



2022

Marketing Budgets Report

StrategiQ

In collaboration with
Rokker.



StrategiQ

StrategiQ are an integrated strategy first marketing agency qualified in supporting ambitious global brands achieve and even outperform their objectives through world class advisory, creative, marketing, and technology.

Founded in 2013, StrategiQ's award winning team consists of over 40+ consultants, creatives, marketers, and developers spread across studios in Suffolk, Warwickshire, and London.

Rokker.

Rokker provides Business Design and Consulting services to companies looking to launch new initiatives, transform their businesses, and add value across the board.

We take a practical design led approach to client engagement, only working in areas we feel we can bring significant value, based on the definition of clear objectives taking particular care to create clear communications and inclusiveness for the whole project team and build outcomes around human interfaces and practical executable strategy.

We work across a number of sectors (finance, professional services) and typically work with clients on projects across the business lifecycle from Concept Validation, Go to Market Planning and Strategy, through to Optimisation and Growth.



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Report *Overview*

Every brand has scrutinised their marketing spend over the past 12 months in order to deal with economic uncertainty and shifting consumer behaviours.

One of the major business impacts of the pandemic has been a shift in marketing expenditure. Whilst cutting marketing is usually a standard corporate device for weathering economic challenges, it certainly hasn't been the case across all sectors. This report details the changes and trends brought on by the pandemic, as well as how marketing budgets have been impacted.

Specifically, we have evaluated how businesses have adjusted their marketing budgets in the last year in response to the pandemic. Providing an objective lens on how marketers across industry sectors and verticals are pivoting their strategies, as well as providing insights on marketing budgets that help you stay competitive in the year ahead.

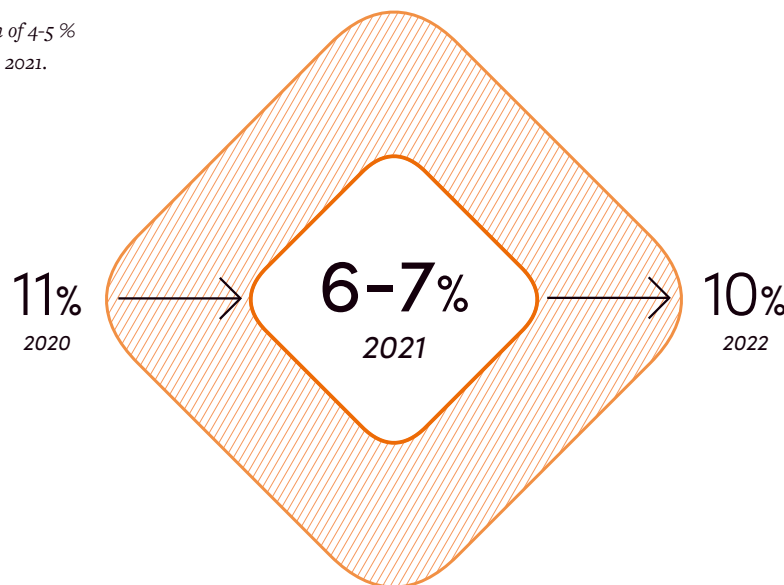




Executive *Summary*

Marketing budgets have temporarily **dipped from 11%** of revenue in 2020 **to 6-7%** of revenue in 2021; however, most Chief Marketing Officers (CMOs) (56%) expect marketing budgets to recover in the aftermath of the COVID 19 pandemic.

Graphic show reduction of 4-5 % in marketing budgets in 2021.



Despite this decrease in overall marketing spending, most CMOs reported that they had **increased their digital marketing spending by 9.57%**.

Marketers in the UK plan to **increase their overall marketing spending by over 10%** in the next 12 months; the majority of this increase is expected to be directed towards digital marketing channels, particularly social media and mobile at the expense of more traditional advertising methods.



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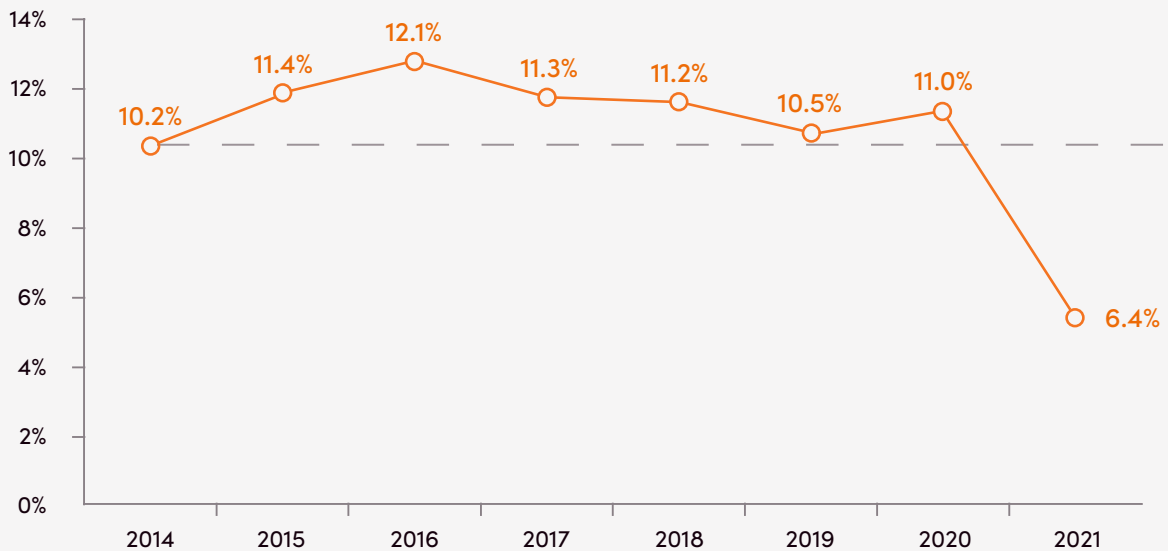
Marketing Expenditure



Marketing Budgets as a Percentage of *Revenue*

According to a recent (2021) survey of **126 marketing leaders** in the UK, **73%** acknowledged that the role of marketing in their companies had increased in importance during the last year.

Graph shows: Marketing Budgets as % of Total Revenue



Despite this, however, UK marketing budgets have been reported to be down by **17%** over the last 12 months. Specifically, UK businesses reported that marketing expenses currently account for **13.6%** of their overall budget, equating to **7.4%** of their revenue. As such, marketing budgets as a percentage of revenue have fallen to their lowest level in recent history. Nevertheless, most CMOs (56%) expect marketing budgets to recover in the aftermath of the COVID 19 pandemic.

Whilst these results may cynically be seen as a simple cost saving exercise in the face of economic challenges, they also likely reflect the reduced

marketing spending required for in person events, agencies, and adverts , as a result of the pandemic.

The line graph above shows marketing budgets as a percentage of total revenue as reported between 2014-2021. This data is for **400** respondents, **27%** of which are from the UK, which likely explains the slight discrepancy between the aforementioned UK data point of **7.4%** and the **6.4%** shown here. Nevertheless, we anticipate that the decline in overall marketing expenditure shown here still holds true for the UK in 2021.

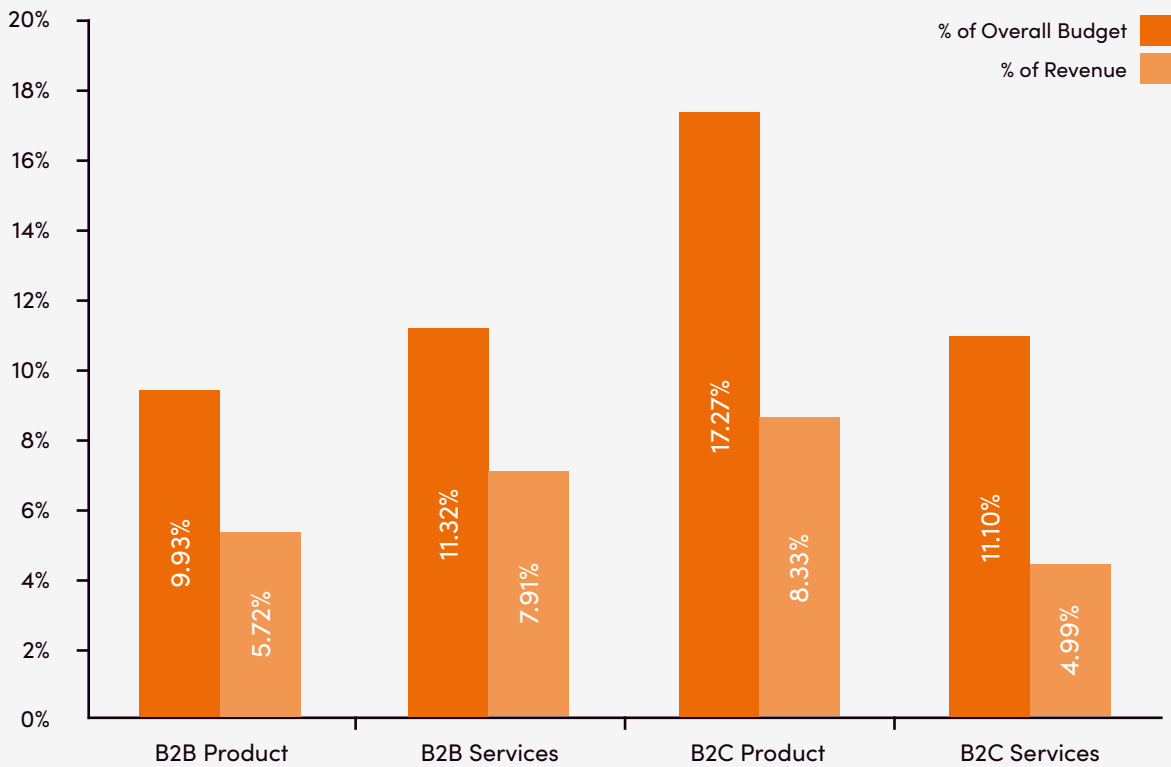
*Graph reproduced from Gartner's The State of Marketing Budgets 2021 report**



Marketing Budgets by Sector *Type*

When we review the marketing expenditure of the **126 UK marketing leaders**, there are some clear discrepancies between the different industry sectors.

Graph shows: Marketing Expenditure as a Percentage of Overall Budget and Revenue



Overall, B2C businesses tended to allocate more of their overall budget towards marketing costs. However, this difference was not evident when considered as a percentage of revenue.

Additionally, in comparison to other sectors, B2C product based businesses tended to devote more of their budget towards marketing.

