

Digital Marketing Budgets Increase, Reflecting Focus on Customer Experience

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Gartner's Digital Marketing Spending Survey shows that digital marketing budgets will rise by 10% in 2014 following a double-digit percentage increase the prior year. Use our survey findings to see how your spending compares.

Key Findings

- Marketing budgets as a percentage of revenue were 10.7% in 2013 — to increase by 8% in 2014. Digital marketing budgets as a percentage of revenue were 3.1% in 2013, up 20% over 2012 — to increase by 10% in 2014.
- Seventy-seven percent of companies have a chief customer officer or the equivalent — 48% report to marketing. Eighty-one percent of organizations have a chief marketing technologist in 2013, up from 70% in 2012.
- Digital advertising accounts for the largest portion (12.2%) of 2013 digital marketing budgets. The highest 2014 budget increases will go to digital advertising, mobile marketing, digital commerce and corporate website.
- Forty-two percent of marketers say they have a significant role in strategic planning that shapes business results.

Recommendations

- Review how companies like yours allocate their marketing budgets and identify places to consider redistributing resources. Investigate and justify incremental funding sources from outside of marketing to build your digital marketing budget.
- Test and optimize your digital marketing activities on a consistent and ongoing basis. What drives results today won't necessarily do so tomorrow. Ensure that you've established accountable methodologies to measure and optimize the return on your advertising investments.

- Add the equivalent of a chief marketing technologist if you don't have one. Address the role requirements and ensure you have the talent on staff to address them.
- Identify who in your company is responsible for customer experience and establish a strong relationship and formal collaboration regime with digital marketing.

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Survey Objective

Two major objectives of the 2014 Digital Marketing Spending Survey:

- Gain insight about current spending patterns and future priorities, from marketing and other business leaders responsible for digital marketing.
- Examine trends as compared with the 2013 survey trends.

To answer budget and functional questions:

- How much is being spent on digital marketing and on what?
- What roles are the marketing function playing and how are they changing?

Data Insights

Marketing leaders have secured bigger budgets to define markets, develop offerings, and attract, acquire and retain customers. And digital marketing is taking a larger share of the marketing budget. In fact, annual digital marketing operating budgets will total 3.1% of a company's revenue in 2013, a 20% increase over 2012. Use our seven key findings to benchmark your marketing budgets and roles; review our recommendations to enhance your digital marketing efforts.

Marketing Budgets Total 10.7% of a Company's Annual Revenue

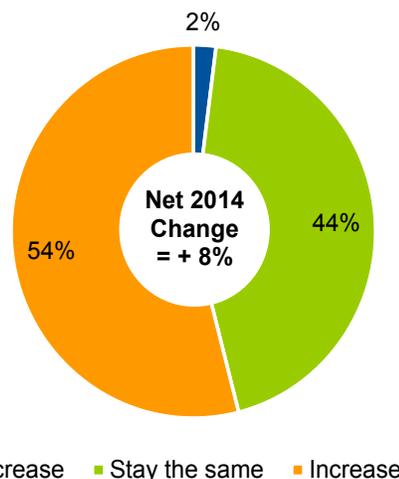
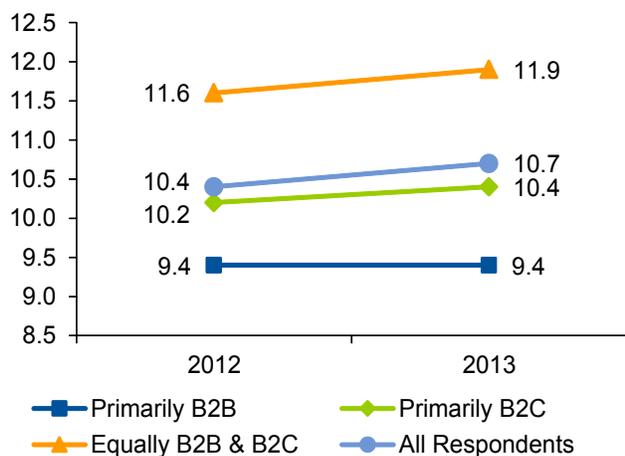
Companies will spend an average of 10.7% of their annual 2013 revenue on overall marketing activities; these expenses include salaries, and both traditional and digital marketing costs, as well as media (see Figure 1). This compares with the average 2012 marketing spending of 10.4% of company revenue (see "Key Findings From U.S. Digital Marketing Spending Survey, 2013").

