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STATE OF SPEND

Marketing Investment Benchmark Report by **Allocadia**

When we first conceived the idea of this report, we imagined a year-over-year view into how marketing organizations were investing their budgets. We'd provide guidance on long term trends, and highlight best practices for marketing teams to follow.

However, COVID-19 and the ensuing recession changed everything. Year-over-year data and benchmarks from previous years are almost useless as a guide for what we should focus on next.

We pivoted, and focused our report on the here and now. Marketing budgets are the ultimate expression of strategy, so this isn't just shifting spend we've analyzed. These are real-time adjustments marketing organizations made to their budgets and strategy, as the world changed around them.

This report is based on aggregate data from Allocadia's customer base. Marketing organizations around the world manage more than $25 billion dollars in budgets using our platform. We took that information and analyzed what happened, identified trends, and are sharing them here so all teams can learn from it. Marketers need a roadmap for investing as we look ahead to 2021 - this is a guide to help inform those next steps.

This is what happened to real marketing teams. The story of what actually happened with their budgets and where they pivoted those dollars and their strategy when faced with the upheaval of all they'd previously known.

Click here to see the methodology of our study.

Section 1

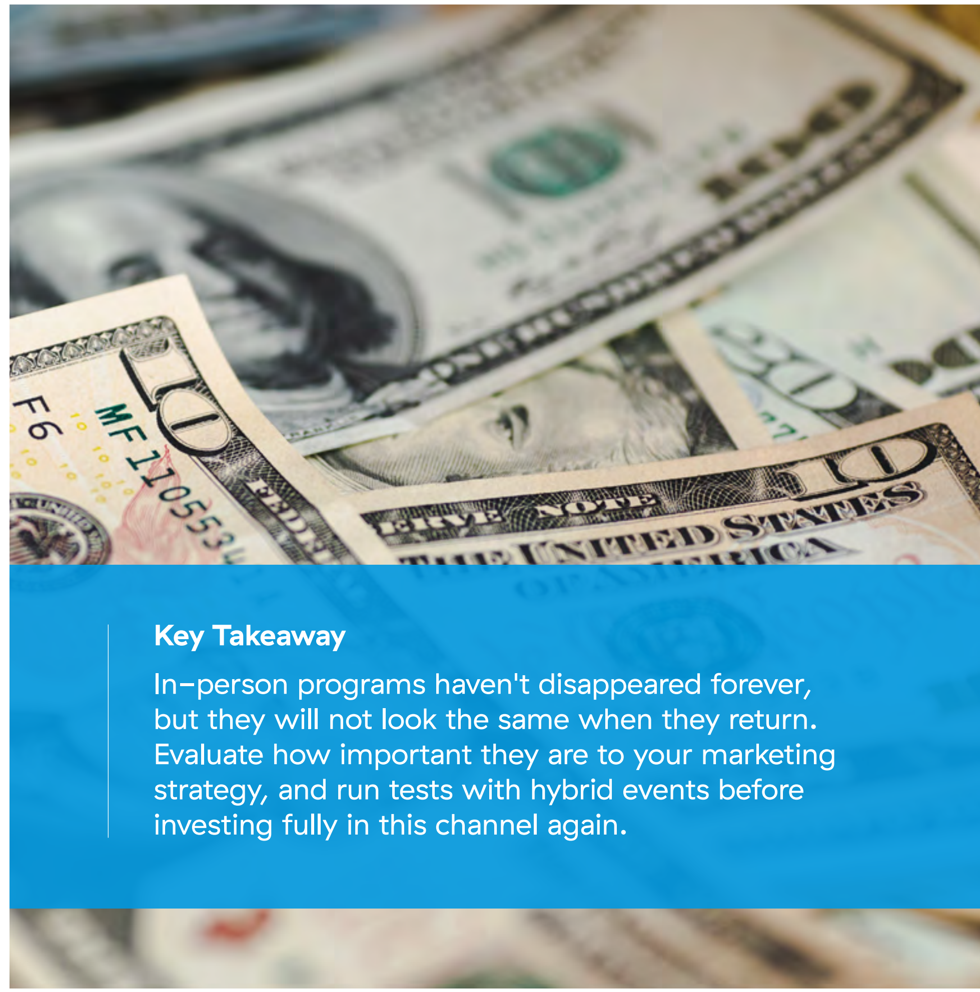
Decimation of Events – Spend is Cut in Half and the Dollars Disappeared

It's no surprise that event spend plummeted by 46% from Q1 to Q2 of 2020. What is surprising is how much of that event budget just disappeared. There's an 85% correlation between decreases in event spend and decreases in overall marketing spend, meaning that when a marketing team lost 10% in overall program spend, chances are that decrease came out of their event budget.