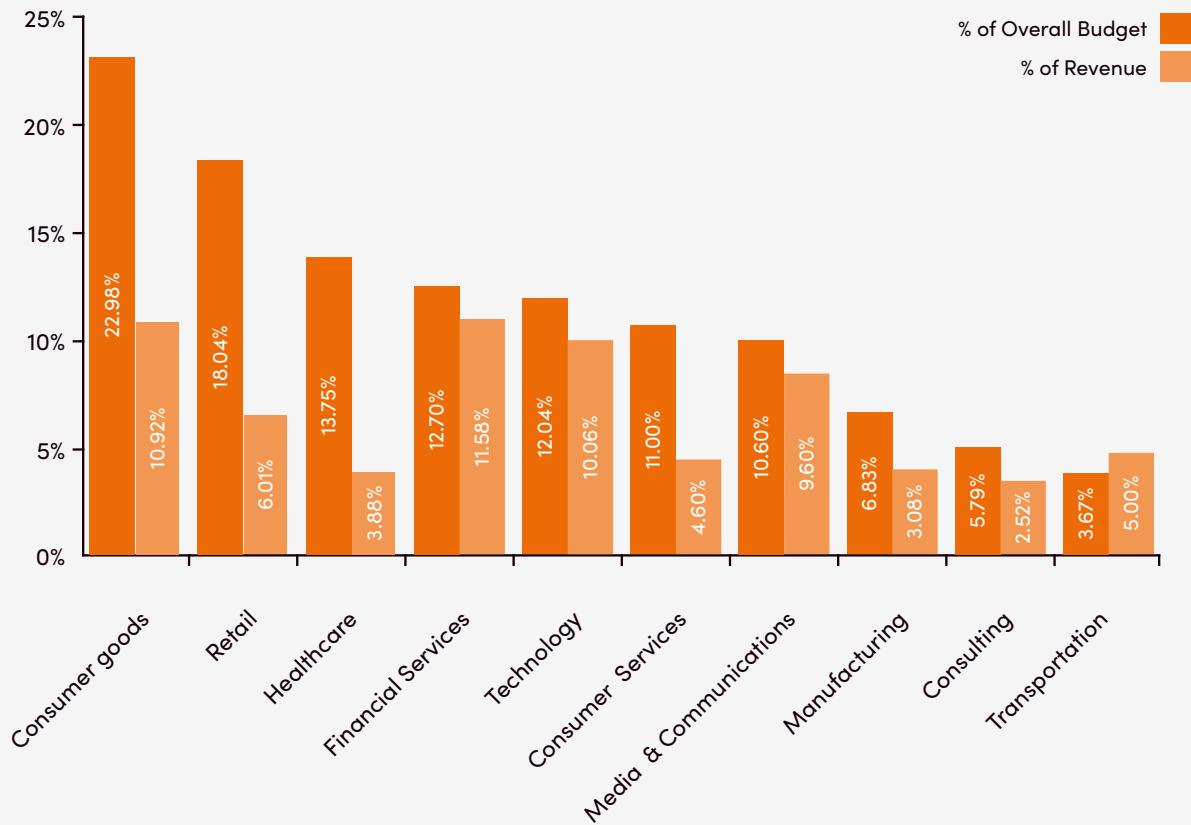
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Marketing Budgets by *Industry* Sector

In terms of industry sector spending, Consumer Goods allocated the **largest proportion of their overall budget** on marketing, closely followed by Retail.

Graph shows: Marketing Expenditure as a Percentage of Overall Budget and Revenue



In contrast, a small number of sectors spent considerably less on marketing, most notably Manufacturing, Consulting, and Transportation. The lower marketing spend by Manufacturing

and Transportation businesses may be indicative of the adverse impact COVID 19 has had on these sectors.

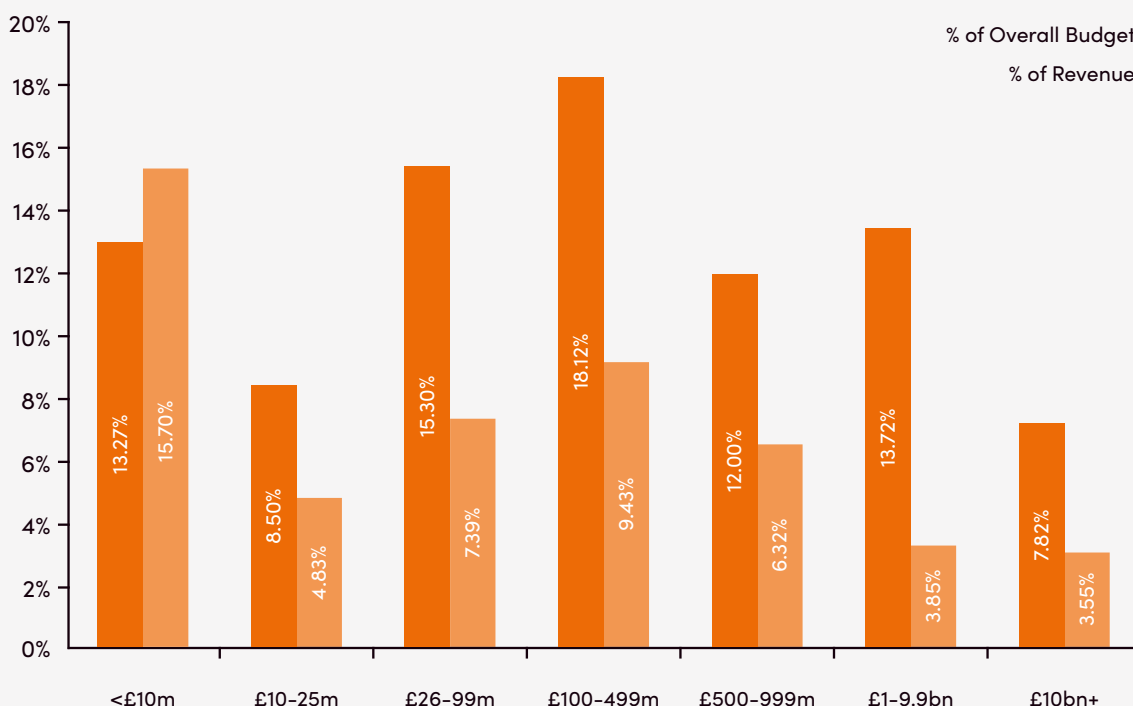
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Marketing Budgets by Sales Revenue

There are also **a number of interesting observations** when we examine the marketing budgets of businesses based on their sales revenue.

Graph shows: Marketing Expenditure as a Percentage of Overall Budget and Revenue



As shown on the figure above, businesses with sales revenues between £100-499m allocated the most towards marketing expenditure. On average, businesses either side of this tended to spend less on marketing with the only exception being those businesses with a sales revenue <£10m who

actually devoted a relatively higher percentage of their revenue towards marketing. This may be a reflection of the growth phase some of these businesses may be in; for instance, start up businesses that are using early stage investment to raise awareness of their business.

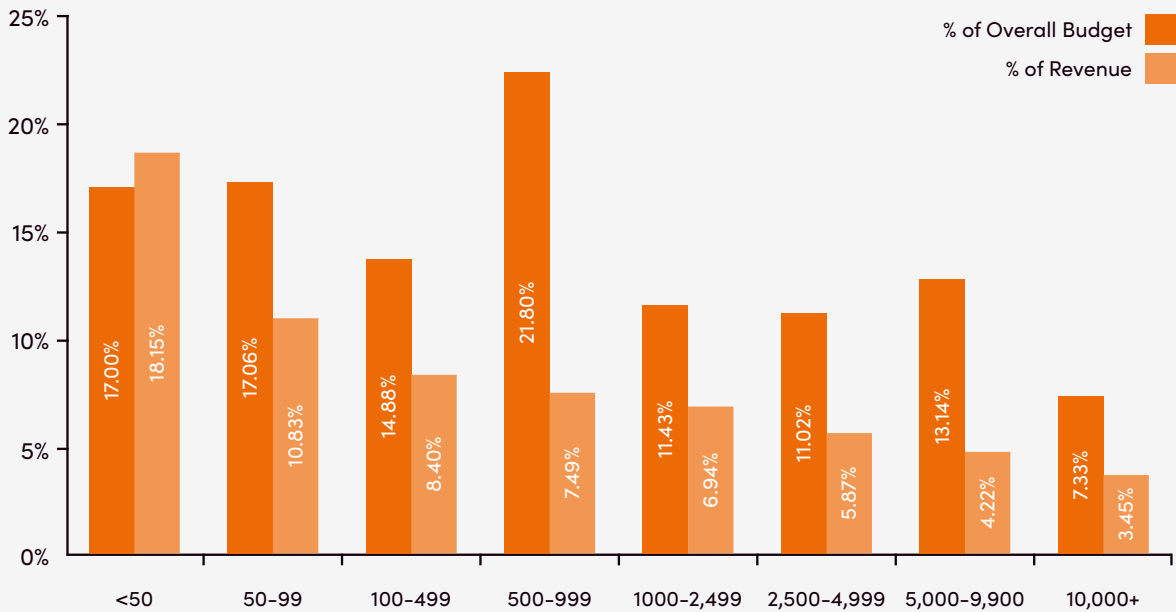
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Marketing Budgets by Business Size

When we examine the data in terms of the size of the businesses, it's apparent that the relative marketing expenditure as a percentage of revenue **decreases proportionally to the size of the business** (in terms of the number of employees).