Figure 1. Marketing Budgets Continue to Rise

Q: What percentage of your organization's revenue is allocated to your total marketing expense budget for fiscal 2012 and 2013?

Q: Compared with fiscal 2013, will your organization's total marketing expense budget decrease, stay the same or increase in fiscal 2014?

Percentage of Revenue



n = 285 for 2013; n = 203 for 2012

Source: Gartner (January 2014)

The range of spending for 2013 is wide — 22% of companies will spend less than 7% of revenue and 23% of companies will spend more than 15% of revenue on marketing. The net expected change for 2014 marketing budgets is plus 8%, which takes into account those planning to decrease, stay flat and increase. The average percentage of revenue for the 75 respondents with primarily B2B focus is 9.4%, the same as last year, with 17% reporting less than 3% of revenue and 21% reporting less than 15% of revenue.

Media companies will allocate a larger share of revenue to marketing expenditures (12.1%) in 2013 than other vertical industries. Retail companies plan the biggest relative increase in spending (12.3%) in 2014. The 80% of companies that have a chief marketing technologist plan to spend 11.6% of company revenue on marketing in 2013 as compared with 7.1% for the companies that do not have one.

A total of 54% of respondents said their marketing operating budgets will increase in 2014; 44% said their budgets will stay about the same; and only 2% are bracing for a budget decrease. More retail, government, and high-tech provider marketers plan a 2014 increase than other industries.

Digital Marketing Budgets Total 3.1% of Company Revenue

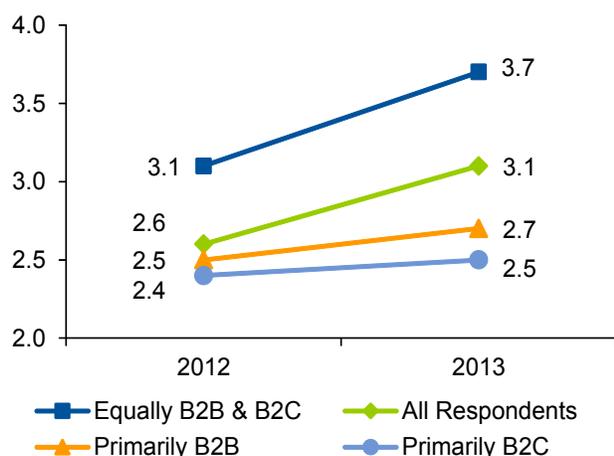
Customers are transitioning to communicating and buying through digital channels. That means marketing spending is rapidly shifting to digital marketing. On average, annual digital marketing

operating budgets will represent 3.1% of a company's revenue in 2013, as compared with 2.6% in 2012, or a 20% increase. In fact, both total marketing budgets and spending on digital marketing activities have increased in 2013 (see Figure 2).

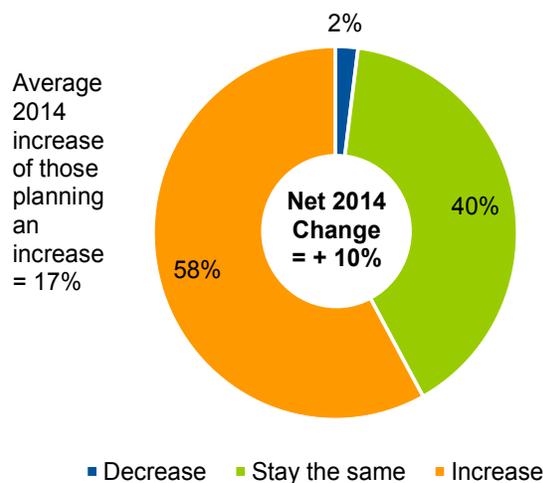
Figure 2. Digital Marketing Takes a Bigger Share of the Marketing Budget

Q: What percentage of your organization's revenue is allocated to your total digital marketing expense budget for fiscal 2012 and 2013?

