By 2017 the CMO Will Spend More on IT Than the CIO

Laura McLellan
Vice President, Marketing Strategies
Gartner at a Glance

- Analysts: 775
- Client Organizations: 11,500
- Client Interactions: 290,000
- Vertical Coverage: in Nine Industries
- 5,500 Benchmarks
- Consultants: 470
- 1,500 Consulting Engagements
- 70% of Fortune 1000
- 75% of Global 500
- 10,000 Media Inquiries
- 55 Conferences
- Clients in 85 Countries
By 2017 the CMO Will Spend More on IT Than the CIO

Laura McLellan
Vice President
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### Marketing budgets are larger than IT budgets and growing faster

<table>
<thead>
<tr>
<th></th>
<th>All IT (A)</th>
<th>All Marketing (B)</th>
<th>High-Tech Marketing (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 budget as % of revenue</td>
<td>3.6 %</td>
<td>10 %</td>
<td>4.8 %</td>
</tr>
<tr>
<td>2012 budget as % of revenue</td>
<td>3.2 %</td>
<td>N/A</td>
<td>5.5 %</td>
</tr>
<tr>
<td>Expected average budget increase (D)</td>
<td>4.7 %</td>
<td>9 %</td>
<td>11 %</td>
</tr>
</tbody>
</table>

% of IT budget spent on marketing

% of marketing budget spent on marketing technology & technology-enabled services

In 20% range

(A) Source: Gartner “IT Key Metrics Data 2012: Executive Summary” (G00226792) 15Dec11 (n=2,688)

(B) Source: Duke University's Fuqua School of Business, which publishes The CMO Survey twice a year, reported in its August, 2011 survey that companies spend, on average, 10% of their overall revenue on marketing. It also reported that in the next 12 months, companies are planning to increase marketing budgets by 9.1%

(C) Source: Gartner “Marketing Essentials: High-Tech and Telecom Provider Marketing Budgets, 2012” (G00229132) 27Dec11 (n=309)

(D) Respondents expect revenue to increase faster than IT or marketing budgets
CMO as IT buyer & seller story line

- Fact basis for prediction
  - Gartner research
  - Marketing technology adoption
  - Marketing as buyer vs. influencer vs. user
  - Marketing’s role expanding

- Implications for high-tech provider CMOs as buyers

- Implications for high-tech providers as sellers [to CMOs]

- Recap & recommended reading
Relevant Gartner research

- 2012 annual High-Tech Provider Marketing Budgets survey (300 respondents, U.S., Europe, India, China; August, 2011)
- Marketing Change High-Tech Provider survey (309 respondents, N America, September, 2011 – phase 1. Phase 2 underway)
- Digital Marketing survey with ½ providers, ½ users (300 respondents, July, 2011)
- Gartner Benchmark Analytics (>9,000 public and private enterprise respondents in 2011)
- Planned 2012 primary research
- Marketing & Business Strategies team >2500 inquiries with providers annually:
  - Branding & positioning, go-to-market planning, buyer behavior, websites, sales channels, growth strategies, marketing best practices, budgets, marketing organization, & more
- Other provider-focused analysts’ inquiries & research on markets, customers, technologies, competitors
- Gartner end-user analysts’ interactions with buyers on marketing IT & services
Technology is at the heart of marketing – and adoption is well underway

Q: Please indicate to what degree your organization has adopted marketing technology in each of the following areas.

- Fully Adopted
- Partially Adopted
- Evaluating Providers
- Adopt in Next 2 Years
- No Plans to Adopt

<table>
<thead>
<tr>
<th>Area</th>
<th>Fully Adopted</th>
<th>Partially Adopted</th>
<th>Evaluating Providers</th>
<th>Adopt in Next 2 Years</th>
<th>No Plans to Adopt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer relationship management</td>
<td>56%</td>
<td>32%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Digital marketing</td>
<td>48%</td>
<td>35%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Database marketing</td>
<td>46%</td>
<td>38%</td>
<td>6%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>39%</td>
<td>39%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Customer analytics</td>
<td>26%</td>
<td>42%</td>
<td>7%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Mobile marketing</td>
<td>15%</td>
<td>34%</td>
<td>10%</td>
<td>17%</td>
<td>24%</td>
</tr>
<tr>
<td>On-line store (e-commerce)</td>
<td>27%</td>
<td>24%</td>
<td>5%</td>
<td>5%</td>
<td>40%</td>
</tr>
</tbody>
</table>

N = 309
Source: Marketing Change survey with high-tech and telecom provider marketing executives conducted September 2011

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Marketing is already a major buyer & influencer of technology

Q: Are you primarily a user, influencer or buyer for each of the following technologies and technology-enabled marketing services?