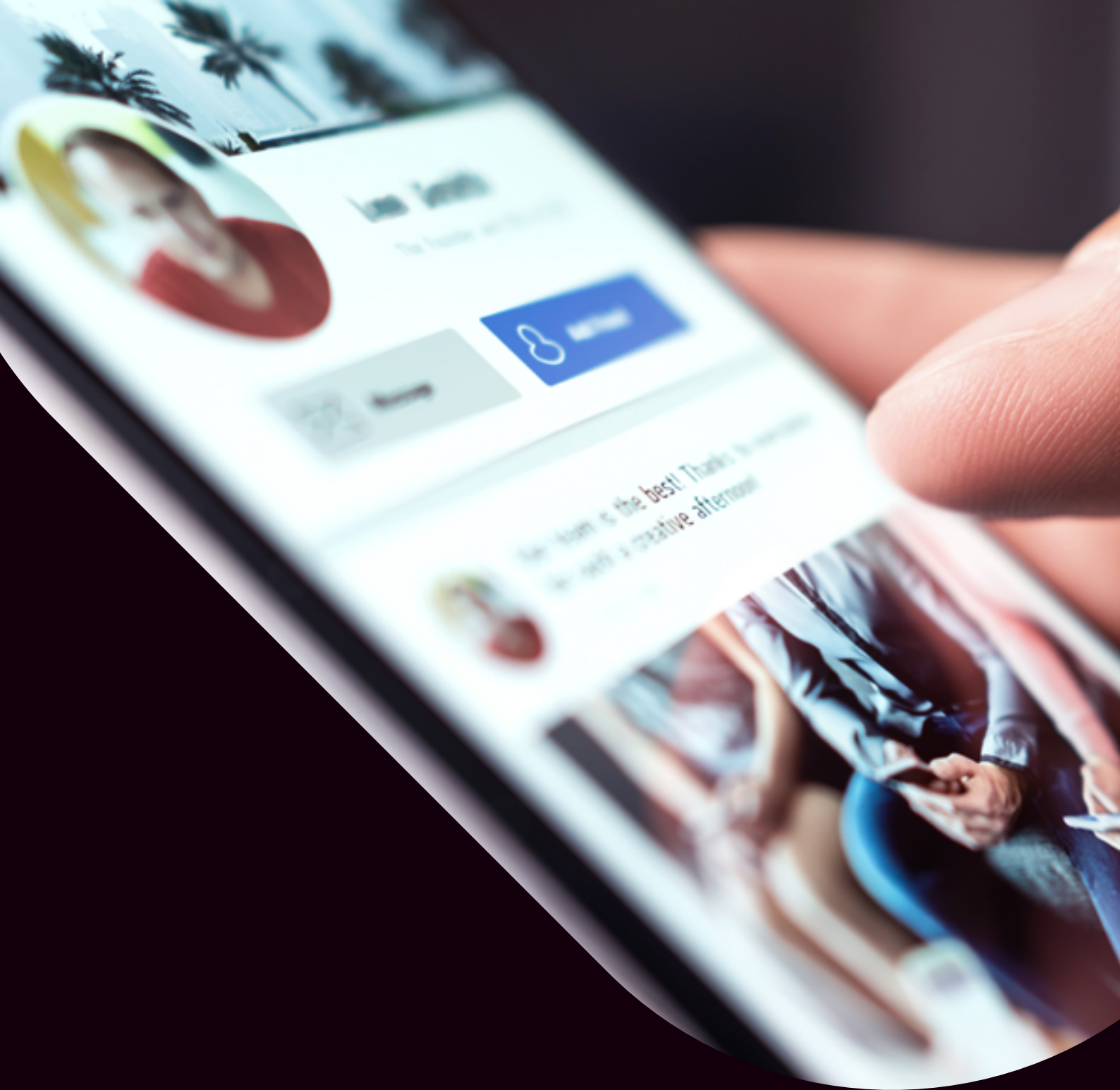
Graph shows: Marketing Expenditure as a Percentage of Overall Budget and Revenue



This trend generally held when expressed as a percentage of overall budget, with the exception of businesses with 500-999 employees who reported allocating 21.8% of their overall budget towards

marketing. It is difficult to explain this discrepancy; however, it is possible that an outlier may have skewed this data point.

Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



02

Digital Marketing Expenditure



Digital Marketing Expenditure

Whilst there has been a general trend for businesses to cut back on marketing budgets during the COVID 19 pandemic, we also have data that digital marketing expenditure has actually increased over the same period.

Indeed, in the same survey conducted by the London Business School, UK CMOs reported that they had increased their digital marketing spending by 9.57% over the previous 12 month period. In contrast, there was a significant decrease in marketing spending for traditional media, including TV, radio, and press. This transition to

digital marketing likely reflects an ongoing trend but is also indicative of the impact of the COVID 19 pandemic, which forced companies to reach and engage with their increasingly remote customers. As such, many marketers concomitantly increased their digital marketing budgets to support their digital transformation and promote online campaigns.

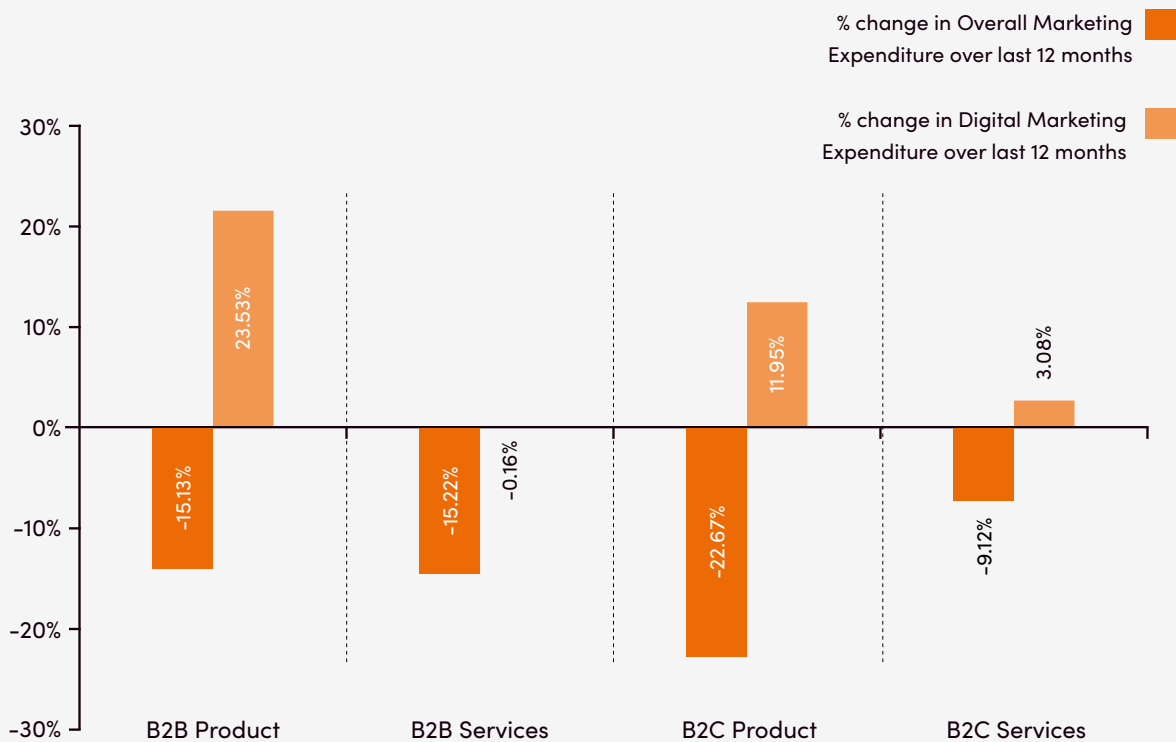




Digital Marketing Expenditure by Sector *Type*

Whilst there has been an overall increase in digital marketing spending, when we evaluate this by sector type, it is clear that it is mainly product based businesses, particularly B2B, that have most **aggressively invested in this space.**

Graph shows: Percentage Change in Overall and Digital Marketing Expenditure over last 12 months



In contrast, for overall marketing expenditure, B2C Product businesses have cut back the most, with an average decrease of 22%. It's also interesting

to note that many Services-based businesses didn't adjust their digital marketing expenditure, particularly B2B Service businesses.

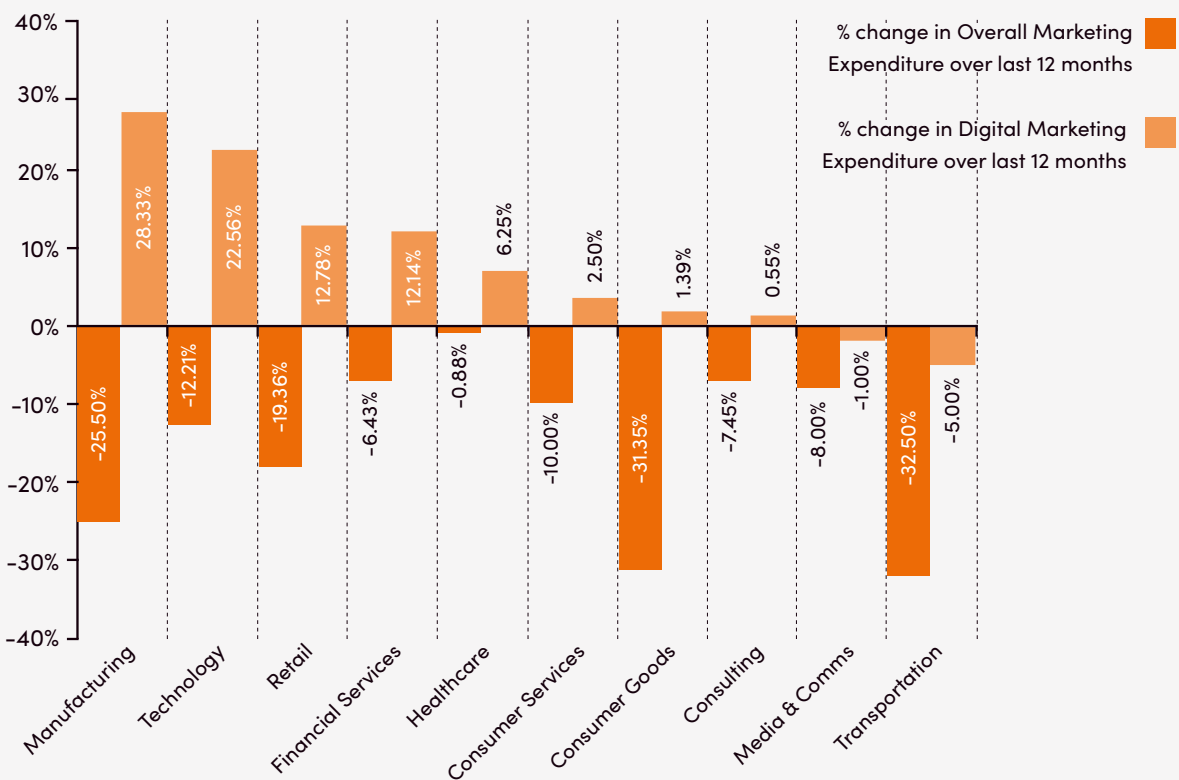
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Digital Marketing Expenditure by *Industry* Sector

When we evaluate the data by industry sector, the following **4 key sectors** were found to have increased their digital marketing expenditure the most in the past 12 months: **Manufacturing, Technology, Retail, and Financial Services.**

Graph shows: Percentage Change in Overall and Digital Marketing Expenditure over last 12 months



As our previous data showed that Manufacturing allocate a relatively small percentages of overall budget on marketing, it is conceivable to speculate that Technology, Retail, and Financial Service businesses are spending the most, in real terms, on digital marketing. We imagine that, given the nature of Technology businesses, they

widely recognise the beneficial impact of digital marketing investment. In contrast, we suspect that the increased spend by Financial Services and Retail businesses may reflect their accelerated transition from brick and mortar to digital based businesses as a result of the pandemic.

