-suite colleagues.
- Despite their positive outlooks, almost half of CMOs (44%) are facing midyear budget cuts in 2020 as a direct result of the COVID-19 pandemic. Eleven percent expect their budgets to face significant cuts of more than 15%.
- To reconcile their economic optimism with their budget limitations, CMOs continue to pursue relatively conservative growth strategies, with 79% primarily relying on existing markets to fuel growth.

Recommendations

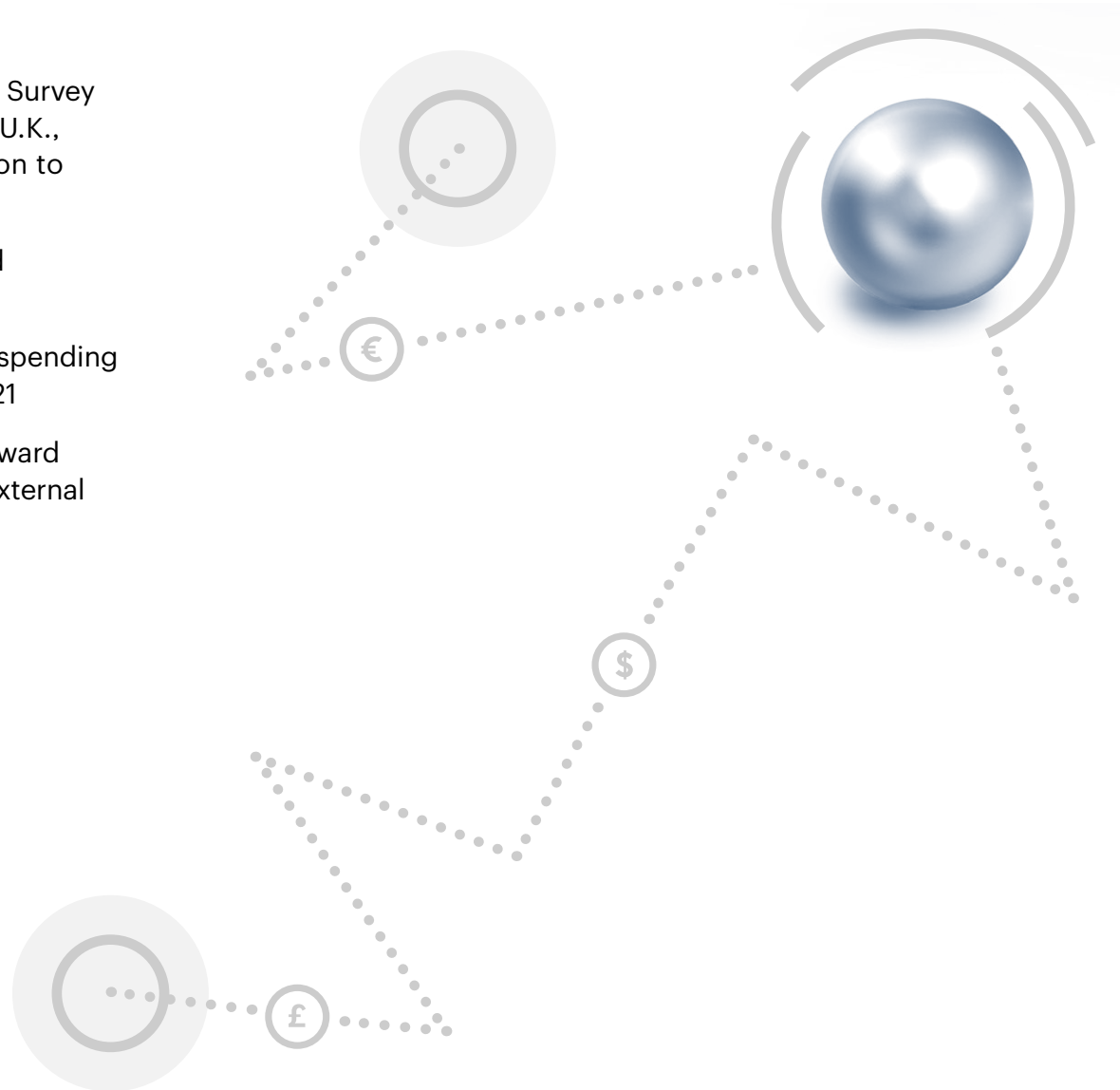
CMOs focusing on marketing leadership and strategy should:

- Build flexible and adaptive plans. Volatility will persist in the year ahead, and you must have the right tools, processes and insight to evolve strategies and spending priorities with the changing environment.
- Stratify and prioritize marketing investments using zero-based prioritization (ZBP). Distinguish between the investments that must be protected and those you could afford to lose if budgets were cut.
- Adopt value segmentation to focus growth in 2021 on the most profitable customers while supplementing such safer bets with counterbalancing transformative priorities.

Survey Objective

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

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

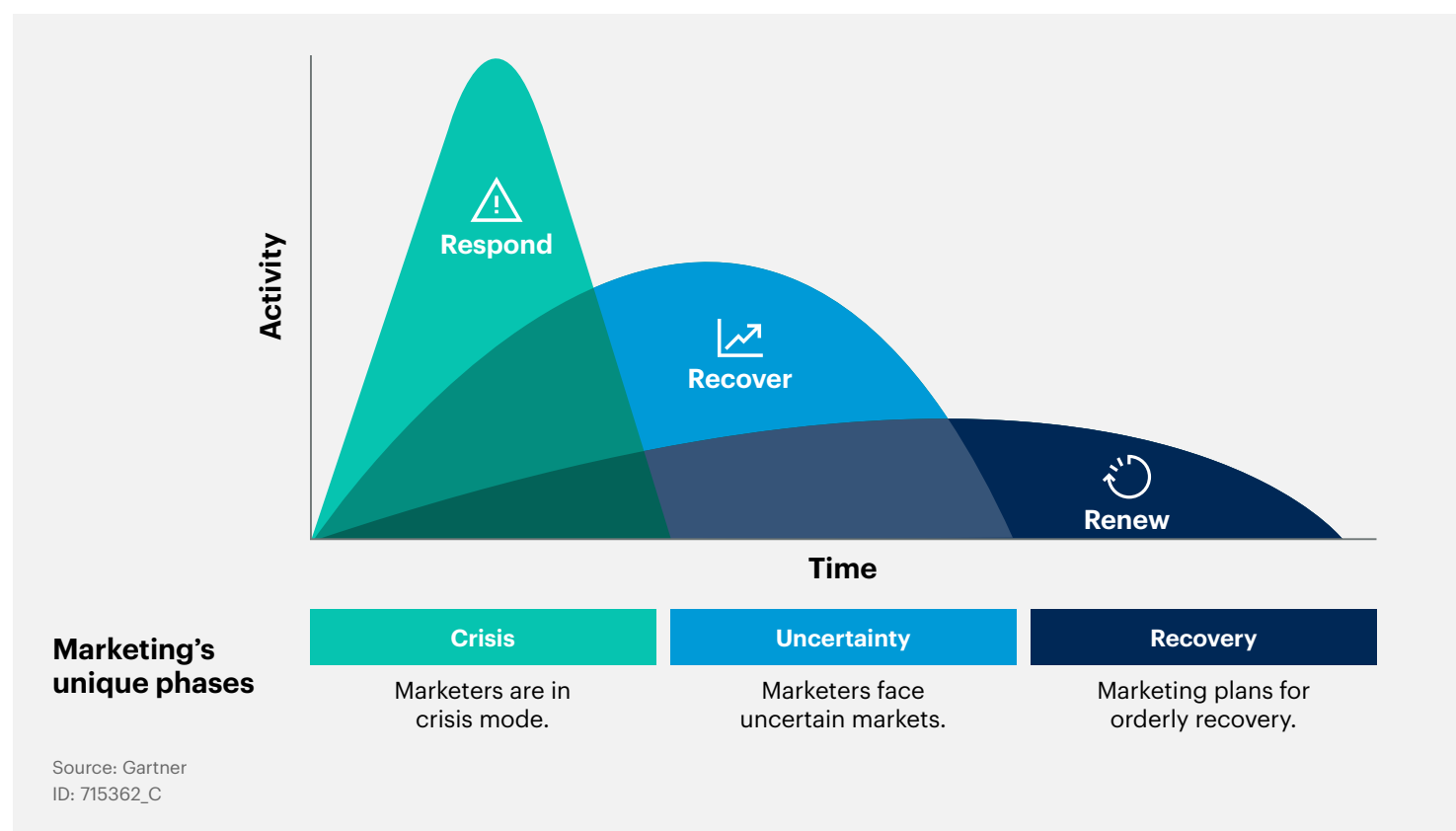


Data Insights

Defying economic pessimism, 73% of CMOs expect COVID-19's negative impacts to be short-lived

The global COVID-19 pandemic has disrupted business plans unlike any event this century. As unprecedented as the events of 2020 have been so far, previous points of crisis such as the Great Recession of 2008 have revealed a pattern of business behaviors: initial response, recovery and renewal (see Figure 1).