Percentage of Revenue



Q: Compared with fiscal 2013, will your organization's digital marketing expense budget decrease, stay the same or increase in fiscal 2014?



n = 285 for 2013; n = 203 for 2012

Note: Digital marketing budget as a percentage of revenue is derived from two questions — "What percentage of your organization's revenue is allocated to your total marketing expense budget?" and "What percentage of your organization's total marketing expense budget is allocated to digital marketing?"

Source: Gartner (January 2014)

These budgets include personnel costs, contract labor, software-as-a-service, cross-charges from internal IT, and external marketing services such as agency creative services, search, website design, content creation and management, and social and mobile marketing.

Eleven percent of the marketers responding to our survey said they will spend more than half of their marketing budgets on digital activities in 2013 versus only 3% in 2012. Digital marketing represents an average of 28.5% of the total marketing budget in 2013, as compared with 25.5% in 2012. Comparing Findings 1 and 2, B2B focused marketers are shifting spend to digital from traditional marketing; while B2C are both shifting spend and increasing it.

A total of 58% of respondents said their digital marketing budgets will increase in 2014; 40% said their budgets will stay about the same; only 2% plan a budget decrease. The net expected change for 2014 digital marketing budgets is 10%, which takes into account those planning to decrease,

stay flat, and increase. For just the companies planning to increase their digital marketing budget in 2014, the average increase is 17%.

Seventy-Seven Percent of Companies Have a Chief Customer Officer or Equivalent

Customer experiences with a brand or organization span many channels, both online and off. Customer touchpoints include your website, mobile app, social profiles, directory listings, on-site search, email interactions, communities, call center and more.

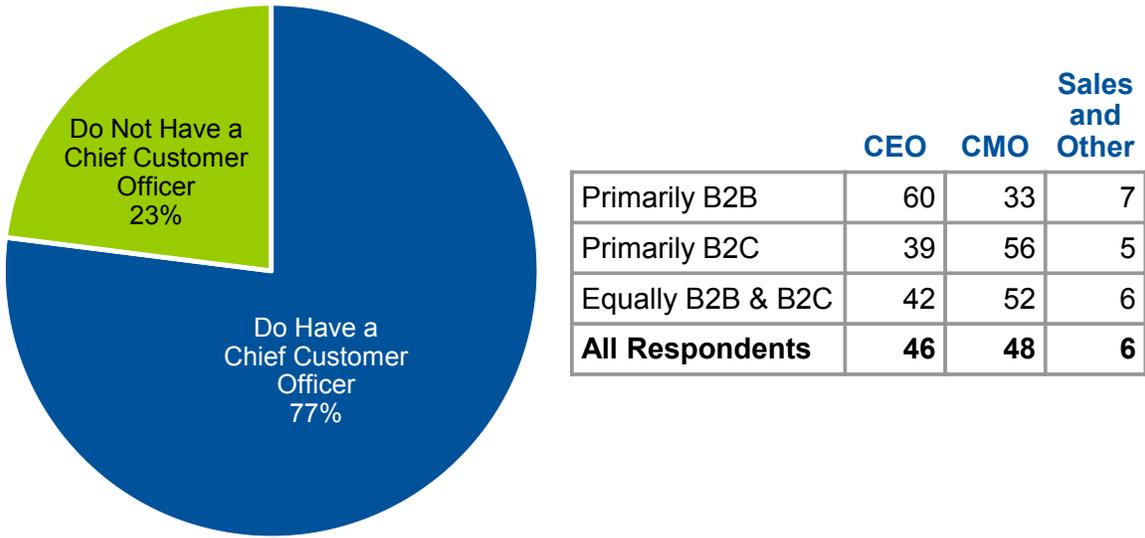
Customers have also come to expect consistent experiences, no matter where an interaction initially takes place. Enter the role of chief customer officer, which goes by many titles, including chief of customer engagement, experience or advocacy officer. The Chief Customer Officer Council defines the role this way: "An executive that provides the comprehensive and authoritative view of the customer and creates corporate and customer strategy at the highest levels of the company to maximize customer acquisition, retention, and profitability."

At B2B companies, 60% of the respondents said the role reports to the CEO rather than the CMO (see Figure 3). However, there are advantages to the role reporting to the CMO. Digital marketers already make customer engagements and experiences top priorities. Marketers have responsibility for customer acquisition and retention. And marketing is measured primarily on revenue, profitability and retention, according to our research.