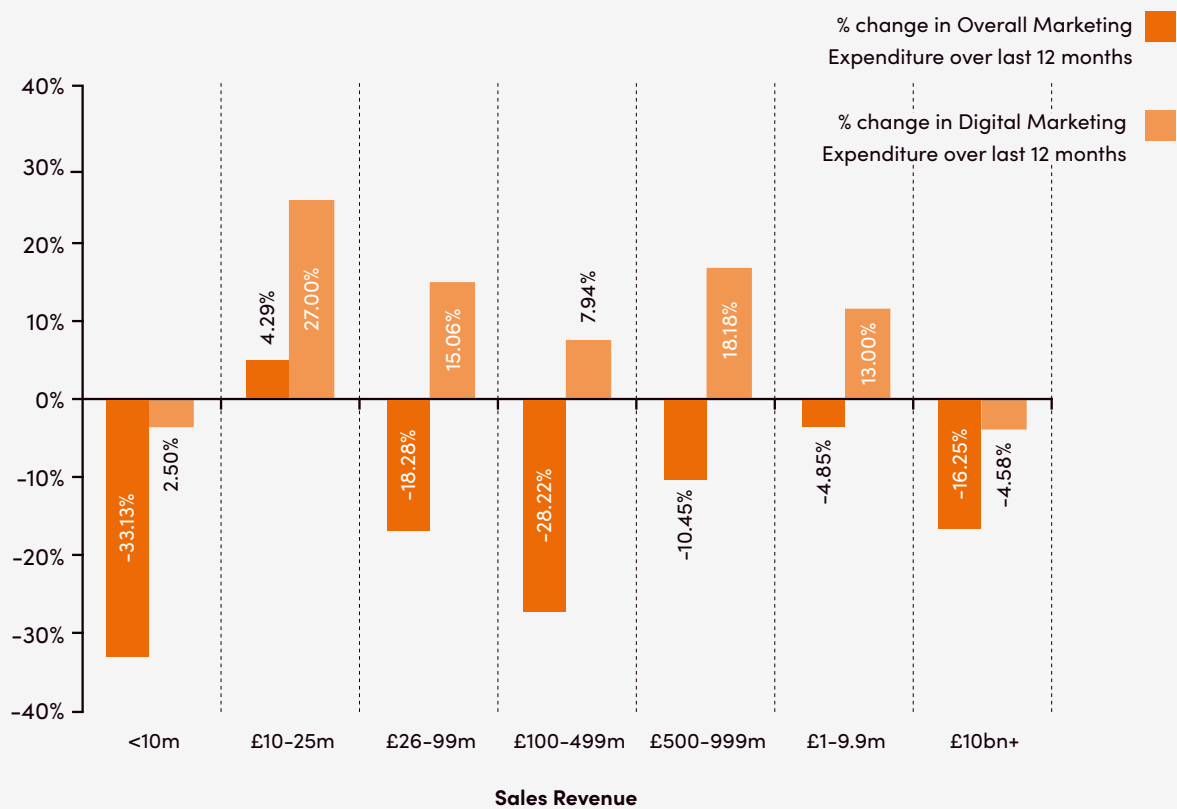
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Digital Marketing Expenditure by Sales *Revenue*

When we examine marketing expenditure by the sales revenue of the businesses surveyed, it is clear that those businesses with **lower sales revenue (<£10m) have had to cut back the most** in terms of both overall and digital marketing expenditure.

Graph shows: Percentage Change in Overall and Digital Marketing Expenditure over last 12 months



This may be considered to be an easy cost-saving exercise for smaller start-up businesses in their initial phase of growth. In contrast, the slightly more mature businesses with sales revenues

between £10-25m were found to have increased their digital marketing expenditure the most in the previous 12 months.

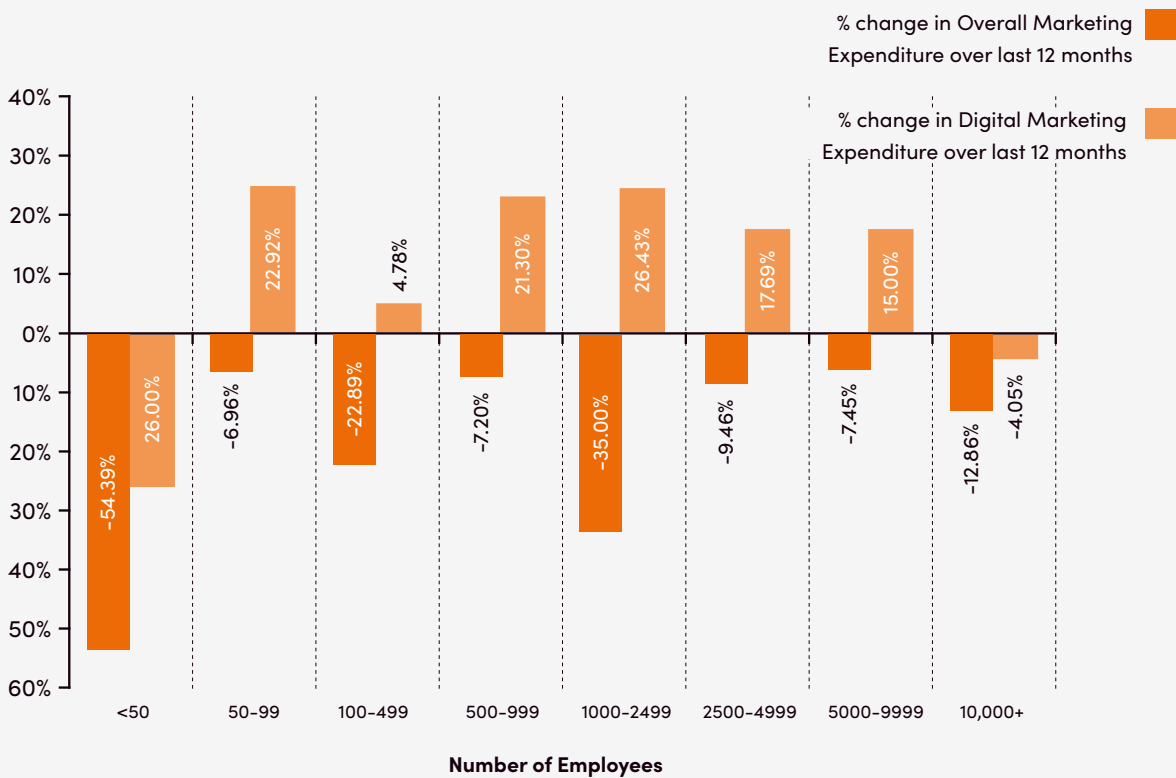
Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Digital Marketing Expenditure by Business Size

In agreement with the data shown on the previous page, the figure below once again highlights that **smaller businesses saw the biggest reduction** in both overall and digital marketing expenditure as a result of COVID 19.

Graph shows: Percentage Change in Overall and Digital Marketing Expenditure over last 12 months



Whilst there was no obvious trend in terms of the change in digital marketing expenditure for businesses with more than 50 people, we thought it was interesting to note that the biggest businesses (with 10,000+ employees) actually decreased their digital marketing expenditure. It may be speculated that these more mature

businesses have invested heavily in digital marketing for several years and that this recent decrease is reflective of the impact of COVID 19 as these businesses sought to cut back their spending, potentially to maintain profits and stabilise their share price for those that are publicly listed.

Data obtained from the London Business School's The CMO Survey UK report released in February 2021*



Digital Marketing Expenditure

The figure below shows how much marketing budget CMOs devoted towards digital marketing in 2021. On average, CMOs allocated **72.2% of their marketing budgets towards digital marketing channels**. These were relatively equally spread (~10% each) across 7 different channels within owned, paid, and earned digital.

Graph shows: Marketing Budget Allocation by Channel

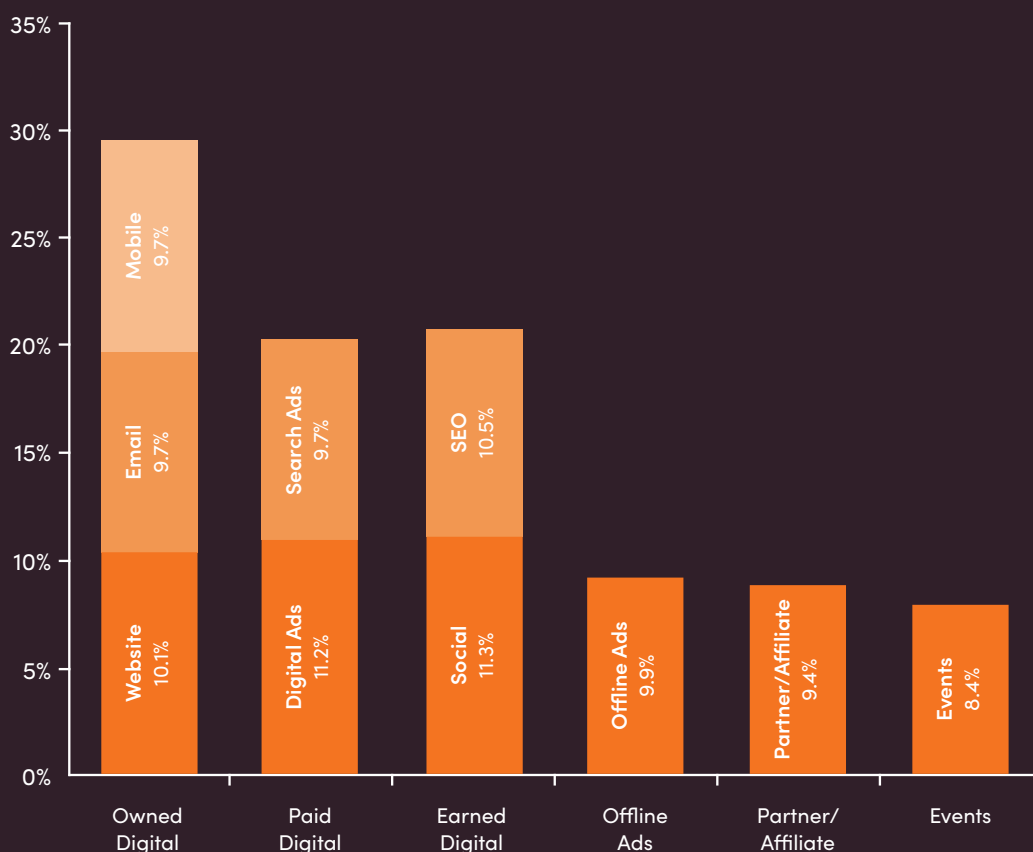


Chart reproduced from Gartner's The State of Marketing Budgets 2021 report



Digital Marketing Expenditure

The figure below shows how CMOs plan to divide up their marketing budgets by programs and operational areas. As previously highlighted, these results once again show how **businesses have shifted their focus towards spending in digital marketing** areas as a result of COVID 19.