Figure 1. The Reset: Post-COVID-19 Recovery Phases



An important part of the plan for recovery is understanding the environment, and building plans aligned to the new economic, social and business realities that emerge over the next 18 to 24 months.

Marketers remain stoic in the face of adversity. Data from Gartner polls in March and April 2020 indicated most marketers faced near-term budget cuts. But data from the 2020 CMO Spend Survey indicates that CMOs are confident that negative impacts will be short-lived. Budgets will take a cut in 2020, but CMOs remain upbeat, expecting them to bounce back in 2021. Indeed, when asked about the impact of the overall business and economic climate over the next 18 to 24 months, CMOs' positivity is again remarkable, with 73% expecting the impact to be positive. Although the majority of CMOs responding to this year's survey believe the post-COVID-19 economic curve will be V-shaped, this optimism is not shared by all members of the C-suite. Gartner data from a poll of CFOs showed that the majority (almost 60%) are building scenario plans that include a second wave of the disease outbreak. Further Gartner poll data indicates that they see a strong connection between the disease outbreak and challenges with the macroenvironment, revenue losses and demand. And this concern is shared by CEOs, with data from a recent World Economic Forum survey reporting that 60% of CEOs believe that there will be a U-shaped recession, while 22% believe it could be a double dip, W-shaped recession.

Although very few CMOs expect COVID-19 to positively impact business considerations, their overall outlook remains at odds with other senior leaders. This contrast should alarm CMOs and reinforce the need for a collaborative and agile approach to budgeting and planning that ensures marketing's expectations do not fall out of step with business realities and threaten even the most critical spending priorities.

See "2020 CMO Spend Survey, Part 2: CMOs Protect Digital Channels and Martech (for Now)" for a look at CMOs' current spending priorities for major resources and channels and an optimistic outlook for 2021 plans.

Turning from external influences to performance expectations, more than half (57%) of respondents across all industries believe that performance will return to business as usual in the next 18 to 24 months — a strong, potentially overly optimistic expectation in the face of significant turmoil. But confidence varies in specific industries (see Figure 2). Only 22% of respondents in travel and hospitality feel that there will be a marked, or significant positive impact (see Figure 3). This is a reflection of the longer-term impact in this sector, with major airlines such as British Airways and aircraft manufacturers stating demand for air travel will not return to pre-COVID-19 levels for up to five years. Respondents from consumer products brands also show some signs of concern about the future, with 34% stating that they felt the business climate over the next 18 to 24 months would be very positive.

Figure 2. More Than Half of CMOs Expect a Return to Business-as-Usual Performance in the Next 18 to 24 Months

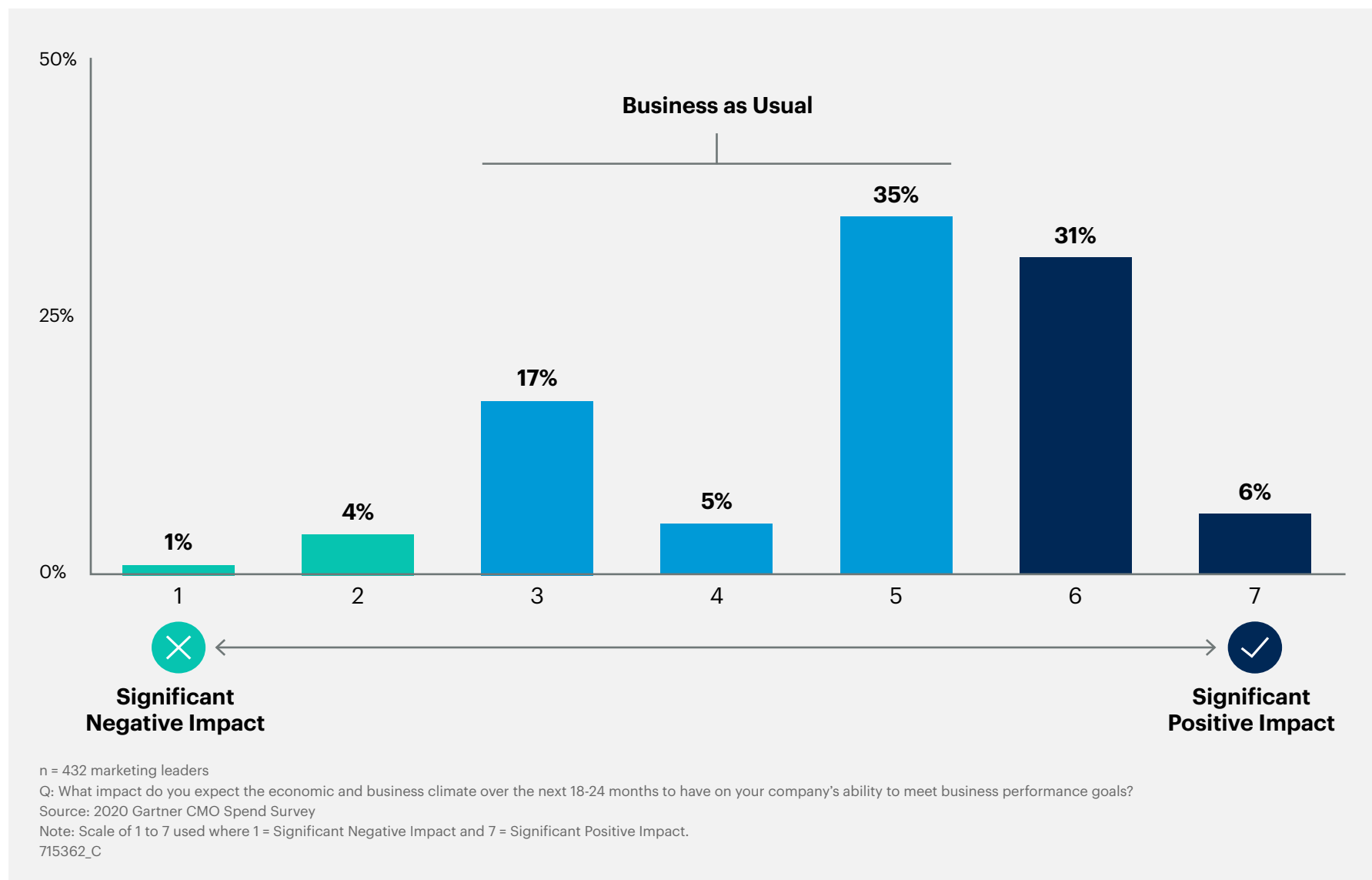
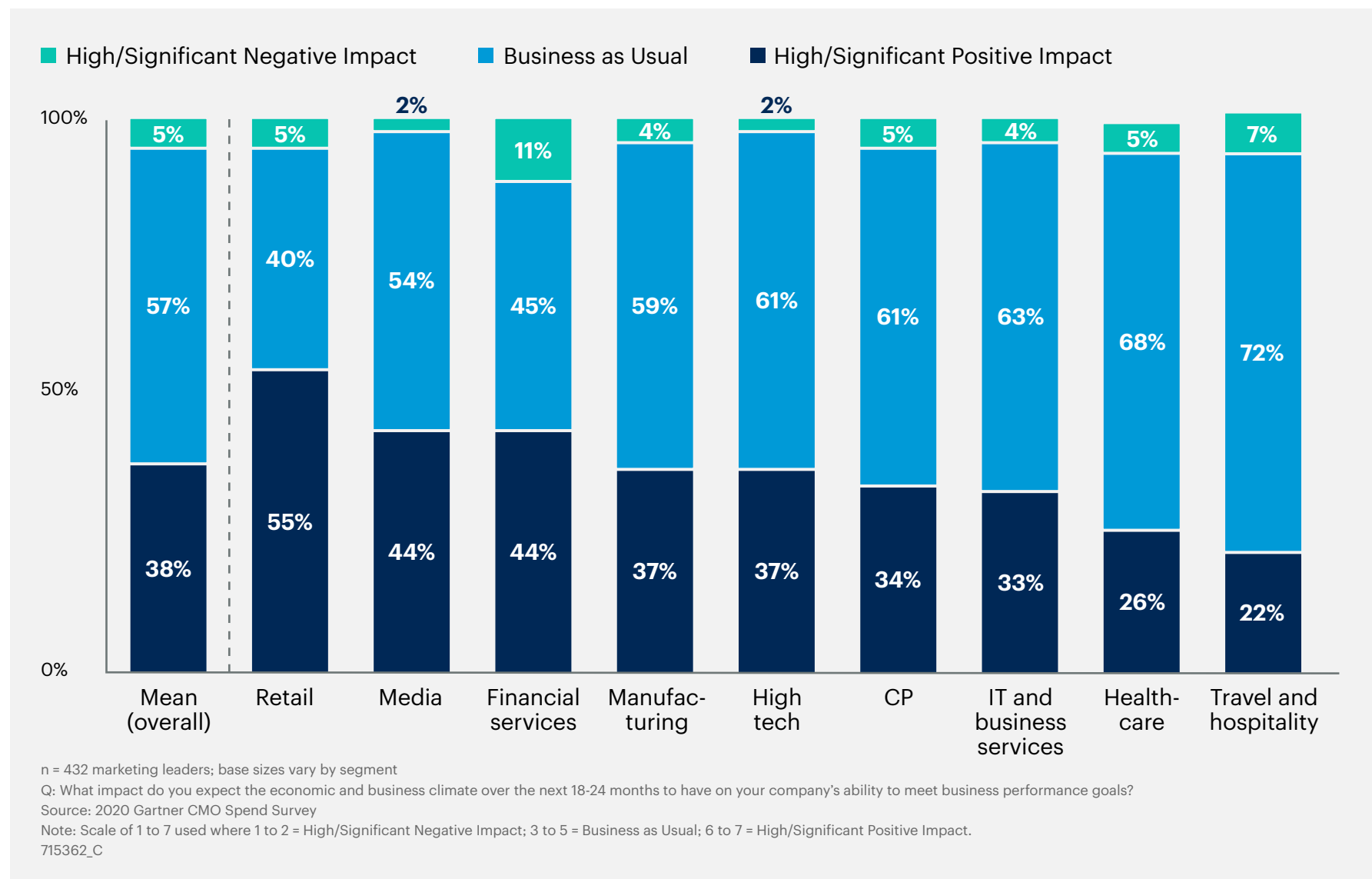