The takeaway? Scenario plan like crazy so you're prepared for a conversation about why you should move budget rather than use it.

More than half (56%) of all companies lost more than 10% of their program spend in the first half of the year and those were the lucky ones. 15% of companies had more than a third of their total program spend cut.

However, not all is lost on the event front. When we pulled this aggregate data in June, we also looked at forecasts. From Q2 to Q3 there is a 24% increase in forecasted event spend. Part of this might be hopeful thinking from marketers who anticipate a sooner return to in-person events (we're an optimistic bunch!). However, a lot may be marketers embracing virtual events and experimentation with hybrid events, where a small number of people are in-person and the rest are virtually streamed in. Given that events are such a large and quintessential portion of many program budgets, it makes sense marketers are anticipating a recovery – whether that is all-virtual events or some type of hybrid option.



Key Takeaway

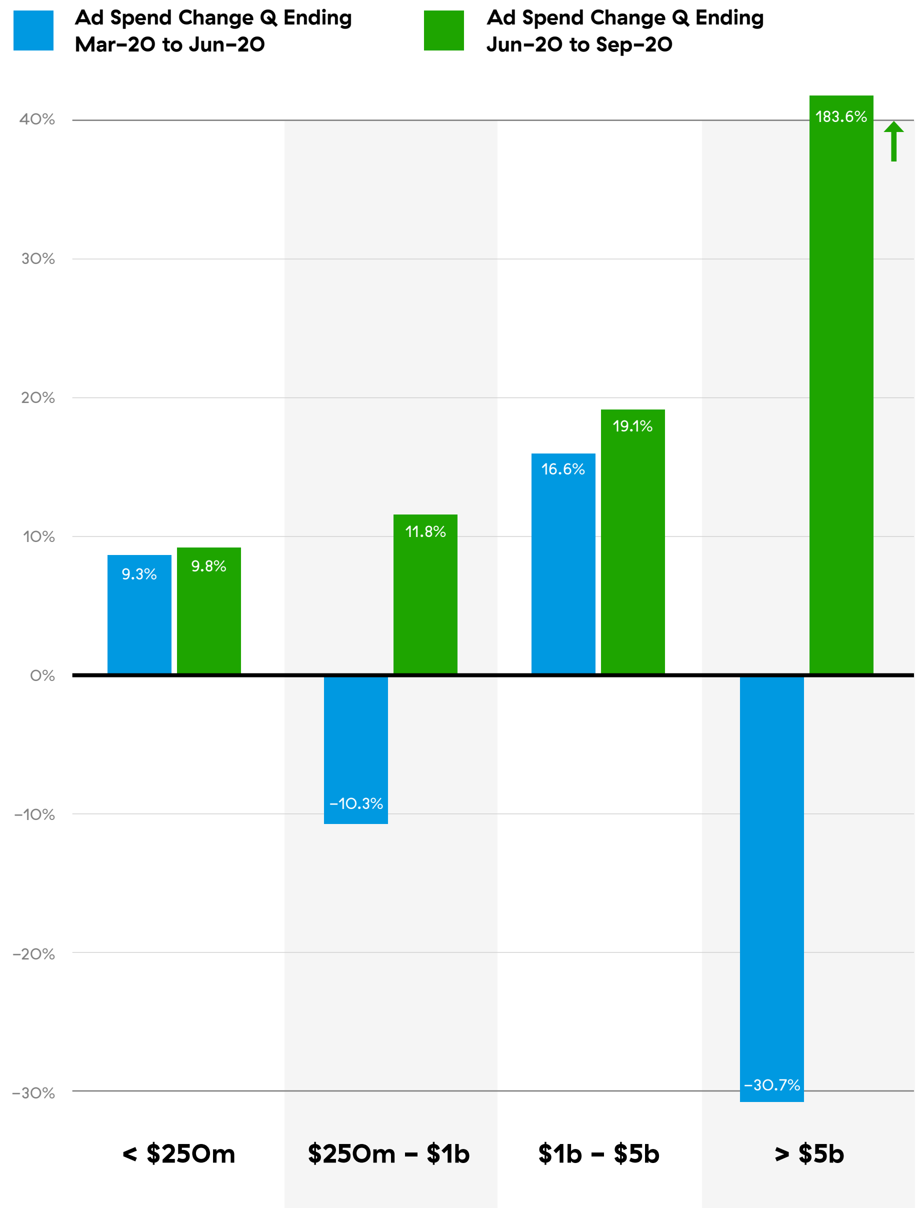
In-person programs haven't disappeared forever, but they will not look the same when they return. Evaluate how important they are to your marketing strategy, and run tests with hybrid events before investing fully in this channel again.