Marketing, sales and customer service responsibilities are blurring the more the customers are in charge of their own path through the buying cycle and beyond. This means you and your team should plan to support, if not lead, the CCO role. Note: Variations exist by industry.

Figure 3. Organizations Elevate Customer Experience to the C-Suite

Q: Please specify whether your organization presently has the equivalent of a Chief Customer Engagement, Experience, or Advocacy Officer along with where they report.



n = 282

Source: Gartner (January 2014)

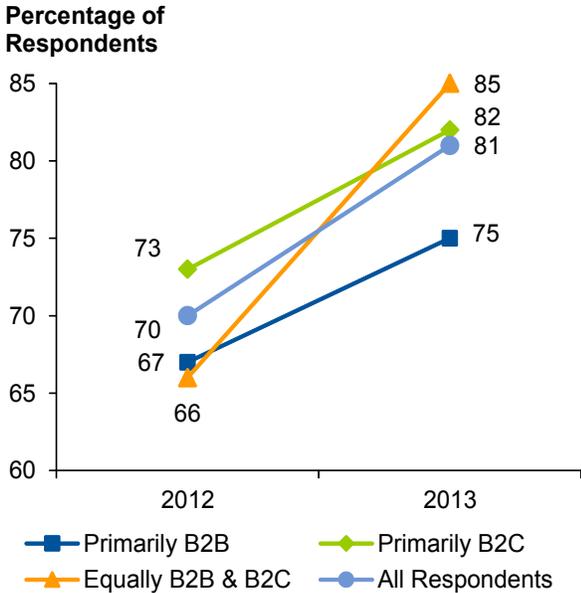
Eighty-One Percent of Organizations Have a Chief Marketing Technologist

Technology touches all aspects of marketing, especially digital techniques such as display advertising, email, search and mobile marketing. Traditionally, these roles have been handled by either digital marketing managers or specialists — with or without the support of IT leaders. Increasingly, marketers want to integrate programs to optimize their marketing mix and to get a better understanding of their customers. This requires a technology leader who understands the requirements and issues associated with joining together disparate data sources and technologies, and who has a vision for future marketing requirements (see "The Chief Marketing Technologist Role Emerges to Help the CMO Seize Business Advantage").

Of those marketers surveyed, 81% said they have a chief marketing technologist or the equivalent, up from 70% from last year (see Figure 4). In fact, two-thirds of respondents said the chief marketing technologist is responsible for aligning marketing technology with business goals. A total of 65% said the chief marketing technologist facilitates projects and communications between marketing and internal IT.

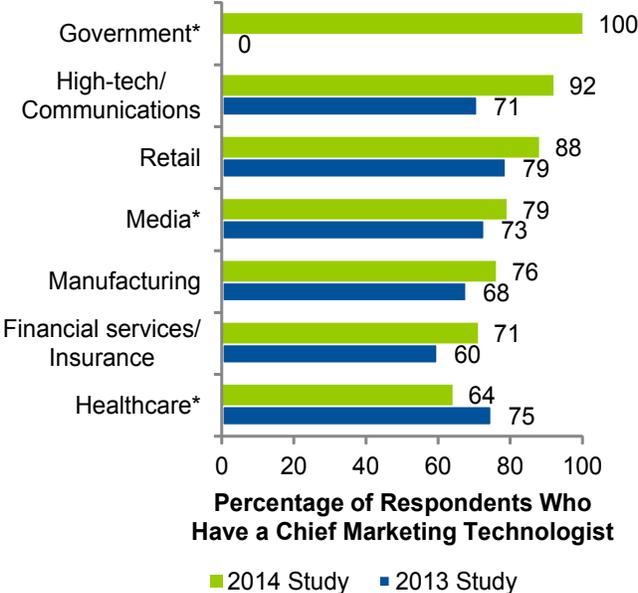
Figure 4. Chief Marketing Technologist Role More Prevalent

Q: Specify whether your organization presently has the equivalent of a Chief Marketing Technologist



n = 281 for 2013; n = 203 for 2012

Source: Gartner (January 2014)