Figure 3. CMOs' Expectations of Business Performance in the Next 18 to 24 Months



Recommendations

- Collaborate to build cross-functional scenario plans to create a collective view on the opportunities and risks in uncertain markets. Balance the quest for positive outcomes with pragmatism (see “Ignition Guide to Conducting Scenario Planning for Marketing”).
- Build flexible and adaptive plans. Volatility will persist in the year ahead as markets shift from the recovery to the renew phase of the COVID-19 crisis. Use tenets of agile methodology to develop plans that can respond to market uncertainties (see “Build Stronger Marketing Plans in Uncertain Times With Adaptive Strategic Planning”).

Almost half of CMOs (44%) are facing midyear budget cuts in 2020 as a direct result of COVID-19

Prior to COVID-19, marketing budgets held their ground year over year (see Figure 4), but for many organizations the budget they had at the start of 2020 will be different than the budget they spend. When asked about the expected impact of COVID-19 on marketing budgets, almost half (44%) are braced for a moderate cut of up to 5% or a significant cut of more than 15% (see Figure 5).

Figure 4. Marketing Budgets Started 2020 Strongly, at 11% of Company Revenue

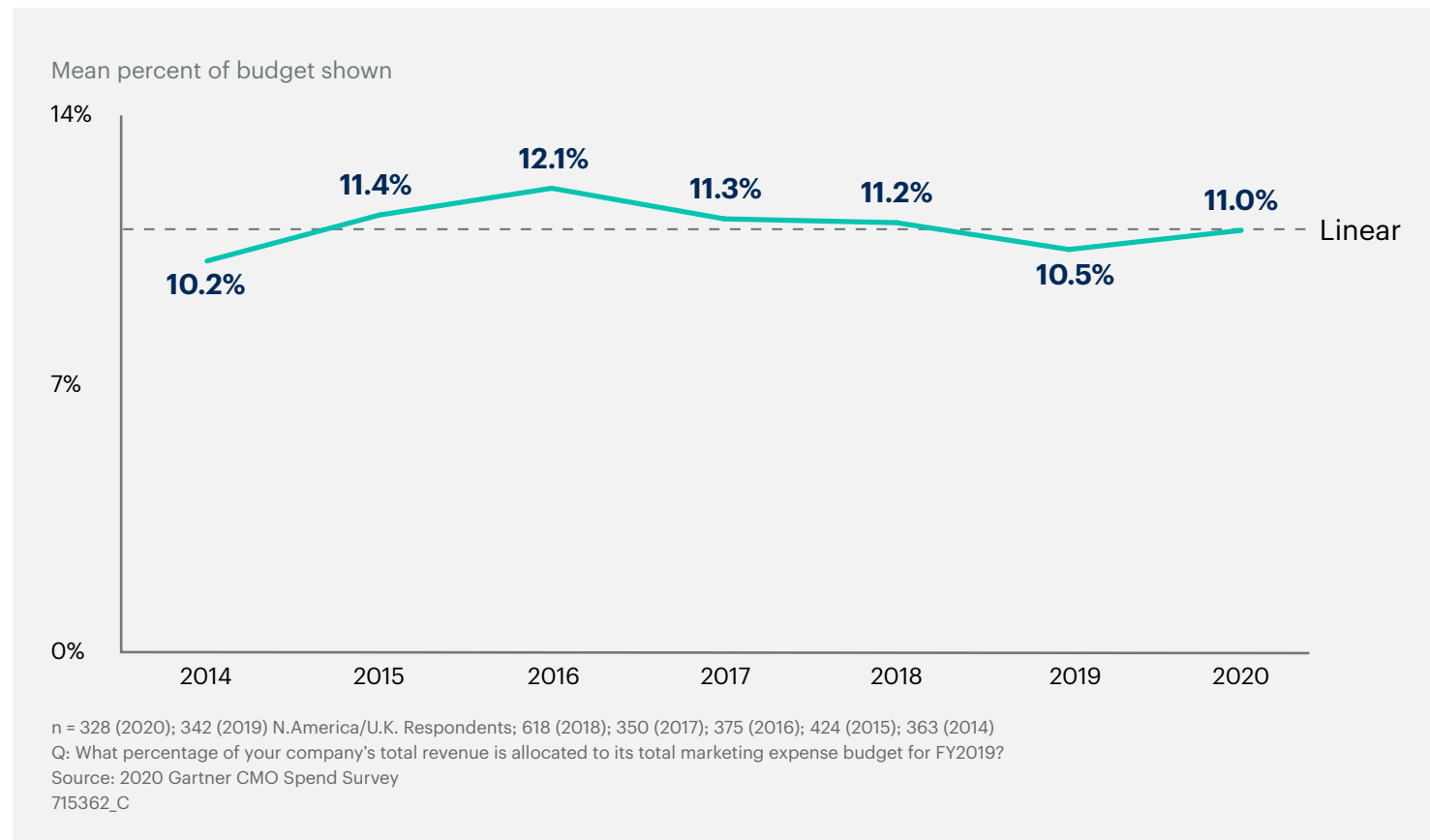
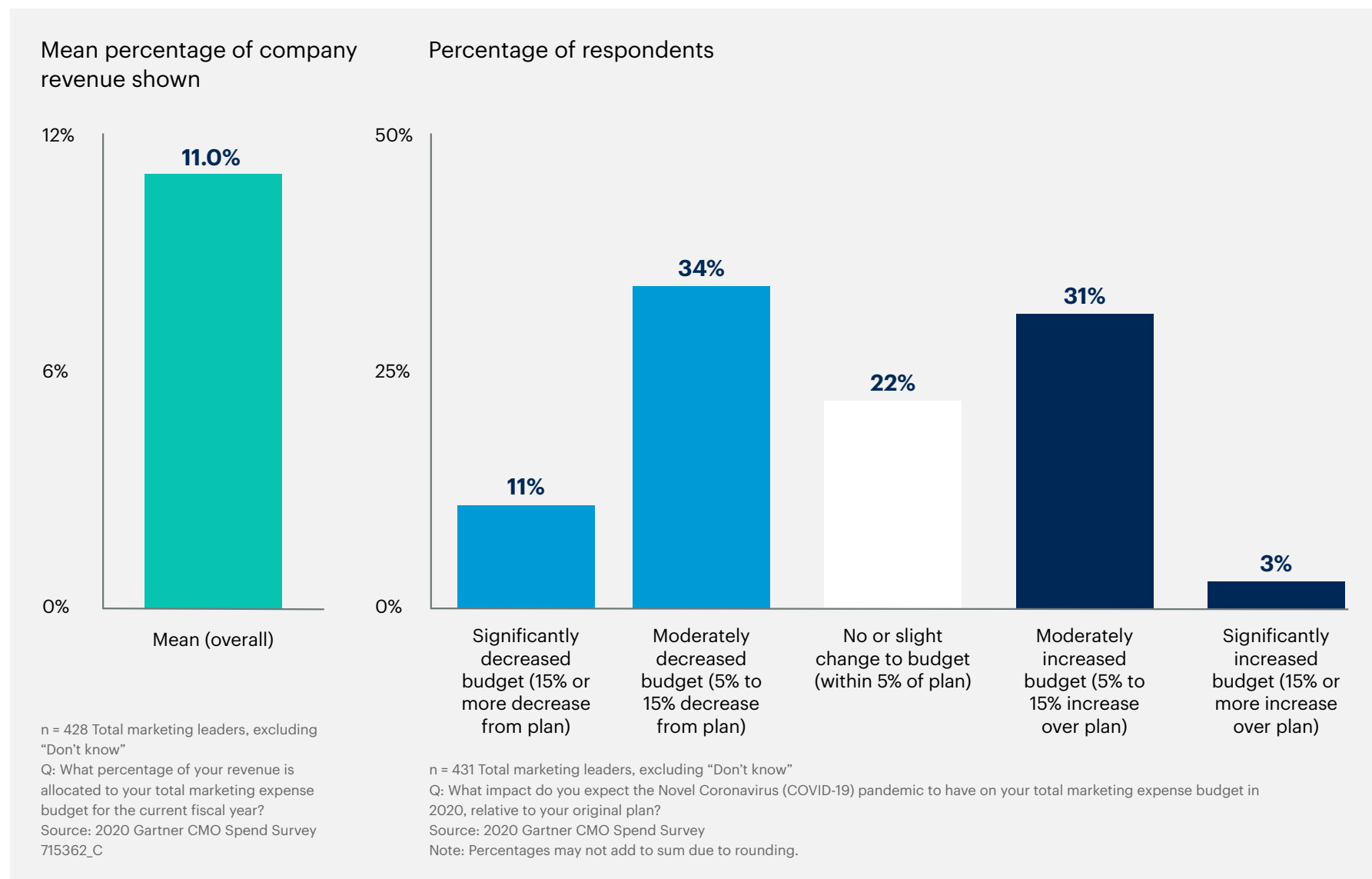


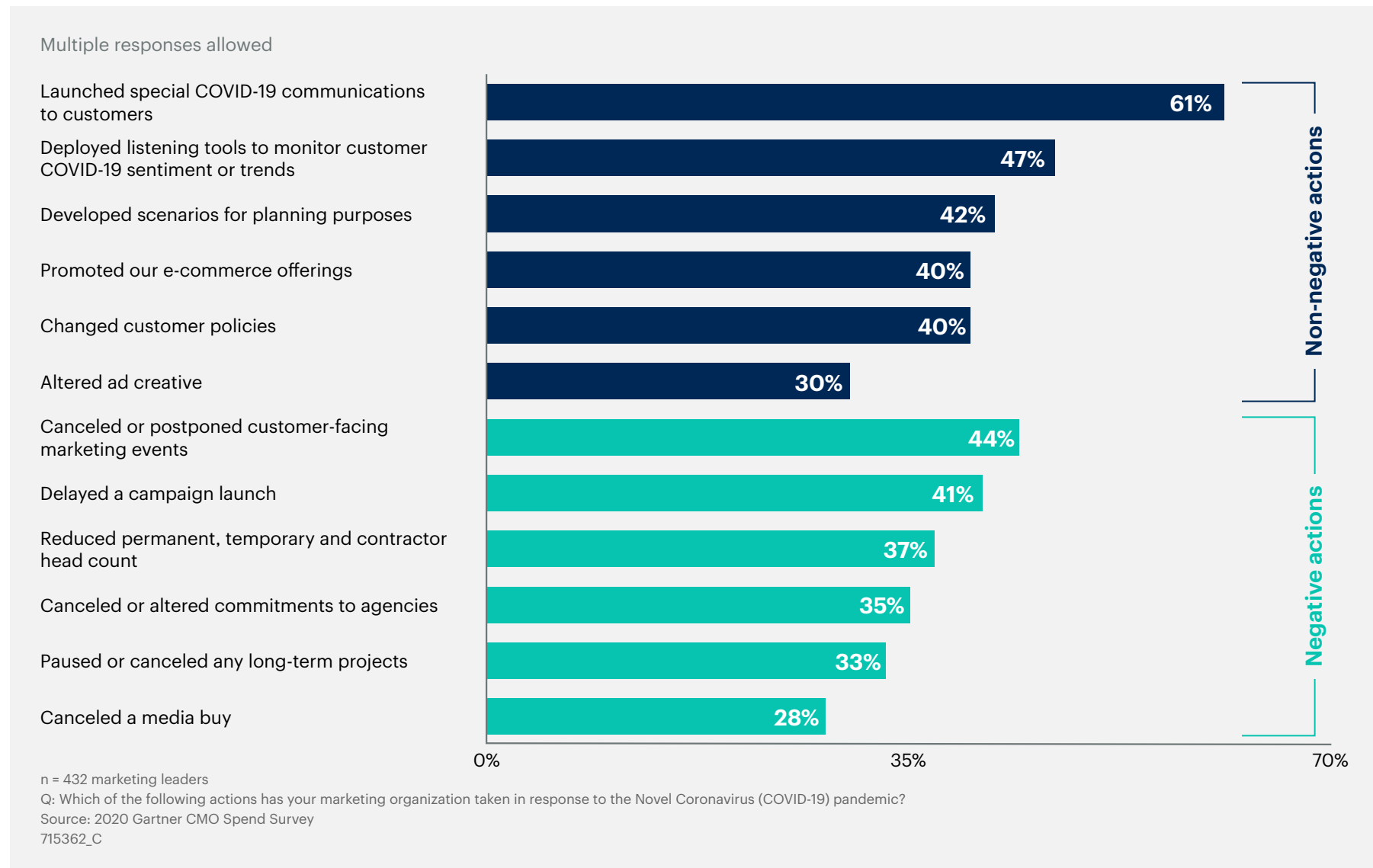
Figure 5. Forty-Four Percent of CMOs Expect Budgets to Decrease as a Result of COVID-19



For many industries, the immediacy of the COVID-19 crisis meant that in the respond phase, budget cuts were focused on freeing up cash flow. As we progress to the recover and renew phases, CFOs will turn their attention to how functions support profitability. Perhaps, given its ongoing challenge to prove ROI, marketing will have the dubious honor of topping the list of functions that finance will look to in order to trim expenses.