One other question many people had as they watched events disappear was 'what channel can I use now to drive the demand events provided'? The flip side of decreased event spend was an expected increase in digital programs, and advertising is one of the most accessible channels to fill the gap for companies who needed additional ways to reach their audiences.

There was a 2% increase in ad spend Q1 vs Q2. That doesn't tell the whole story though; there were significant differences based on the size of a company (table 1). Smaller companies are clearly shifting their dollars to ads, while the $250M to $1B companies that are pre-IPO likely just pushed ad dollars out a quarter to wait and see what happened. The $1B-$5B companies might have been spending more on events to start with, so they poured those dollars into ads at a higher rate, and the $5B+ companies are often slower to cut or shift funds, so they just hit the breaks in Q2 until they could get a bit more perspective on what was going to happen in their markets, and then dumped everything they had into these channels.

Approaches to ad spending varied greatly depending on company size

- **SMBs, Enterprises** increased modestly in Q2 and again slightly more in Q3
- **Mid-Market companies** reduced budgets in Q2 then increased modestly in Q3
- **Large Enterprises** slashed budgets in Q2, and invested massively in Q3



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28%

had a more than 30% increase in ad spend Q1 v Q2

There's also a huge increase in forecasted ad spend for all sizes of companies from Q2 to Q3. It's possible many companies spent Q2 of this year testing: assessing which messages and channels performed best in this new market. In Q3, they planned to turn on the jets and maximize their advertising spend. The other option is that many companies took a cautions wait-and-see approach, and wanted to understand what the economic recovery was going to look like before they started increasing ad spend.

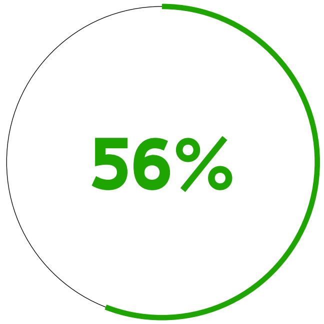
What's interesting about both of these shifts is that advertising and events often serve a dual purpose of brand awareness and demand generation for companies. When looking at aggregate investment details, it can be hard to glean which type of activities companies focused on.

We kept digging to paint a clearer picture.

Key Takeaway

Test which ad channels are driving the most efficient business impact before you invest 100% of your budget. Once you get that insight, then invest more. A lot more. Digital channels will be crucial drivers of growth for at least another 12 months.