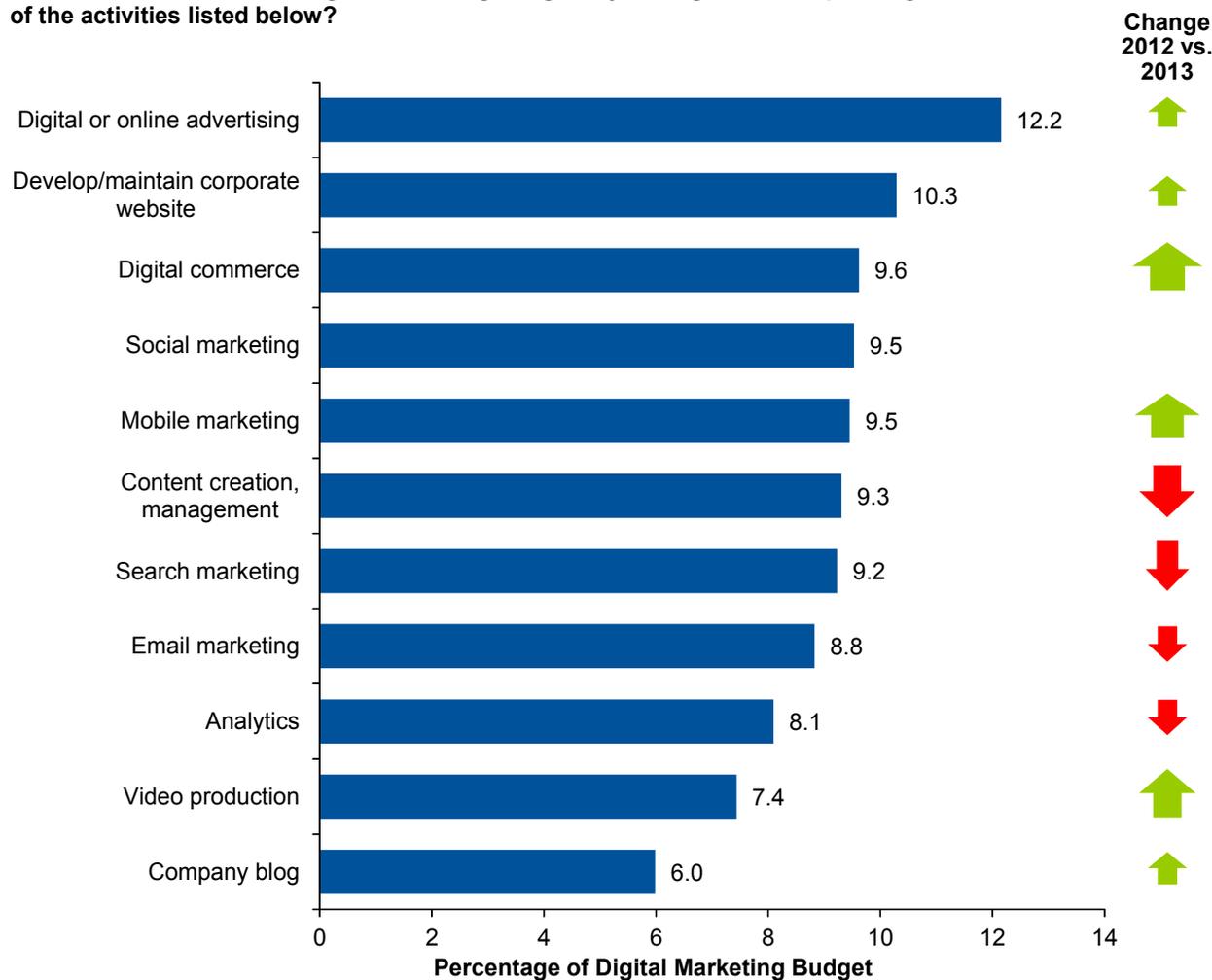
In an upcoming document about how the presence of a chief marketing technologist impacts marketing budgets, we show that organizations that have a chief marketing technologist have higher marketing, digital marketing, innovation, and marketing capital budgets in 2013 than companies that do not, and are planning higher increases in 2014.