Initial responses to budget cuts were focused on canceling or delaying events and campaign launches, amending agency commitments and reducing contractor head count, halting long-term projects and reducing media buying (see Figure 6).

Figure 6. CMOs Take a Range of Actions in Response to the COVID-19 Pandemic



Such cuts can be effective in addressing near-term cash flow demands, but only address part of marketing's cost base. Another round of required cuts may force CMOs to confront less temporary actions such as entire value-creating programs or support for new and emerging business priorities. CMOs should plan for future budgetary pressures now, rather than gamble on budgets bouncing back. They need to build a plan that sets out the costs that can be eliminated, the essential costs that must be shielded, and the costs where greater efficiency and ROI can be delivered (see "Managing Marketing Budget Cuts — Use Gartner's Cost Optimization Matrix to Achieve Optimal Budget ROI").

Recommendations

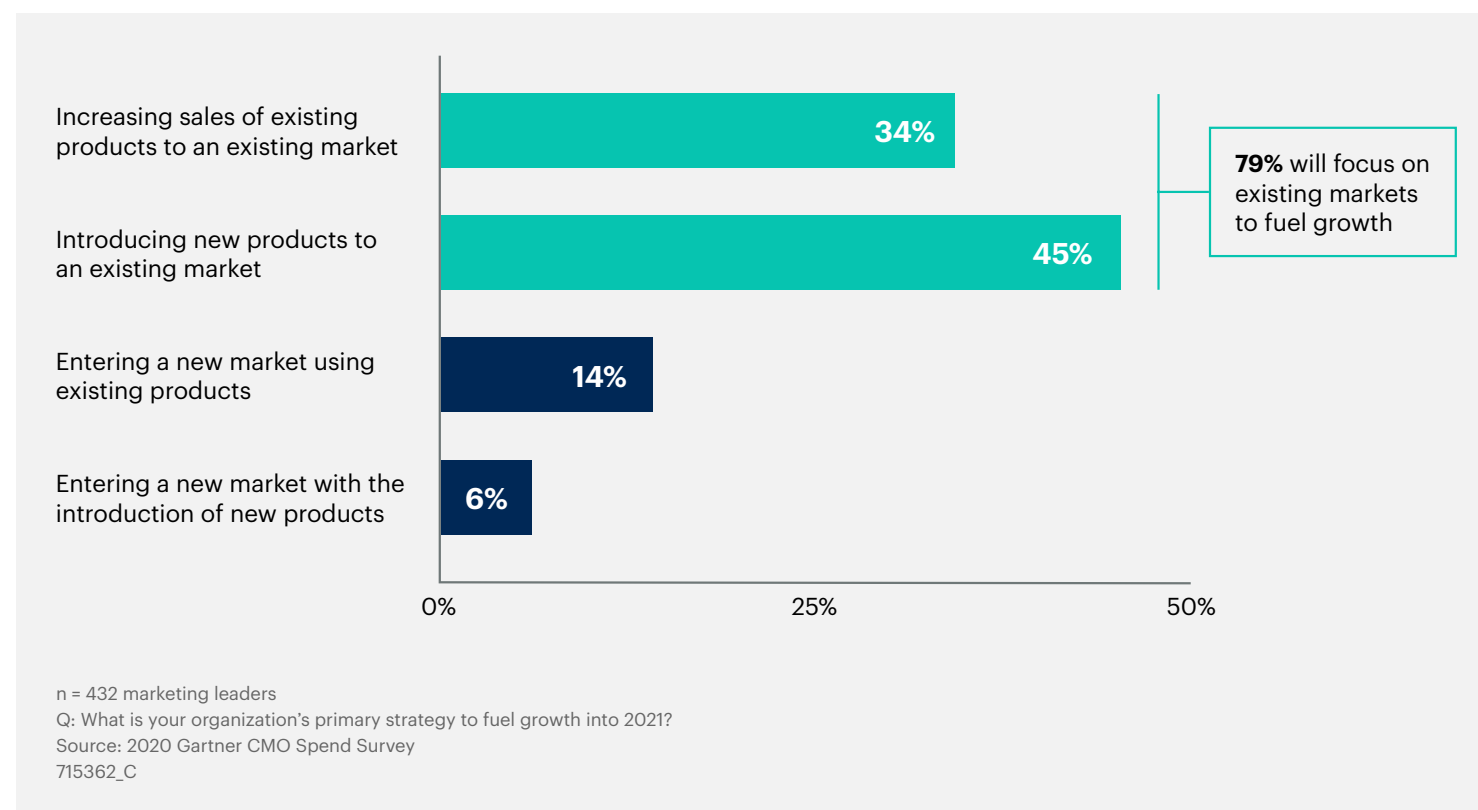
- Stratify and prioritize marketing investments using ZBP. Distinguish between the investments that must be protected and those you could afford to lose if budgets were cut (see "Use Zero-Based Prioritization to Refocus Portfolios on Strategic Business Initiatives").
- Adjust KPIs to show how spend drives both return on objectives (ROO) and ROI. Ensure that investment decisions are not overly focused on near-term revenue at the expense of longer-term opportunities (see "Return on Objectives").

Seeking safety in 2021, 79% of CMOs look to their existing markets to fuel growth in the year ahead

The initial reactions to the COVID-19 crisis have focused on decisive action — canceling events, launching COVID-19-specific communications and reducing contractor head count. These actions responded to the immediate challenges posed by the crisis, but forging a path to recovery requires a full strategic reset.

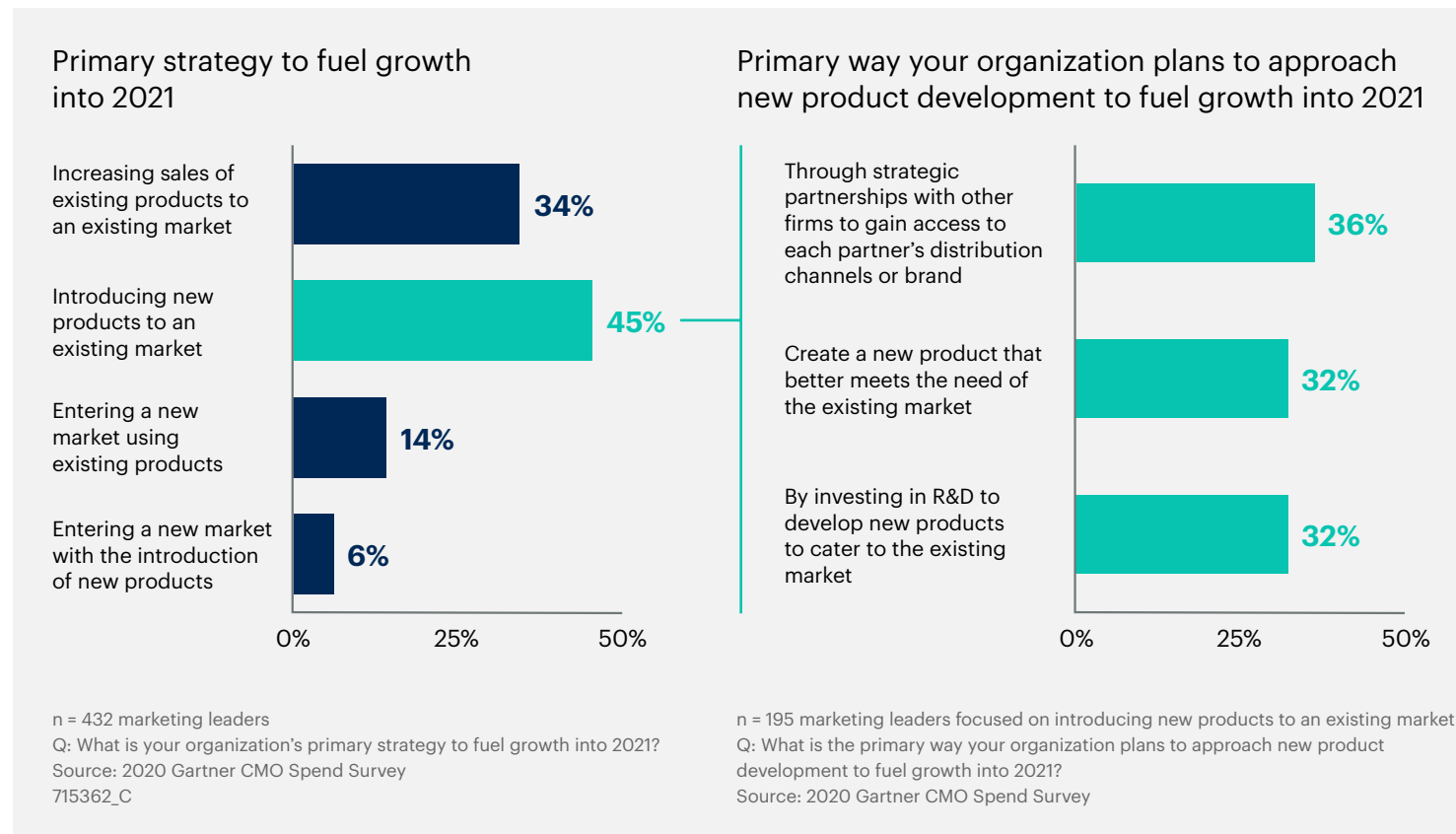
Looking beyond the immediate challenges of 2020, how do CMOs expect to fuel their growth heading into 2021? The answer lies in a focus on existing markets (see Figure 7).