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Marketing</td>
</tr>
<tr>
<td>38%</td>
</tr>
</tbody>
</table>

- On average, 30% of named marketing-related technology & services is bought by marketing
- Marketing influences almost 50% of purchases
- Technology-enabled marketing services is the big question

N = 300
Source: Marketing Budgets survey with high-tech and telecom providers conducted August 2011
Marketing is becoming more strategic & expanding its responsibilities

Q: Using the scale below, please rate the perceived main role that marketing serves or will serve in your organization, where 1 is “marketing is tactical support” and 7 is “marketing is strategic”.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Marketing Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Some</td>
</tr>
<tr>
<td>Marketing operations</td>
<td>87%</td>
</tr>
<tr>
<td>Digital marketing</td>
<td>84%</td>
</tr>
<tr>
<td>Choosing &amp; managing mktg. service providers</td>
<td>83%</td>
</tr>
<tr>
<td>Branding &amp; corp. commun.</td>
<td>80%</td>
</tr>
<tr>
<td>Choosing &amp; managing mktg. technology providers</td>
<td>71%</td>
</tr>
<tr>
<td>Social media policy</td>
<td>67%</td>
</tr>
<tr>
<td>Customer intelligence &amp; analytics</td>
<td>42%</td>
</tr>
</tbody>
</table>

Q: Please rate to what degree marketing is responsible for each of the following functions and activities within your organization.

N = 309
Source: Marketing Change survey with high-tech and telecom provider marketing executives conducted September 2011

Partial selection of results data shown
Polling Question 1

In your current role, are you a buyer or a seller of any marketing technology and technology-enabled marketing services?

• Primarily a buyer
• Both a buyer and a seller
• Primarily a seller
• Neither a buyer nor a seller
CMO as IT buyer & seller story line

- Fact basis for prediction

- Implications for high-tech provider CMOs as buyer
  - Marketing role in buying cycle
  - Perceptions of internal IT
  - Consumption model changes
  - Changing ecosystem

- Implications for high-tech providers as seller to CMOs

- Recap & recommended reading
Implications of marketing as buyer and seller of marketing technology and technology-enabled services

**Buyer**

- Marketing CTO role
- “Marketing speed” vs. “IT speed” & relationship with CIO
- Sourcing capabilities
- Unconnected islands vs. integrated systems
- Technology vs. technology-as-a-service vs. marketing business services choices

**Seller**

- Marketing buying center profile not well understood
- Thousands of providers; few leaders
- Immature, but growing market
- Flexibility vs. lock-in
- Marketing business services paid for by the result (a la BPO) vs. effort or fixed price
- Services-led sale
# Marketing technology buying cycle dominated by marketing – organizational titles responsible vary

Q: Who within your organization is primarily responsible for each of the following phases of the marketing technology buying cycle?

<table>
<thead>
<tr>
<th></th>
<th>Determining if you have a need</th>
<th>Setting a strategy</th>
<th>Researching &amp; evaluating</th>
<th>Choosing a provider</th>
<th>Implementing</th>
<th>Managing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>66%</td>
<td>58%</td>
<td>42%</td>
<td>44%</td>
<td>30%</td>
<td>42%</td>
</tr>
<tr>
<td>Cross-functional team led by marketing</td>
<td>24%</td>
<td>32%</td>
<td>40%</td>
<td>40%</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Cross-functional team led by IT</td>
<td><strong>Sum 90%</strong></td>
<td><strong>90%</strong></td>
<td><strong>82%</strong></td>
<td><strong>84%</strong></td>
<td><strong>58%</strong></td>
<td><strong>69%</strong></td>
</tr>
<tr>
<td>C-level executive management</td>
<td>3%</td>
<td>3%</td>
<td>10%</td>
<td>7%</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Internal IT</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

N = 309

Source: Marketing Change survey with high-tech and telecom providers marketing executives conducted September 2011

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Polling Question 2

Which of these titles is closest to that of the person primarily responsible for the purchase of marketing technology & services in your organization?