Digital Advertising Accounts for the Largest Portion (12.2%) of 2013 Digital Marketing Budgets

Marketing leaders support a diverse — and increasingly complex — marketing mix. As Figure 5 shows, they will allocate 12.2% — the biggest share of their digital marketing budget — to digital advertising in 2013, just as they did in 2012. Still, marketers wrestle with digital advertising's effectiveness. Industry associations, advertising agencies, media, technology, and metrics providers and brand advertisers are working to address this concern by improving attribution models and cracking down on phony Web traffic. The total digital advertising spending may be larger than 12.2% if advertising is also included in mobile and search marketing.

Figure 5. Marketers Balance an Expanding Marketing Mix

Q: How much of the 2013 digital marketing budget is your organization spending on each of the activities listed below?



n = 200 (Those companies who maintain a separate digital marketing budget and excluding "don't know")

Notes: May not add to 100% due to rounding.

Margins of error, based on a 95% confidence level, range from +/- 0.8% to +/-1.3%.

Source: Gartner (January 2014)

Design, development and maintenance of the corporate website accounts for the second largest share of digital marketing budgets. The increase of inbound marketing channels such as social networks, customer forums and the blogosphere has created more traffic — and focus — on the corporate website. Other Gartner research has shown that companies are still struggling to adapt their corporate website for mobile users.

Digital commerce, social marketing and mobile marketing — three activities that increasingly overlap — are closely tied for the third largest share of digital marketing budgets. The rise in

spending on digital commerce is telling, because the actual phrasing of the question we posed was, "digital commerce (if marketing is primarily responsible for it)." The amount of the digital marketing budget allocated to digital commerce increased by 33% between 2012 and 2013. Marketing's involvement in digital commerce is explored in "Four Forces Elevate Marketing's Role in Digital Commerce."

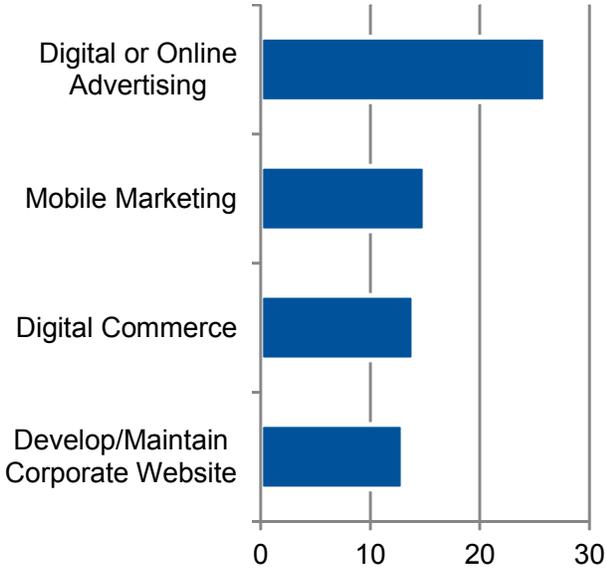
Highest 2014 Budget Increases Will Go to Digital Advertising, Mobile Marketing, Digital Commerce and Corporate Website

Of the digital marketing activities with the highest planned budget increases in 2014, the top four are digital advertising, mobile marketing, digital commerce and the corporate website (see Figure 6).

Between 2012 and 2013, activities showing the highest increases as a percentage of digital marketing budgets are digital commerce, mobile marketing and video production. The largest decreases from 2012 spending are content creation and management, search marketing, email marketing and analytics.

Figure 6. Companies Funnel Money Into Digital Advertising

Q: Which three digital marketing activity areas do you expect will increase the most in 2014?



Most Notable Segments
(Percent who expect digital advertising to be highest increase)

Media and advertising	46%
Manufacturing	37%
Primarily B2C focus	35%
Decentralized digital marketing organizations	34%
Highest level of marketing maturity	33%
Digital marketing fully integrated into marketing organization	30%
Respondents one level from most senior executive in organization	30%

n = 135
Base: Digital marketing budget will increase in 2014 (showing top four of 11 activities).

Source: Gartner (January 2014)

Expenditures for digital advertising will grow in 2014 as brands, ad agencies and publishers invest in ways to deliver more relevant advertising to people. Fueling this trend is the use of programmatic media, which allows you to target the audience you want and automate bidding rules for ads based on the business value they deliver.