Q1–Q2 Overall Marketing Program Spend



lost more than 10% of their program spend

15% **lost more than** 30% **of their program spend**

Section 2

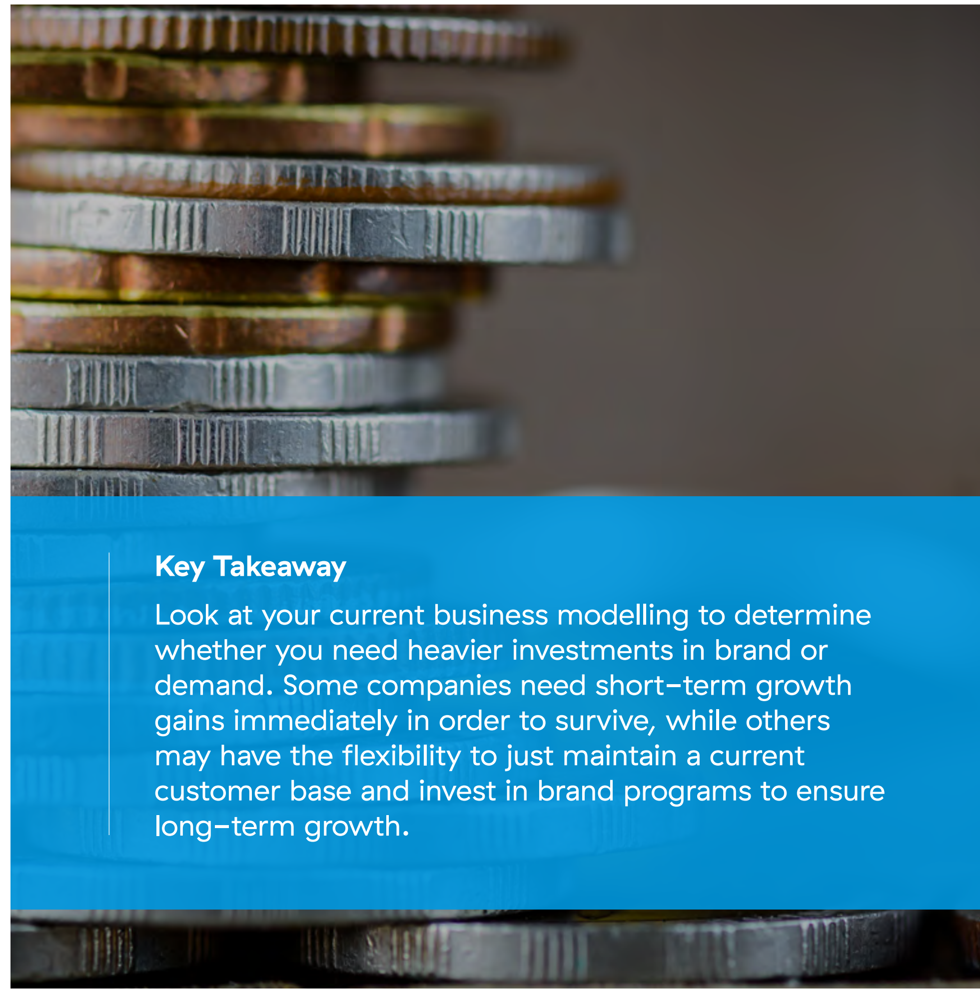
Demand Wins this Round – Demand Programs Increase More than 20% while Awareness Programs Drop

What do you do when you know you've got a great product but people just aren't ready to buy? You cement your brand so firmly in their mind that when they are ready to buy, your company is the first one they think of. This is done through brand identity programs like sponsorships or through awareness programs like PR.

Many analysts and industry pundits encouraged teams to double down on their brand perception and identity during the first few months of the pandemic, as it was the right time to establish positive brand association. But in reality? Our data shows analysts' recommendations went largely unheeded in the B2B world.

Nearly half (45%) of all companies cut public relations (PR) budgets by more than 20% from Q1 to Q2, and overall forecasts for Q3 show no predicted increases. When revenue comes into question, many companies cut programs like PR before demand programs which are more tightly tied to short-term sales impact. That line of thinking clearly played out this spring.

On the brand identity side, there was an immediate 16% decrease in spend from Q1 to Q2. But we see a forecasted increase of 17% in Q3, bringing companies back up to their pre-COVID levels. There is strong correlation between spending on brand and overall program spend (72%), so the dip in spend during Q2 isn't that surprising when you consider how closely it matches the overall dip in total marketing spend (10%). Clearly brand initiatives are still top of mind as companies begin to consider what their recovery looks like, but the initial reaction was to eliminate costs that didn't contribute to short-term impact.