• Marketing Operations Manager
• Digital Marketing Manager
• Marketing Chief Technology Officer
• Marketing Sourcing Manager
• Other
Marketing’s perceptions of internal IT

IT Function — Cost takeout, risk management and process improvement

Marketing Function — Customer experience, product innovation, creativity, new business growth and revenue generation

Whether real or perceived - indicates lack of CMO/CIO synergy & issue for buyers & sellers
Consumption model changes over next 2 years

Q: How are you purchasing marketing technology today and will you be two years from now?

To run in-house

<table>
<thead>
<tr>
<th>Today</th>
<th>Two Years From Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>37%</td>
</tr>
<tr>
<td>35%</td>
<td>40%</td>
</tr>
</tbody>
</table>

As services (from a marketing business service provider)

<table>
<thead>
<tr>
<th>Today</th>
<th>Two Years From Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>23%</td>
</tr>
</tbody>
</table>

In 2012 high-tech providers average ratio of external to internal marketing spending is close to 4:1

- Rise of SaaS-based marketing applications
- Hosted marketing applications (independent and by SW provider)
- As service where technology & applications are invisible
- Integration services?
- Brokers?

N = 309
Source: Marketing Change survey with high-tech and telecom providers marketing executives conducted September 2011

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Ecosystem is not stable

Examples: IBM, Accenture, Deloitte, former advertising and PR agencies, Harte-Hanks, Acxiom, hundreds of niche players by function


Examples: Marketo, Eloqua, Marketbright, Neolane, salesforce.com, hundreds of niche players

- Marketing business service providers increasing
- Marketing processes and activities which can be sourced externally vs. purchasing technology
- New business models??
- Separate marketing sourcing function??
- Rise of marketing business service brokers and integrators??
Polling Question 3

What percent of your company’s marketing budget is spent on marketing-related technology and technology-enabled marketing services?

• Less than 10%
• 10 – 20%
• 20 – 30 %
• More than 30%
• Don’t know
CMO as IT buyer & seller story line

- Fact basis for prediction
- Implications for high-tech provider CMOs as buyer
- Implications for high-tech providers as seller to CMOs
  - Who owns the budget & for what?
  - Who are the decision makers & influencers?
  - What do they want to purchase & how?
  - What role do you play between CMO & CIO?
- Recap & recommended reading
### Implications of marketing as buyer and seller of marketing technology and technology-enabled services

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Issues with IT &amp; Marketing CTO</td>
<td>• Marketing buying center profile not well understood</td>
</tr>
<tr>
<td>• “Marketing speed” vs. “IT speed”</td>
<td>• Thousands of providers; few leaders</td>
</tr>
<tr>
<td>• Sourcing capabilities</td>
<td>• Immature, but growing market</td>
</tr>
<tr>
<td>• Unconnected islands vs. integrated systems</td>
<td>• Flexibility vs. lock-in</td>
</tr>
<tr>
<td>• Technology vs. technology-as-a-service vs. marketing business services choices</td>
<td>• Marketing business services paid for by the result (a la BPO) vs. effort or fixed price</td>
</tr>
<tr>
<td>• Services-led sale</td>
<td>• Services-led sale</td>
</tr>
</tbody>
</table>

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Marketing controls the budget for a third to a half of marketing software

Q: Who in your organization controls the budget for each of the following marketing-related technology purchases?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting and design of marketing-related software</td>
<td>75% in Marketing, 24% in IT Organization, 21% in Other</td>
</tr>
<tr>
<td>Software purchased as a service</td>
<td>47% in Marketing, 51% in IT Organization, 51% in Other</td>
</tr>
<tr>
<td>External hosting of technology to run marketing-related software</td>
<td>43% in Marketing, 55% in IT Organization, 55% in Other</td>
</tr>
<tr>
<td>Implementation of marketing-related software</td>
<td>39% in Marketing, 60% in IT Organization, 60% in Other</td>
</tr>
<tr>
<td>Technology in-house to run marketing-related software</td>
<td>32% in Marketing, 67% in IT Organization, 67% in Other</td>
</tr>
<tr>
<td>Software run in-house</td>
<td>21% in Marketing, 78% in IT Organization, 78% in Other</td>
</tr>
</tbody>
</table>