Graph shows: Mean Percentage Budget Allocated across Marketing Programs and Operational Areas

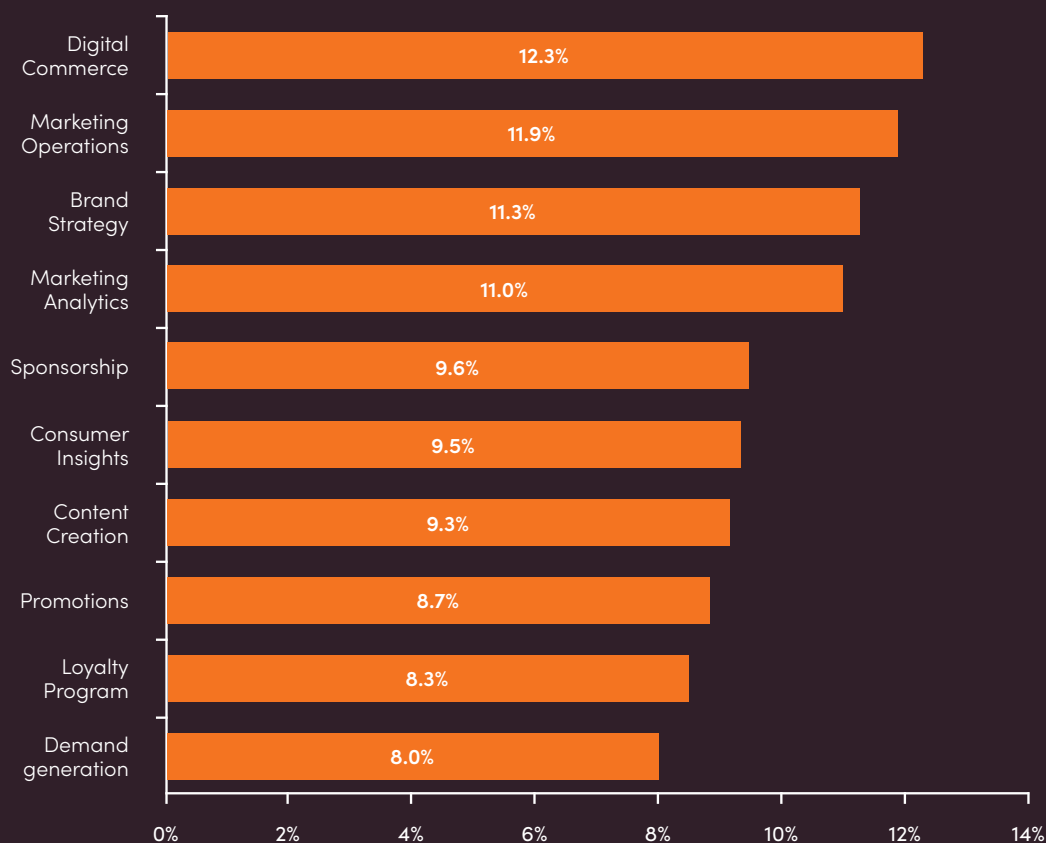


Chart reproduced from Gartner's The State of Marketing Budgets 2021 report



Digital Marketing

Expenditure

The figure below shows how CMOs plan to divide up their marketing budgets by programs and operational areas. As previously highlighted, these results once again show how **businesses have shifted their focus towards spending in digital marketing** areas as a result of COVID 19.

Graph shows: Percentage of Respondents reporting each respective objectives

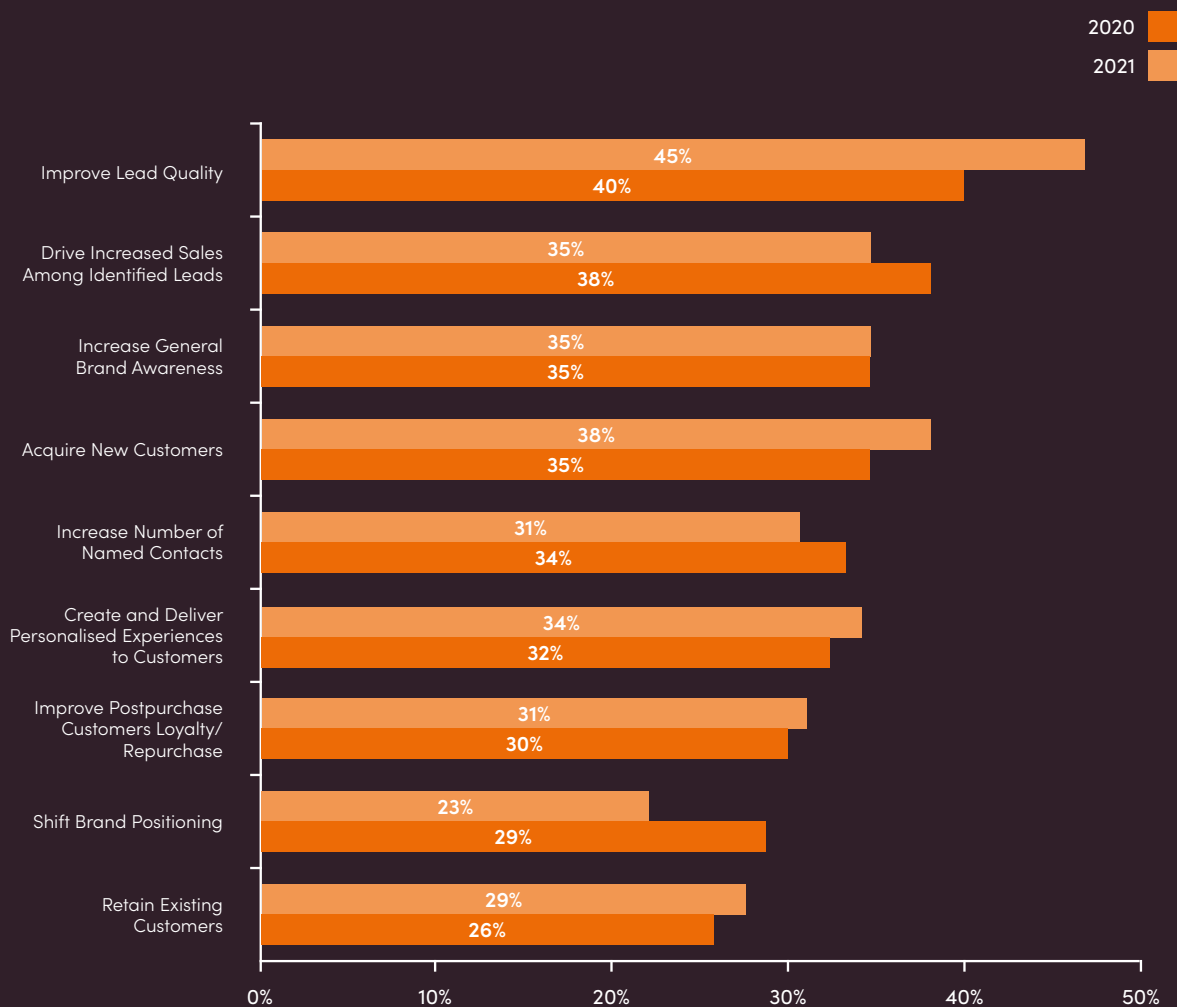


Chart reproduced from the 2021 Gartner Digital Marketing Survey report



Digital Marketing

Channels

The chart below demonstrates the percentages of various channels that 350 digital marketing leaders used to support their digital marketing strategies. Of particular note, **social marketing and digital advertising were used by over half of the digital marketers surveyed**. Interestingly, more traditional forms of marketing, such as email and event marketing, are still proving popular.