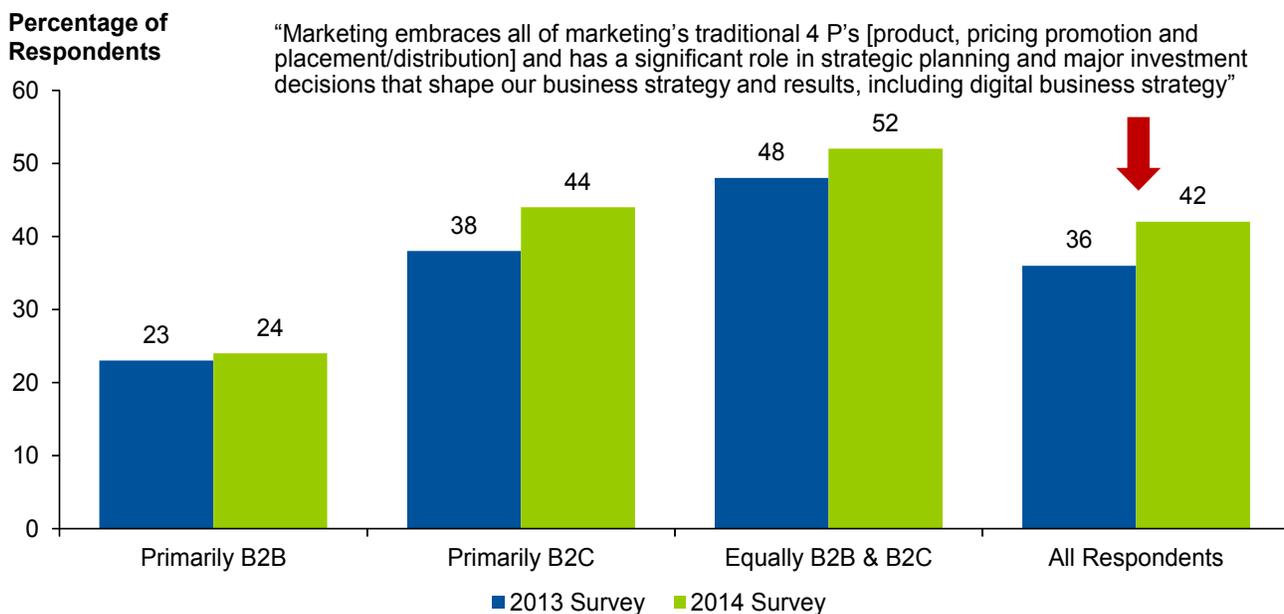
In 2014, marketers plan to make long overdue expenditures for mobile marketing tools and techniques. Until now, many marketers have taken a cautious approach to mobile because it involves so many variables such as different operating systems, devices and carriers. Now that more than 50% of American adults are smartphone owners, marketers are compelled to develop mobile strategies that ensure their products and services can be found (and purchased) by consumers on the go (see "Survey Analysis: U.S. Mobile Marketing is Maturing").

Forty-Two Percent of Marketers Say They Have a Significant Role in Strategic Planning That Shapes Business Results

In the 2014 survey, only 20% of all marketers report their role is limited to managing marketing communications and promotions. At the top end, 42% of all marketers say they participate in strategic planning and investment decisions that shape business results. Another 38% say their organizations embrace three of marketing's traditional four P's: product development, pricing, promotion and placement/distribution. The rise between the 2013 and 2014 survey comes from companies with B2C focus and those with an equal B2B and B2C focus, as shown in Figure 7. Digital marketing provides you with the tools and the data to take a seat at the business table, and to become an active participant in decisions about digital business strategy.

Figure 7. Marketing Leaders Play an Increasing Role in Business Strategy

Q: Which of the following statement best describes your organization's marketing maturity?



2013 n = 285; 2012 n = 203

Note: 2013 survey did not include the words "including digital business strategy."

Source: Gartner (January 2014)

The four P's model has evolved to encompass other P's such as people and process to bring in customer experience focus. Over the past decade, digital marketers are finding that a focus on four C's is more relevant: customer, cost, convenience and conversation. Still, we asked a four P's-based question because the continuum between tactical and strategic is best illustrated by asking about these responsibilities.

You and your team may have a limited or a boundless opportunity to uplevel the role of marketing in your organization, depending on company culture and executive management. Note that some companies have divided marketing into two equal functions: one responsible for promotion and communications; one for product development, management and strategy (plus, increasingly, digital commerce).