Source: Marketing Budget survey with high-tech and telecom providers conducted August 2011

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Marketing owns capital budget for purchase of significant % of marketing software and some IT infrastructure; expense budget for SaaS & services

Q: What percentage of the **capital budget** for acquisition of the marketing-related software and the computing infrastructure to run it (capital assets) is owned by marketing today and will be two years from now?

<table>
<thead>
<tr>
<th></th>
<th>Today</th>
<th>Two Years From Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing-related software</td>
<td>53%</td>
<td>55%</td>
</tr>
<tr>
<td>Computing infrastructure (servers, storage, etc.) to run the marketing related software</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
</table>

N = 196 respondents who run marketing technology in-house today

Q: What percentage of the current annual **marketing expense budget** is spent on marketing technology purchased as a service and on services from marketing business service providers today and will be two years from now?

<table>
<thead>
<tr>
<th></th>
<th>Now</th>
<th>Two Years From Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing technology purchased as a service</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Services from marketing business service providers</td>
<td>24%</td>
<td>26%</td>
</tr>
</tbody>
</table>

N = 309

Source: Marketing Change survey with high-tech and telecom provider marketing executives conducted September 2011

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**Recommendations from peers is the most important influencer for both marketing technology & services**

Q: Please indicate how important the following types of influencers are when your organization is considering from which provider to purchase marketing technology solutions on a scale of 1 to 7 where 1 is not at all important and 7 is extremely important.

Q: ditto …… which marketing business service provider to use……ditto

<table>
<thead>
<tr>
<th>Influencer</th>
<th>Marketing Business Services Provider</th>
<th>Marketing Technology Solutions Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations from peers</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Industry-analyst firms such as Gartner, IDC or Forrester</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Existing marketing service providers such as agencies</td>
<td>4.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Specialized marketing consultants</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>On-line communities</td>
<td>4.4</td>
<td>4.2</td>
</tr>
<tr>
<td>Technology consultants</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Marketing associations</td>
<td>3.9</td>
<td>3.9</td>
</tr>
</tbody>
</table>

N = 306

Source: Marketing Change survey with high-tech and telecom providers marketing executives conducted September 2011

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CIO & CMO – next 10 years… what role will you play?

Independence:
"We’re going to keep on doing our own thing with our own budget.”

Secession:
"We'll hire our own CTO, buy some technology and use lots of technology substitute services.”

Collaboration:
"We have to figure out how to work together with marketing.”

Innovation:
"We'll work together on this and break away from the competition with new and better practices and use of technology.”
CMO as IT buyer & seller story line

- Fact basis for prediction
- Implications for high-tech provider CMOs as buyers
- Implications for high-tech providers as sellers [to CMOs]
- Recap & recommended reading
Recap

• Marketing increasingly becoming technology-enabled
• Marketing is a significant technology buying center, with various buyer roles
• Shift underway from internally operated marketing technology to externally (SaaS & marketing business services)
• Ratio of external to internal spending increasing as marketing sources more externally
• Decision to be made about CIO/CMO synergies
• Supplier situation will remain fluid

How does your organization compare?
Recommended reading

Documents:

- “Marketing Essentials: High-Tech and Telecom Provider Marketing Budgets, 2012” (G00229132)
- “Maverick Research: Marketing is the New IT-Buying Powerhouse” (G00219113)
- “Marketing Essentials: Profile of Marketing as a Buying Center, U.S.” (forthcoming)
- “Predicts 2012: Marketers Must Adapt to a World That Rewards Speed” (G00226310)
- “Marketing Essentials: Introducing Gartner’s Marketing Investment Model” (G00214391)

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January 17th
“How to Excel with Enterprise Mobility” with Katja Ruud

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“Can Chip-Level Security Lower the Risks of Cloud Computing” with Peter Middleton

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