Graph shows: Percentage of Respondents using each respective Marketing Channel

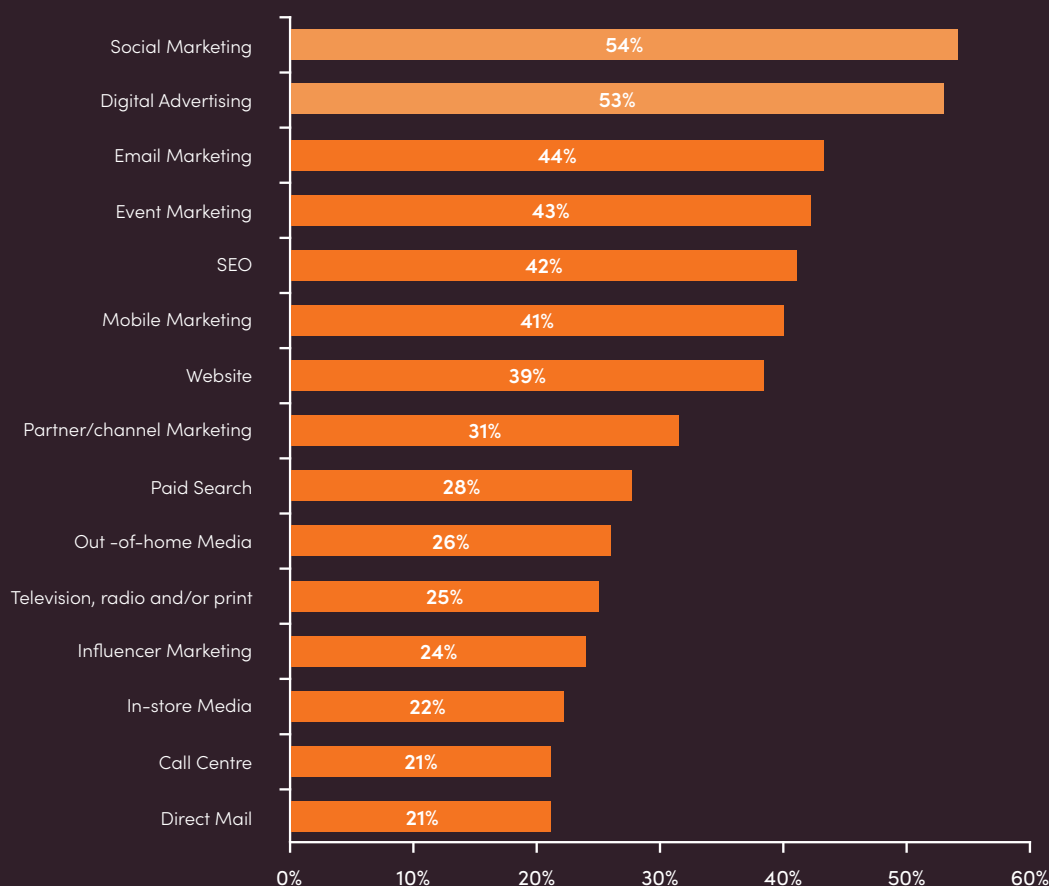


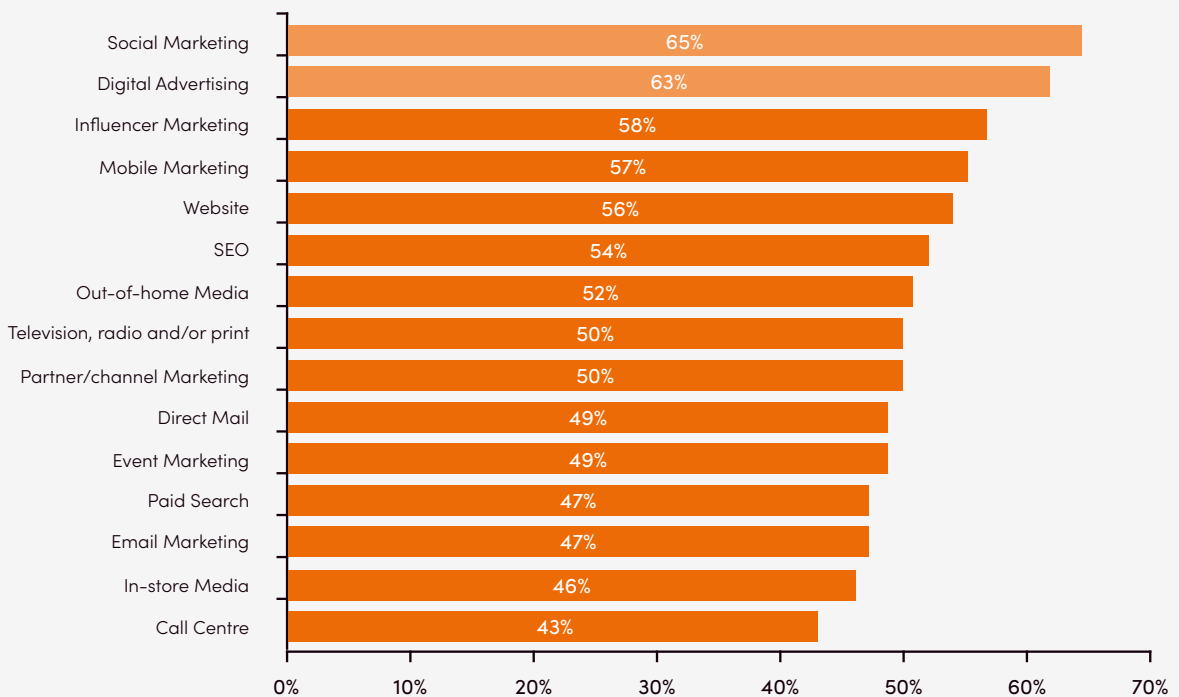
Chart reproduced from the 2021 Gartner Digital Marketing Survey report



Impact of Digital Marketing Channels

In agreement with the data shown on the previous page, the figure below once again highlights that **smaller businesses saw the biggest reduction** in both overall and digital marketing expenditure as a result of COVID 19.

Graph shows: Percentage of Respondents Reporting that each Respective Marketing Channel is Effective at Converting to Sales



Interestingly, this study highlighted a major discrepancy in terms of the effectiveness and use of influencer marketing; whilst 58% of respondents reported that influencer marketing is effective at converting to sales, only 24% of marketers actually reported using this channel. In contrast, the more traditional methods of email marketing and event marketing were considered to be less effective.

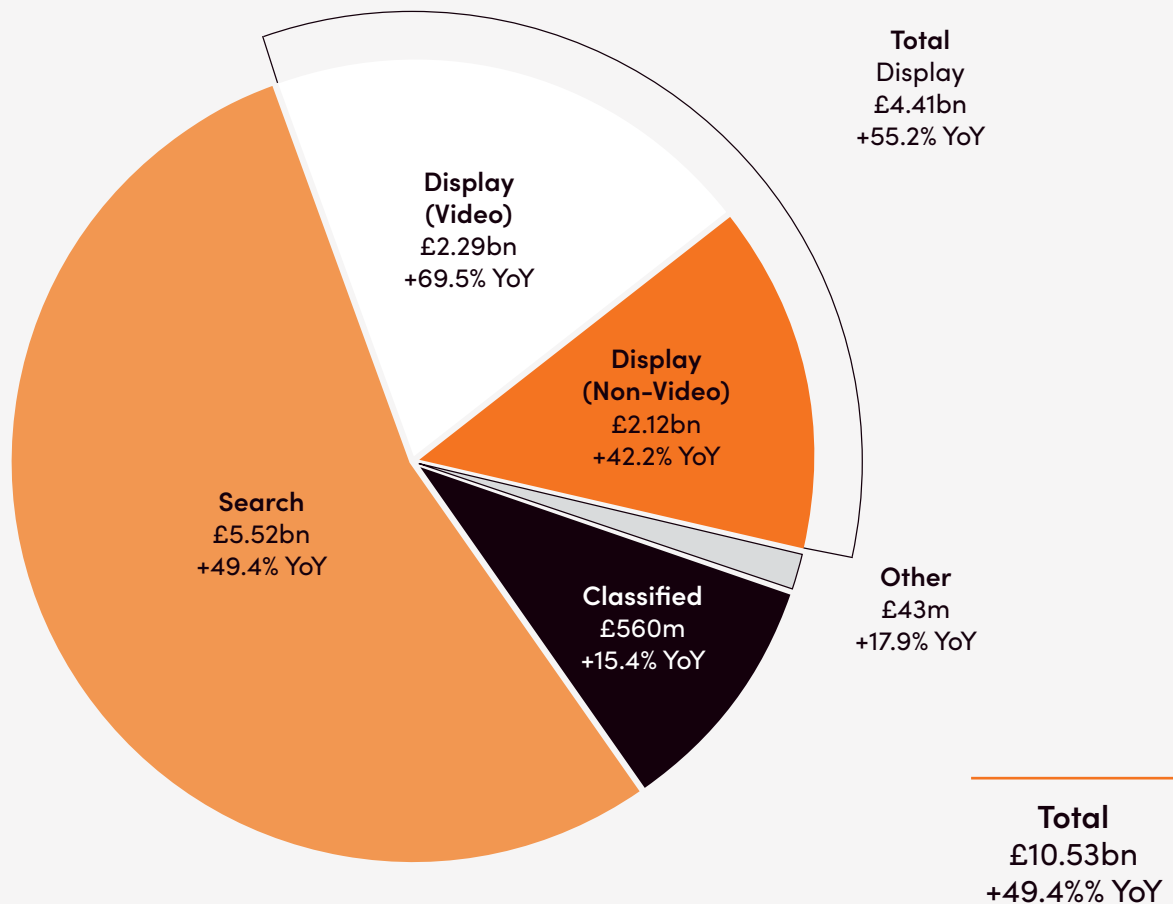
These discrepancies may indicate that some marketers are slightly behind the curve in terms of adopting certain digital marketing strategies. However, it is also feasible that some of these strategies may potentially be costly and/or difficult to manage, thereby reducing the potential return on investment for marketers.

Chart reproduced from the 2021 Gartner Digital Marketing Survey report



Uk Digital Advertising *Spend*

The previous findings highlighting a shift towards digital marketing strategies by marketers are substantiated by an **increase in digital advertising spending** between January and June 2021.



Overall digital advertising spending totalled £10.53bn, a 49% increase on H1 2020. Total display advertising increased by 55% to £4.41bn, with a significant proportion of this being attributable

to a 70% increase in video advertising to £2.29bn. With 52% of the overall share, search remained the biggest source of digital advertising spending at £5.52bn.

Chart reproduced from the IAB UK/PWC Digital Adspend H1 2021 report

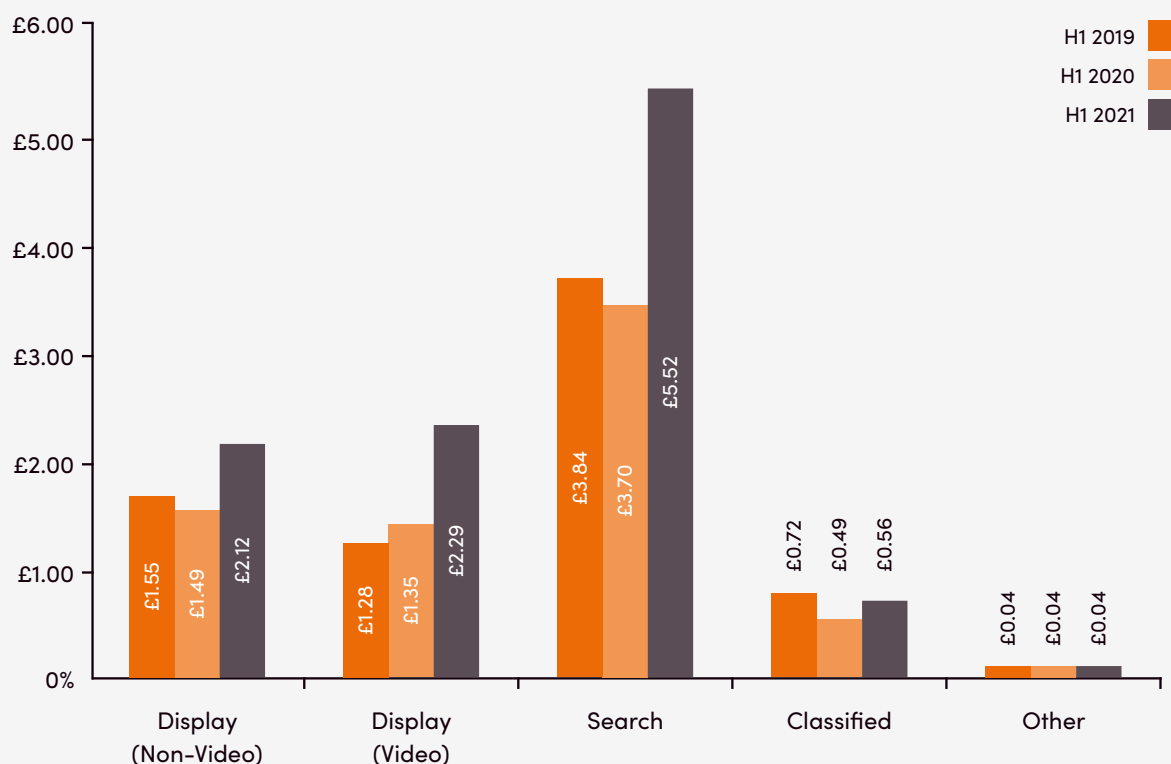
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Uk Digital Advertising Spend

To complement the previous figures, the chart below further demonstrates the **recent surge in digital advertising spending**.

Graph shows: Digital Advertising Spend (in £bn)



Whilst there were relatively minimal differences between 2019 and 2020, and, in some cases, there was even a decrease in spending in 2020, the

first half of 2021 has so far demonstrated the increasing significance that marketers are placing on digital marketing strategies.

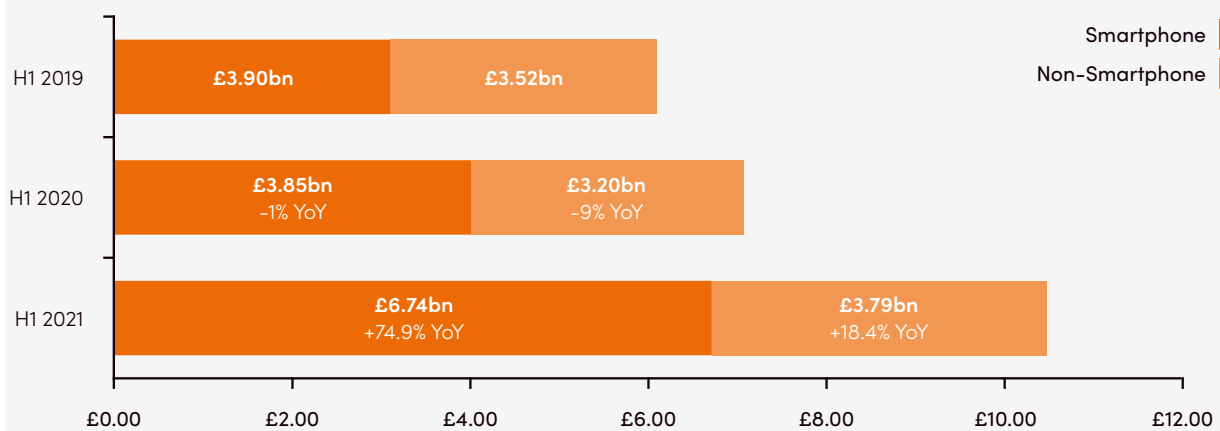
Chart reproduced from the IAB UK/PWC Digital Adspend H1 2021 report



Uk Digital Advertising *Spend*

The recent increases in digital advertising spending is also reflected in a **massive increase in smartphone marketing spend**, as shown in the figure below.