Figure 7. Seventy-Nine Percent of CMOs Look to Existing Markets to Fuel Growth in 2021



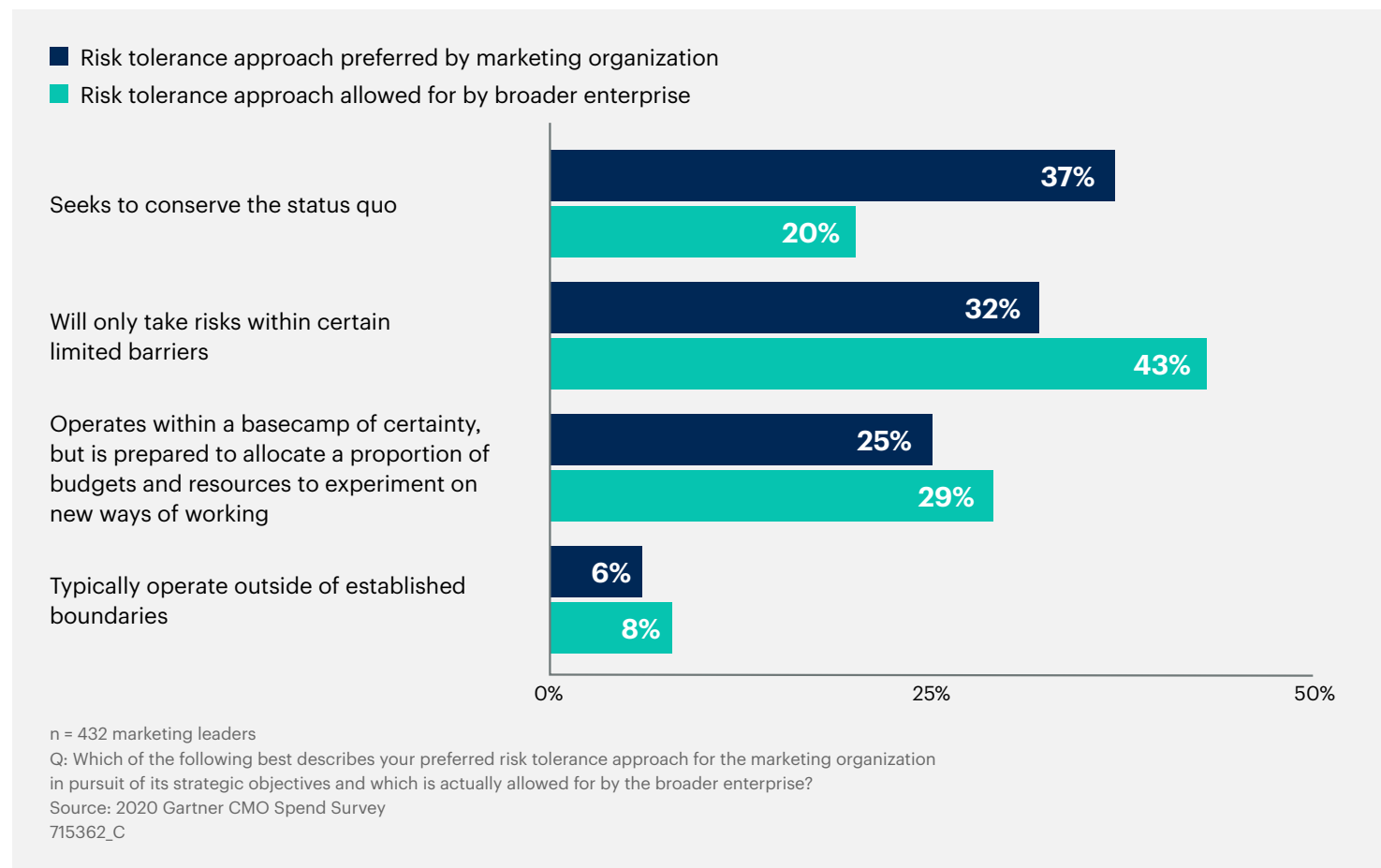
Forty-five percent of respondents aim to build their share of wallet with existing customers, focusing efforts on new product development in the coming year either through partnerships, product augmentation or R&D investments (see Figure 8). Just over one-third (34%) are relying on selling existing products to existing markets to support growth. These strategies imply a relatively conservative set of priorities. However, in a highly volatile market, even maintaining your existing customer and product mix may require transformative channel shifts and augmentations such as brands accelerating their focus on D2C and digital commerce to adapt to rapidly evolving journeys.

Figure 8. How CMOs Plan to Fuel Growth Through New Product Development in 2021



Understandably, in the midst of turmoil, the majority of CMOs in 2020 have developed a risk-averse position. Sixty-nine percent of respondents to this year's CMO Spend Survey state that they either seek to conserve the status quo or will only take risks within limited barriers (see Figure 9). When asked to consider the risk profile of the marketing function against the wider enterprise, CMOs are more likely to favor the status quo than the wider business.

Figure 9. The Majority of CMOs Have a Low Tolerance for Risk in 2020



But other C-level leaders may be more likely to embrace change even if their overall economic pessimism is greater. Recent Gartner chief sales officers (CSOs) research reported respondents see COVID-19 as a catalyst to aggressively drive change and smash perceived obstacles. Furthermore, while COVID-19 may be all-consuming in the near term, it's not the only disruption on the horizon. Setting risk parameters is therefore important — if the guardrails are too narrow, then the opportunity to innovate and embrace emerging opportunities (and threats) is stymied. Ultimately, even a conservative set of strategic priorities may require CMOs to consider disruptive tactics to address them (see “2020 CMO Spend Survey, Part 2: CMOs Protect Digital Channels and Martech (for Now)”).