Methodology

This report is based on a survey of 285 individuals located in the U.S., but answering mainly for their entire organization (only 21% reported U.S.-only data). Respondents represent organizations with more than \$500 million in annual revenue (average revenue \$4.4 billion). They came from eight industries: financial services and insurance, high-tech, communications, manufacturing, media, retail, government, and healthcare. The survey took place from July through September 2013.

Respondents were asked to provide information about types of digital marketing techniques used, as well as spending on digital marketing such as labor, external service providers and marketing applications. They were responsible for decisions on digital marketing budgets for new revenue growth opportunities, improved customer experience, integrated channel marketing, brand enhancement or digital commerce.

The survey was conducted using a combination of online and telephone survey efforts. It was developed by Gartner analysts familiar with digital marketing, and was reviewed, tested and administered by Gartner's Research Data Analytics team. Quotas were set by vertical industry, organization size and respondent role. The results of this study are representative of the respondent base and not all digital marketers.

Definitions

Digital Marketing

Gartner defines digital marketing as a set of techniques, enabled by technology, which allows marketing to improve its processes to engage in a dynamic conversation with people who are influencers and buyers, and ultimately target, acquire and retain customers. It includes the ability to interactively communicate with customers through electronic channels, such as the Web, email, smart devices such as phones and tablets, and mobile applications. The four most recognized techniques of digital marketing are social, mobile, analytics and digital commerce.

Marketing Expense Budget

This is the anticipated annual costs, such as expenses, spent on marketing — for example salaries, advertising, research, campaigns, marketing consultants or agencies, and marketing software purchased as a service or the depreciation and maintenance costs of capitalized marketing software. It doesn't include capital expenditure budget, such as for marketing software or infrastructure, to run it.

Digital Marketing Budget

This includes personnel costs (salaries and fringe benefits) for badged employees, contract labor, software as a service, and external marketing services. Examples of external marketing services include digital advertising, search marketing, analytics services, website design, and mobile app development. It does not include capital to purchase software or the infrastructure to run it on.

Chief Marketing Technologist

The chief marketing technologist is the equivalent of a chief technology officer and CIO. This person is dedicated to marketing, familiar with all kinds of marketing software, data and analytics, social and mobile platforms, content marketing, Web mechanics, and digital advertising networks.

Chief Customer Officer (Customer Engagement, Experience or Advocacy)

The chief customer officer is the executive responsible in customer-centric companies for the total relationship with an organization's customers at all touchpoints.

B2B

B2B refers to commerce transactions between businesses, such as between a manufacturer and a wholesaler or retailer. For example, automotive manufacturers purchase tires in a B2B transaction between companies. For purposes of this survey, we asked respondents whether their organization's customer focus was primarily B2B.

B2C

Refers to commerce transactions between a business and a consumer. For example, an automotive manufacturer sells its finished product to an individual car buyer in a B2C transaction. For purposes of this survey, we asked respondents whether their organization's customer focus was primarily B2C.

Equally B2B and B2C

Some businesses sell equally to businesses and to consumers. Communications service providers, for example, may have one business unit that sells to business and another that sells directly to consumers (example: AT&T's sale of phone services). For purposes of this survey, we asked respondents whether their organization's customer focus was equally B2B and B2C.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Presentation of Key Findings From U.S. Data-Driven Marketing Survey, 2013"

"Survey Analysis: U.S. Mobile Marketing Is Maturing"

"Key Findings From Gartner's Survey on Measuring Digital Marketing, 2013"

"Key Findings From Gartner's Social Marketing Survey, 2013"

"How Progressive Companies Budget for and Manage Digital Marketing"

Evidence

Data was collected in August and September 2013, using a combination of online and telephone survey efforts. It came from 285 individuals located in the U.S., but responding mainly for their entire organization (only 12% reported U.S.-only data). Annual company revenue needed to be more than \$500 million (the average revenue was \$4.4 billion). Respondents came from eight industries: financial services and insurance, high-tech, communications, manufacturing, media,

retail, government, and healthcare. They were screened for knowledge about their company's digital marketing strategy, activities and spending. Details on the methodology used to collect and analyze the data can be found in the Methodology section of the report.

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