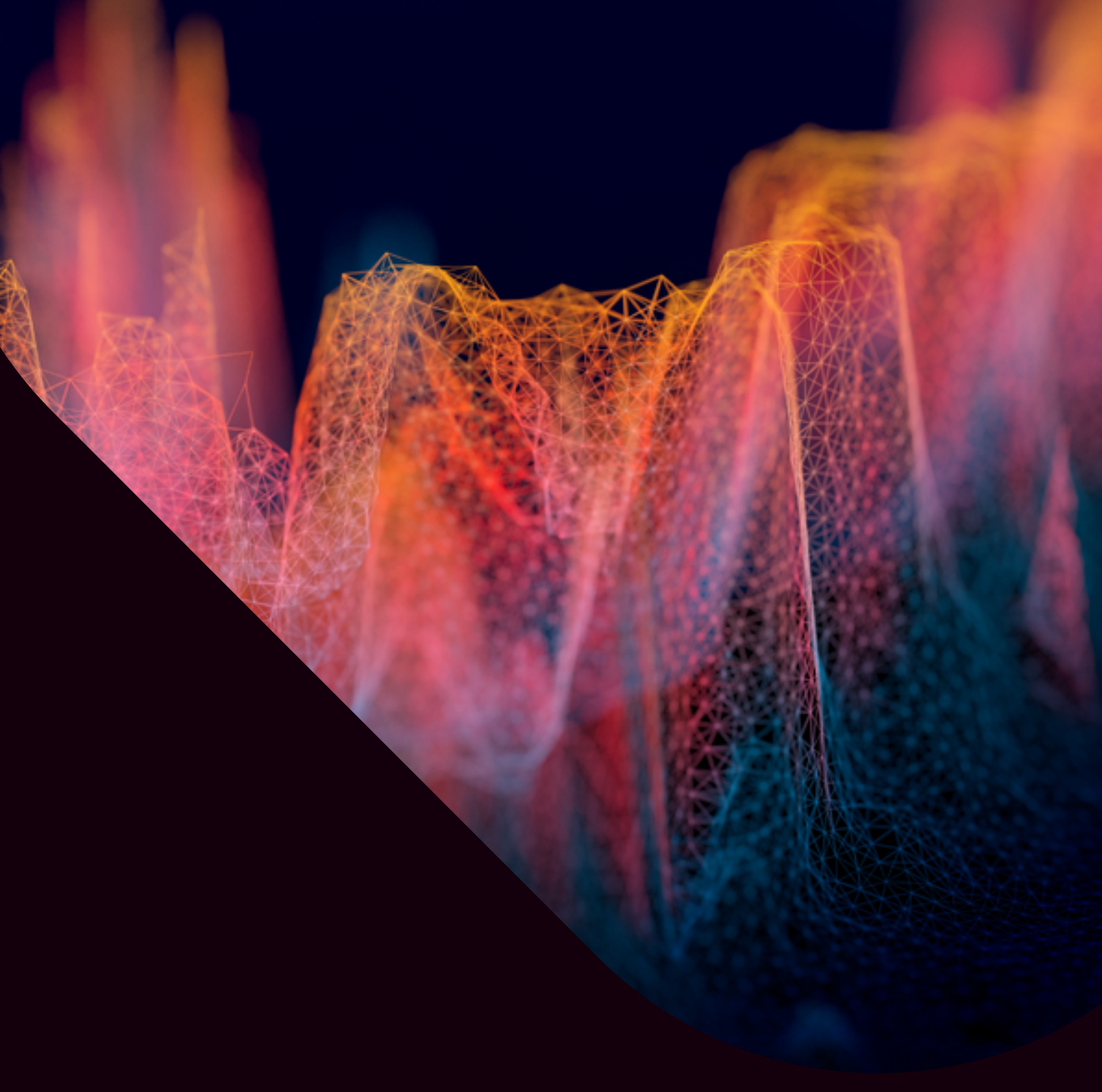
Graph shows: Digital Advertising Spend by Device Type (in £bn)



Between H1 2020 and H1 2021, smartphone advertising grew by 75% and now accounts for 64% of all digital advertising spending. Whilst non smartphone spending decreased during H1 2020,

the latest figures show that this has also now recovered to exceed pre pandemic spending from 2019.

Chart reproduced from the IAB UK/PWC Digital Adspend H1 2021 report



03

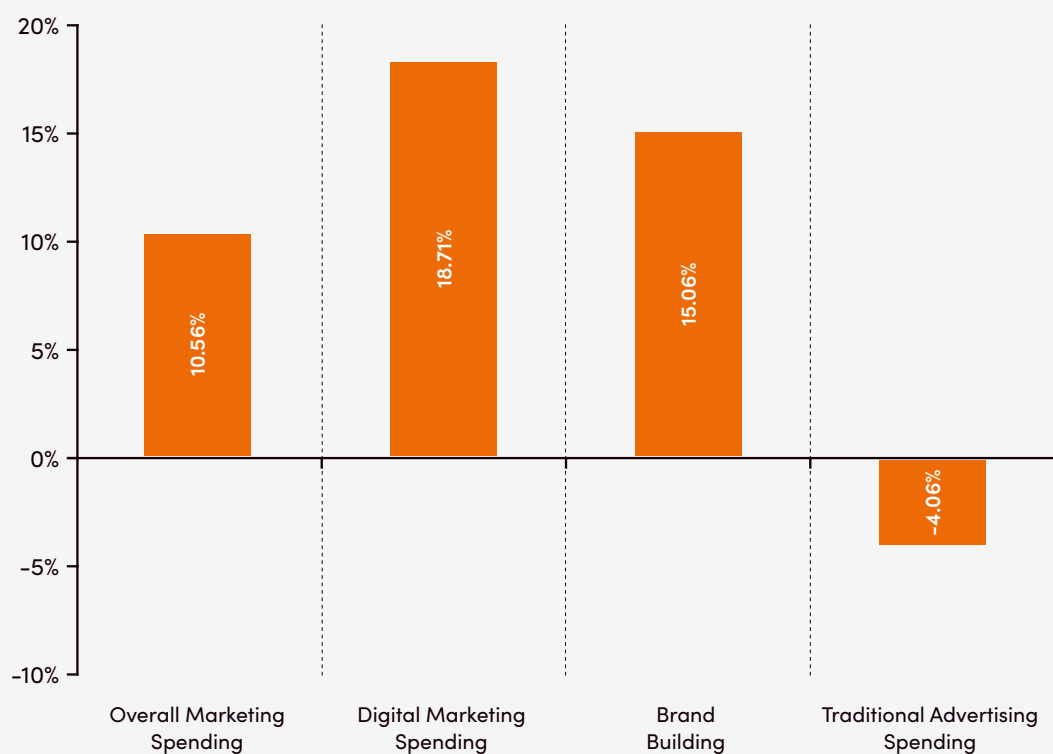
Digital Marketing Expenditure Forecasts



Marketing Spend in Next *12 Months*

When asked to comment on how they planned to change their marketing spending in the next 12 months relative to the previous 12 months, there was a clear trend for marketers to direct much **more of their budgets towards digital marketing** at the expense of more traditional advertising methods, as demonstrated by the chart below.

Graph shows: Forecast percentage (%) change in expected marketing expenditure across the next 12 months



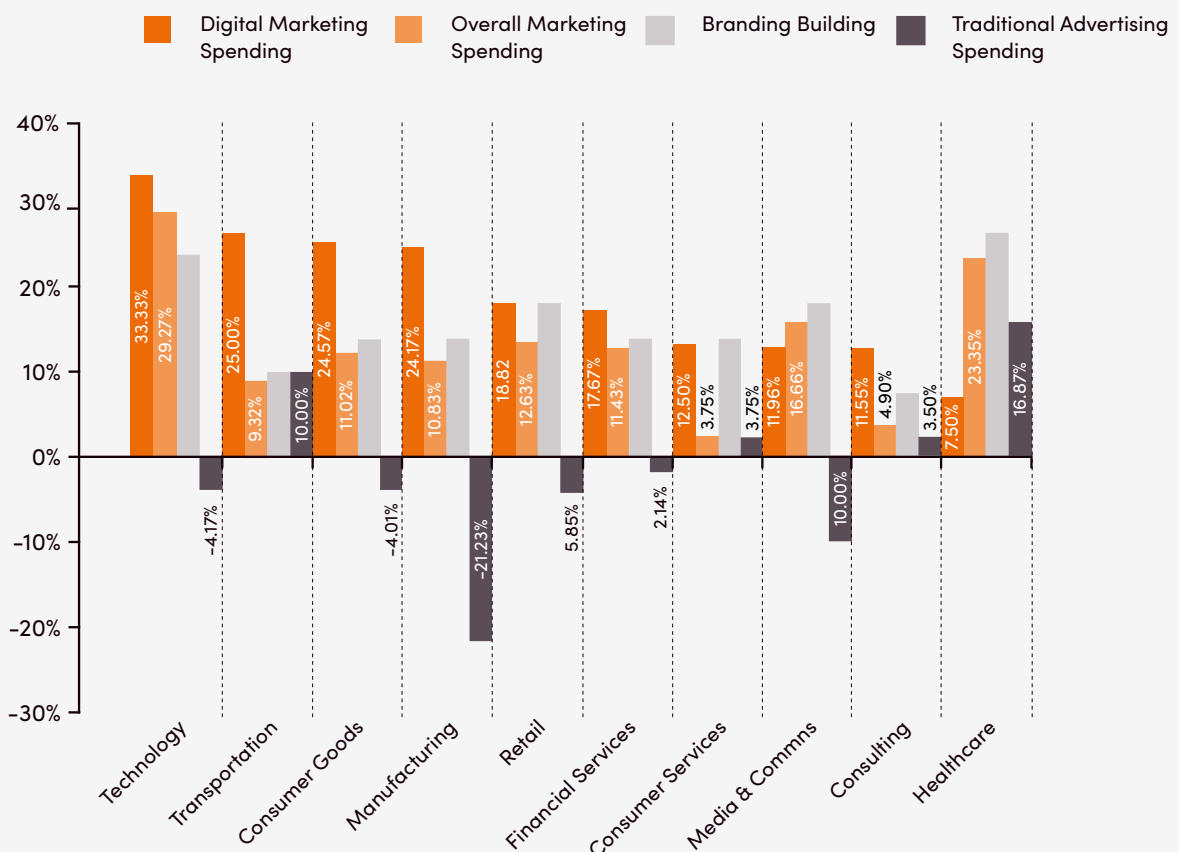
Data obtained from the London Business School's The CMO Survey UK report released in February 2021



Marketing Spend in Next 12 Months by Industry Sector

When asked to comment on how they planned to change their marketing spending in the next 12 months relative to the previous 12 months, there was a clear trend for marketers to direct much **more of their budgets towards digital marketing** at the expense of more traditional advertising methods, as demonstrated by the chart below.