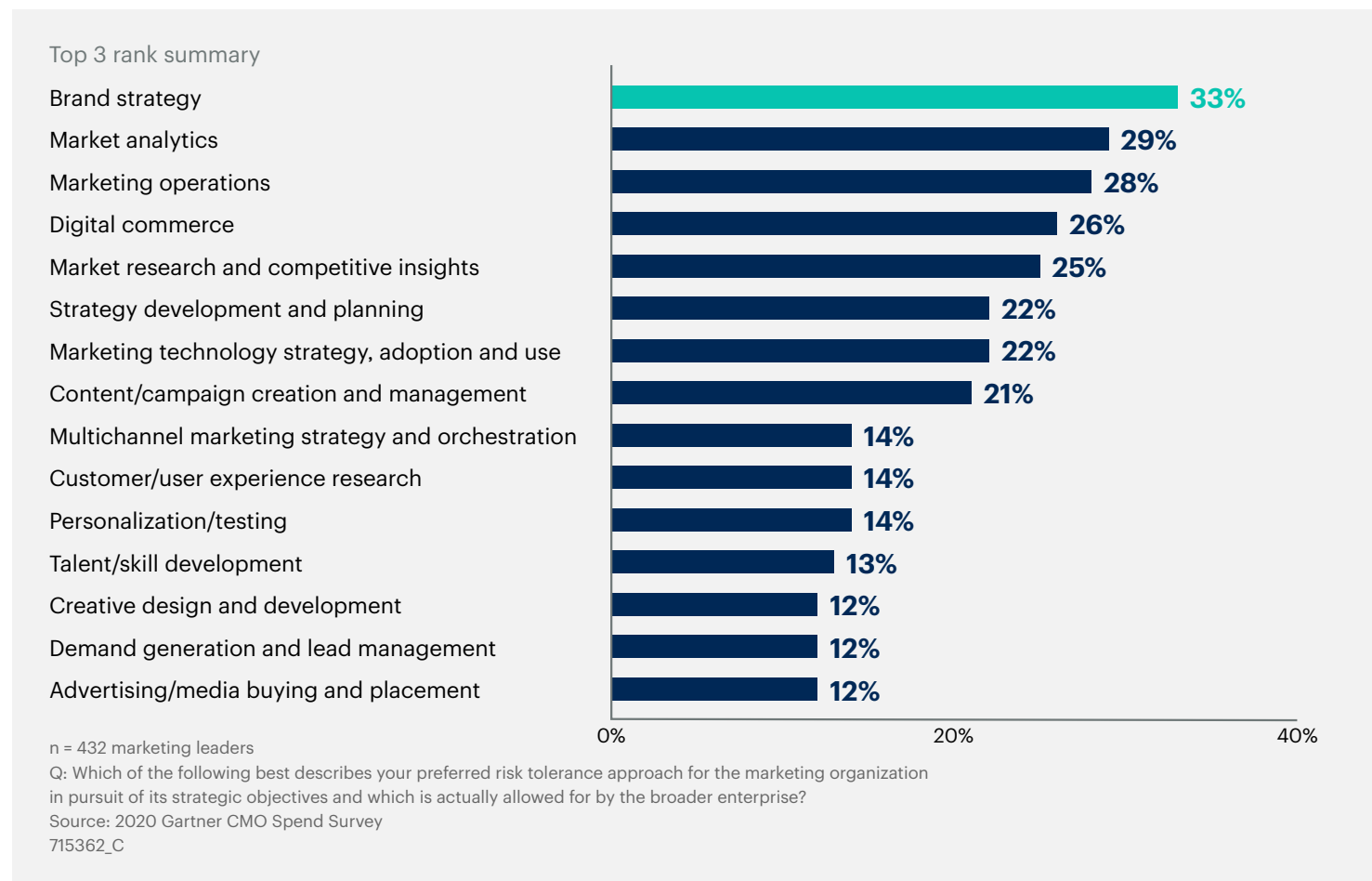
Recommendations

- Recognize that not all customers are equal — even loyal customers. Adopt value segmentation to ensure your focus for growth in 2021 is on the most profitable customers (see “Optimize Spend With Value Segmentation to Target Your Most Valuable Customers”).
- Build a balanced portfolio strategy — ensuring that safer bets such as servicing existing customers and driving repeat purchase are counterbalanced by more transformative options (see “CMO Perspective: Prioritize Innovation Programs Using the Marketing Innovation Matrix”).

Thirty-three percent of CMOs cite brand strategy as their most vital strategic capability, surpassing analytics in importance

Brand strategy has leap-frogged to the top of marketing capabilities, from its lowly position near the bottom of the list in 2019 with one-third of CMOs now placing it in their top three (see Figure 10).

Figure 10. Brand Strategy Is the Most Vital Marketing Capability in 2020, Overtaking Analytics

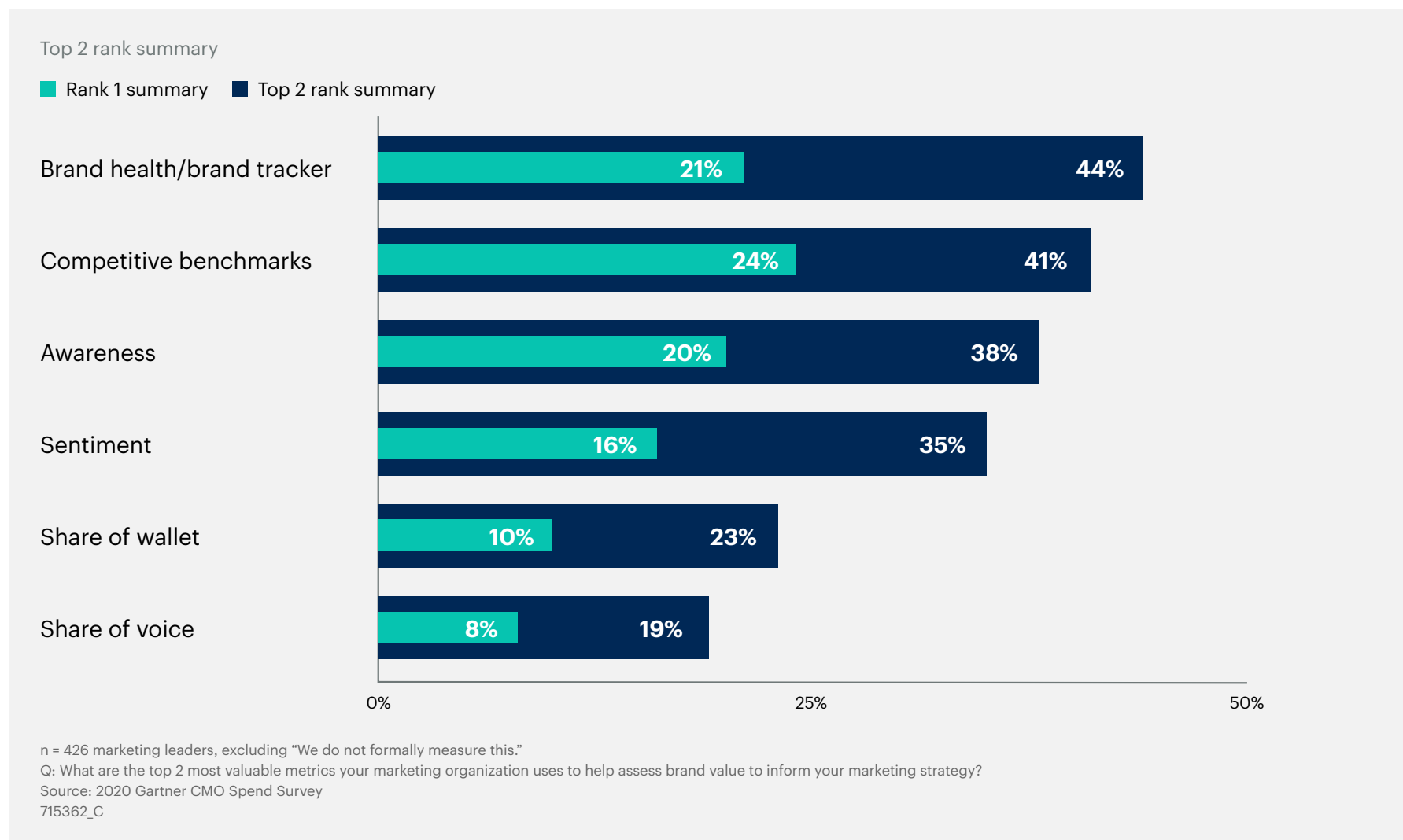


Why brand and why now? The old adage states: “When times are good you should advertise. When times are bad you must advertise.” Brand awareness and relevance in times of strife are more important than ever. A historical review of advertising during recessions found that most firms tend to cut back on paid media during a recession. However, 2009 research found that brands that continued to invest in advertising found their advertising’s effectiveness increased as the noise from other brands was silenced.

In “How to Advertise in Uncertain Times: Lessons From COVID-19,” Gartner highlights how brands responded to the early-stage challenges of the COVID-19 pandemic by reacting to challenges and opportunities in customer journeys, and adjusting messaging focus and activation accordingly. Gartner research suggested then that successful brands take action that is authentically connected to their brand strategy and value proposition. No doubt ongoing societal unrest will only amplify this imperative. As developments continue, further appraisal will be essential as we progress to the new normal.

Brand metrics will be an essential component of brand strategy capabilities (see Figure 11). The new challenges that COVID-19 has presented have shifted CMOs’ focus in terms of the brand metrics that matter. In 2019, awareness was cited as the most valuable metric, with brand health trailing in second position. The positions have switched in 2020 as CMOs focus on what their audiences know and think about their brand. This was recently demonstrated by Amazon, a brand that has historically avoided brand advertising and has invested in TV advertising to showcase how it has responded to the COVID-19 pandemic.

Figure 11. Brand Health and Benchmarks Are Ranked the Most Important Brand Metrics

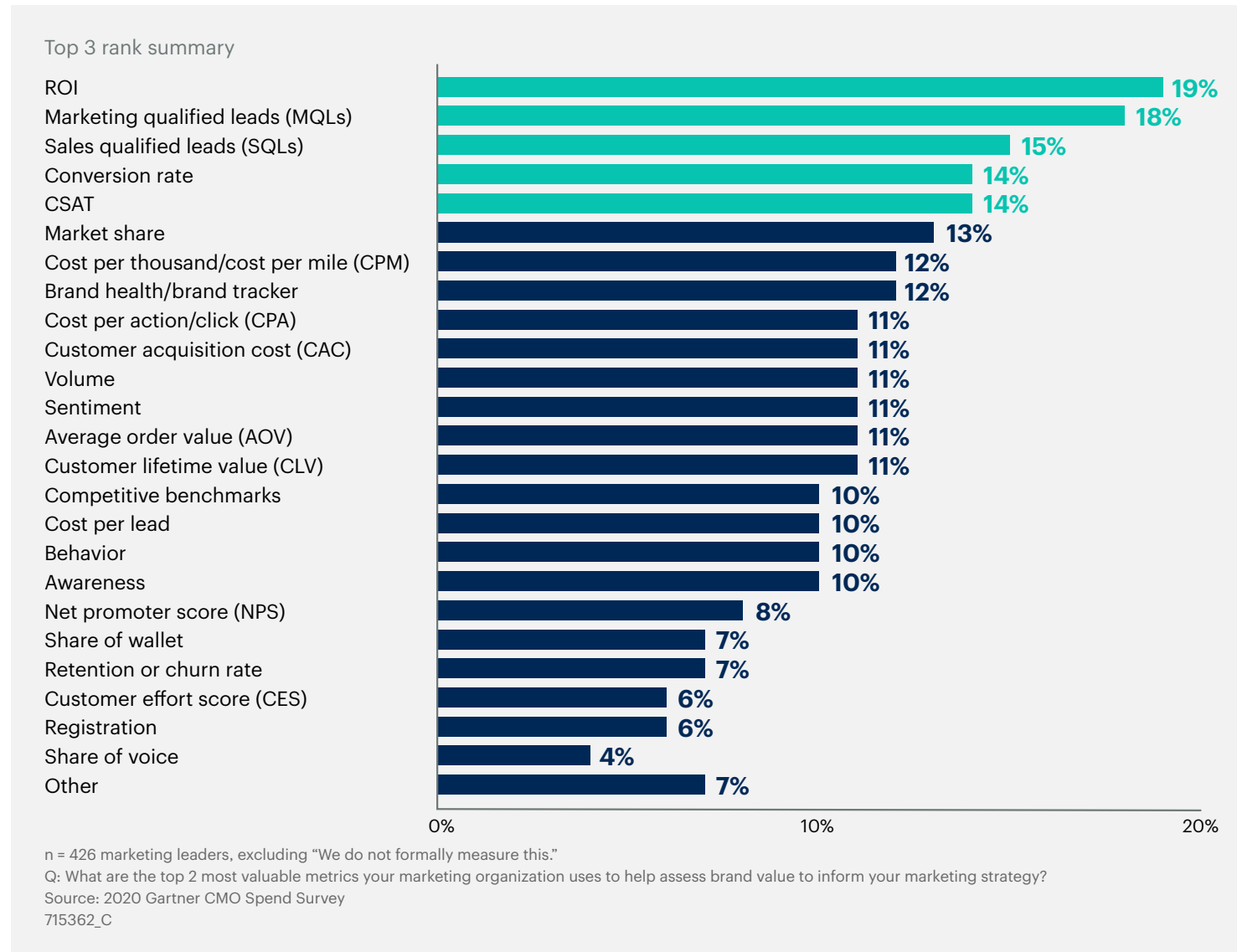


While down from 36% the previous year, a total of 29% of respondents still consider marketing analytics a top-three capability. Gartner client conversations tell of the struggle to prove the value of marketing analytics programs, with many CMOs grappling to attain rudimentary analytics capabilities. Nonetheless as CMOs reprioritize budgets and priorities, analytic capabilities remain of ongoing importance.

Personalization has also attracted strong strategic focus and investment in recent years, yet is losing emphasis in 2020. Only 14% of respondents reported personalization and testing among their top-three capabilities. Earlier this year, Gartner predicted that by 2025, 80% of marketers who invested in personalization will abandon their efforts due to lack of ROI, customer data management perils, or both (see “Predicts 2020: Marketers, They’re Just Not That Into You”).

CMOs are also conflicted over the importance of lead management, as marketing snaps back to focusing on its existing customer base. Only 12% cited demand generation and lead management as a top-three vital capability. Although lead management may not be regarded as a major strategic capability, lead measurement is a significant strategic metric. When asked to identify the top-three most valuable metrics they track, almost one-fifth of survey respondents (18%) cited marketing qualified leads — making it second out of 24 metrics in our list (see Figure 12).

Figure 12. ROI and Marketing Qualified Leads Top the List of CMOs' Most Valuable Metrics



Either intentionally or unintentionally, the metrics you focus on as an organization shape the programs and experiences you deliver. Enterprises focusing on existing customers need to grow loyalty and profitability. However, if they still elevate acquisition metrics like marketing qualified leads (MQLs) and sales-qualified leads (SQLs), then they risk diverting the attention of their teams from the real measures of success.

Recommendations

- Focus brand investments on building trust and credibility by delivering informative experiences and messages focused on relevance and compassion. Avoid message fatigue around COVID-19, or the risk of insensitive and unauthentic brand messages on important cultural movements like Black Lives Matter (see “Combat COVID-19 Brand-Message Fatigue Across Channels”).
- Direct your marketing analytics team to prioritize efficiency metrics while devoting time and resources to ever more advanced ROI analyses. It’s essential the analytics team guides marketers to produce better results with fewer dollars (see “Cost Optimization: Use Efficiency Metrics to Build Marketing Spend Accountability”).

Methodology

Gartner's 2020 CMO Spend Survey: The purpose of this survey is to understand the marketing priorities and budget allocations of marketers to help clients benchmark, allocate spend and prioritize. The research was conducted online from March 2020 through May 2020 among 432 respondents in the United States (44%), Canada (8%), France (12%), Germany (11%) and the United Kingdom (25%). Respondents were required to have involvement in decisions pertaining setting or influencing marketing strategy and planning, as well as have involvement in aligning marketing budget/resources. Eighty-four percent of the respondents came from organizations with \$1 billion or more in annual revenue. The respondents came from a variety of industries: financial services (55), high tech (49), manufacturing (68), consumer products (44), media (50), retail (55), healthcare providers (38), IT and business services (27), and travel and hospitality (46). The survey was developed collaboratively by a team of Gartner analysts who follow marketing and was reviewed, tested and administered by Gartner's Research Data and Analytics team.

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

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