Graph shows: Forecast percentage (%) change in expected marketing expenditure across the next 12 months



When we assess digital marketing spending alone, it's interesting to note that the Technology, Transportation, Consumer Goods, and

Manufacturing sectors each plan to spend more than 20% on digital marketing in the next 12 months.

Data obtained from the London Business School's The CMO Survey UK report released in February 2021

Digital Marketing Expenditure *Forecasts*

The growing interest in and need for digital marketing spending is best reflected in forecast data showing how much marketers intend to spend on two key areas of digital marketing, these being **social media and mobile activities**.

Graph shows: Current and forecast (in 1 year and 5 year) percentages (%) of marketing budget for social media and mobile activities



As reflected in the graph above, marketers intend to increase the relative percentage of their marketing budget on each of these channels in the next 1-5 years. Interestingly, whilst these generally

follow a similar trend of growth, marketers appear to expect to spend slightly more on mobile activities than social media in 5 years time.

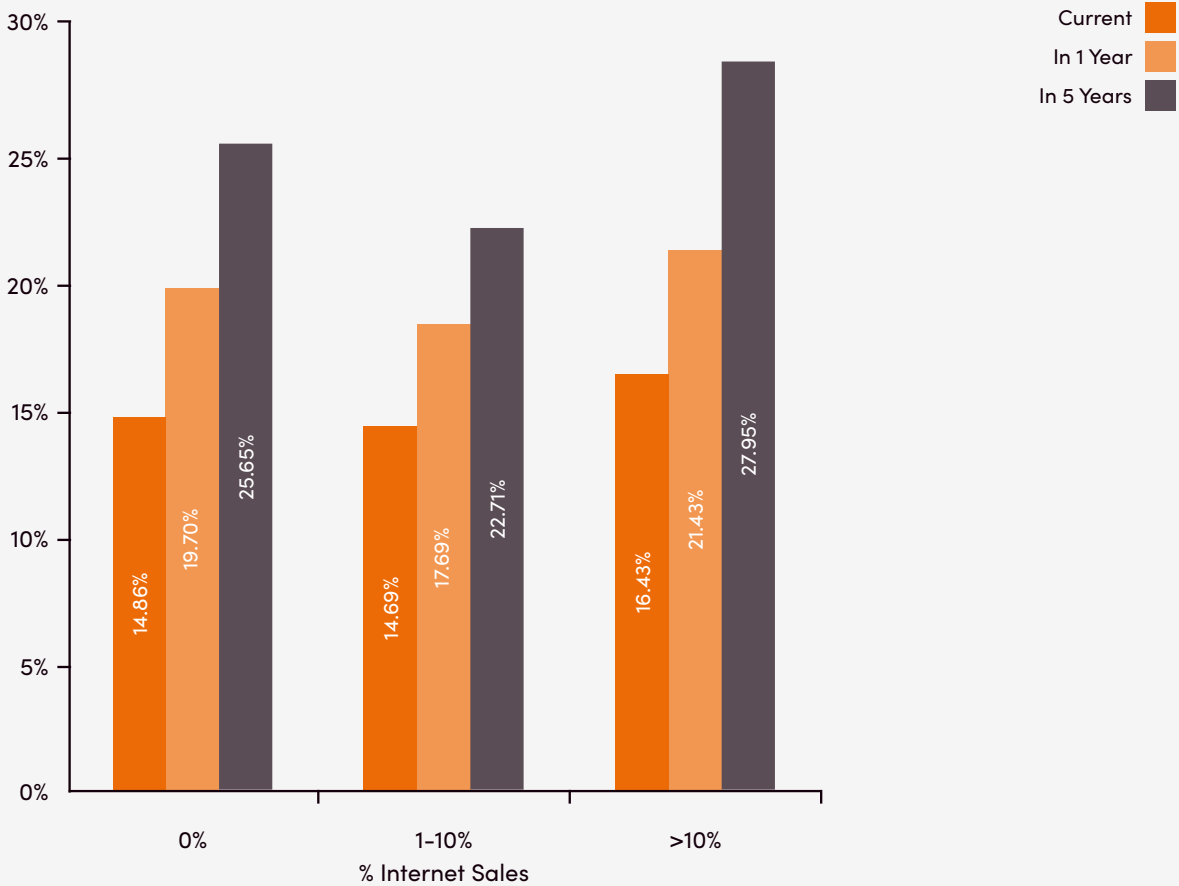
Data obtained from the London Business School's The CMO Survey UK report released in February 2021



Social Media Expenditure *Forecasts*

When we analyse the data in more detail, it is apparent that the **percentage of internet sales by a business** does not have too much of an impact upon current and forecast social media expenditure.

Graph shows: Current and forecast (in 1 year and 5 year) percentages (%) of marketing budget for social media



As such, this particular area of digital marketing expenditure is likely to be of importance to all marketers, regardless of how their business sells their goods. Moreover, it will likely be of more

significance in the coming years. This suggests that all businesses will need to strongly consider how best they invest in social media in the future.

Data obtained from the London Business School's The CMO Survey UK report released in February 2021

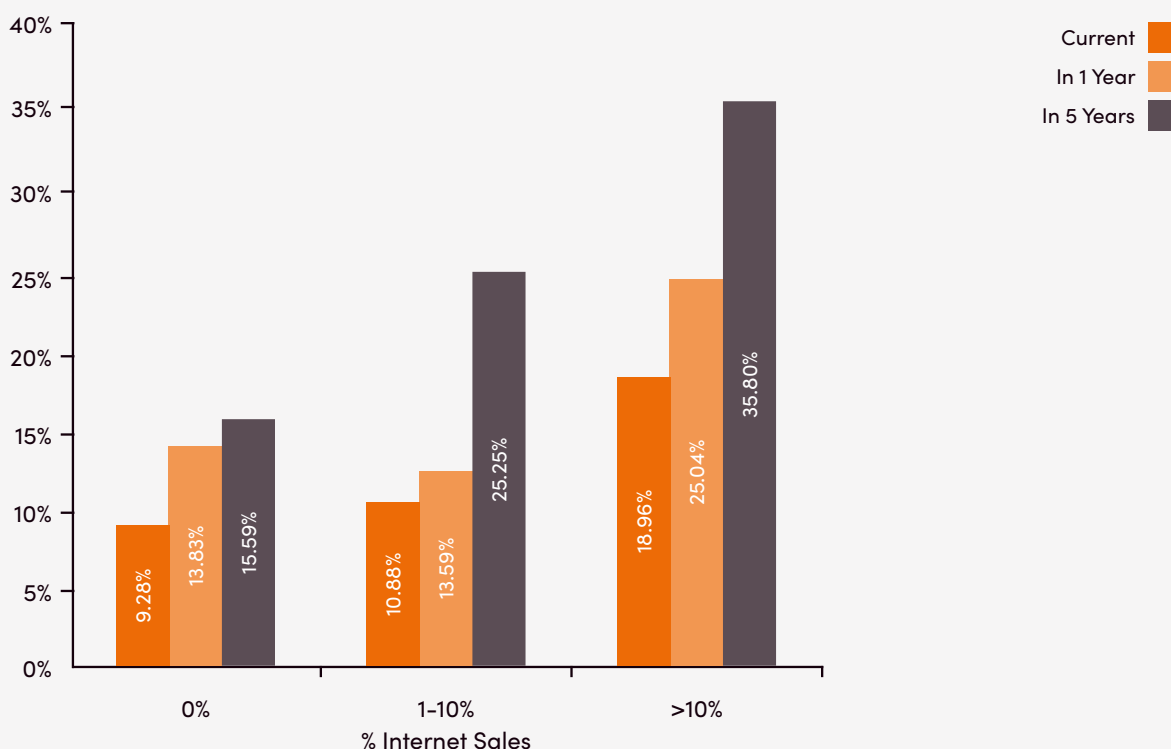


Mobile Expenditure

Forecasts

In contrast to social media expenditure, there was a more noticeable trend for both current and forecast expenditure on mobile activities to closely correlate with the **percentage of internet sales**.

Graph shows: Current and forecast (in 1 year and 5 years) percentages (%) of marketing budget for mobile activities



Interestingly, these differences seem to become more prominent when we analyse the expected marketing expenditure in 5 years time. This indicates that those businesses that are selling

more products and/or services online will be those that will likely need to invest the most in mobile in the coming years, if only just to keep up with the likely spend of their competitors.

Data obtained from the London Business School's The CMO Survey UK report released in February 2021

Conclusions





Conclusions

The role of marketing has continued to evolve, with marketing taking on even more responsibility for the sustainability and growth of businesses throughout 2020 and 2021. Both marketers and consumers are evidently optimistic about 2022, although it won't be without its challenges. So, what can you take from these findings to keep up with the increased pace of change?

One of the biggest challenges for marketing leaders is the need to educate others about the long-term value of competitive marketing spending. Building this case takes better data, more scrutiny, and the ability to make connections between strong brand and performance marketing investment to ensure the health of their companies.

CMOs and marketing leaders need to orchestrate a balanced portfolio of investment to drive measurable results. But the good news is that the evidence and data correlates to support building this case, empowering you to drive discussion and valuable debate.

Financial prospects at company and industry level remain firmly in positive territory with ad spend forecasts revised even higher for 2022 as businesses began to prepare for a strong economic recovery. Therefore marketing leaders need up-to-date knowledge to drive conversations about budgets and marketing investment, especially when looking at allocation by programs and operational areas to remain competitive.

The marketing landscape is moving fast. Marketers across all industries are investing more in digital strategies than ever before, it's important to think ahead about what your company will need to be competitive and execute a plan that takes this into account.

We know that moving too slowly in marketing is the biggest risk businesses face. If you are ready to make a digital step-change in 2022? - Think StrategiQ

If you'd like to explore the data in this report further or learn how to your business can apply these powerful insights, contact us at enquiries@strategiq.co

Whatever your business needs, today or tomorrow, StrategiQ's team of marketing experts have got you covered with strategic thinking and world class delivery.

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