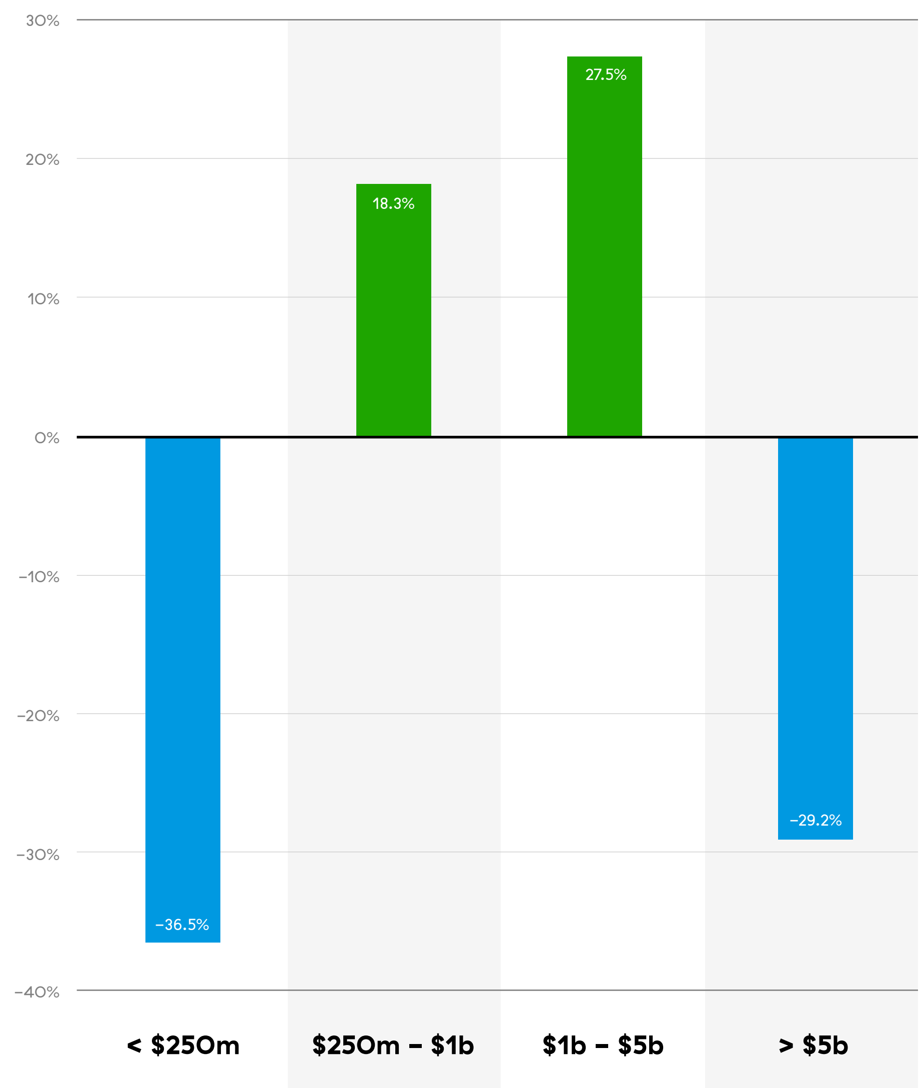
Key Takeaway

Look at your current business modelling to determine whether you need heavier investments in brand or demand. Some companies need short-term growth gains immediately in order to survive, while others may have the flexibility to just maintain a current customer base and invest in brand programs to ensure long-term growth.

Brand spend is also more elastic in relation to the size of the company (Table 2), compared to other categories of spend. Companies on the high– and low–end of the revenue spectrum saw deep cuts in Q2, while those in the middle actually increased their spend by a significant amount, indicating varying needs and positioning. While bigger, well–known companies felt comfortable to instead focus on short–term gains, mid–sized companies needed to focus on building positive long–term brand perception. And smaller companies were forced to pick between short–term demand programs and long–term brand awareness.

We might assume the drop in brand spend means there's a tightly correlated increase in direct marketing but that was not the case. Overall, direct marketing increased from Q1 to Q2 (23%), and now has a 1% decrease in Q3 forecasts. This still indicates a 22% spend increase when compared to Q1, meaning companies are renewing their focus on expanded email nurture programs, telemarketing initiatives, ABM efforts, and **creative direct mail programs.**

Brand spend change Q1 vs Q2 2020



Nearly half (45%) of all companies cut public relations (PR) budgets by more than 20% from Q1 to Q2, and overall forecasts for Q3 show no predicted increases.

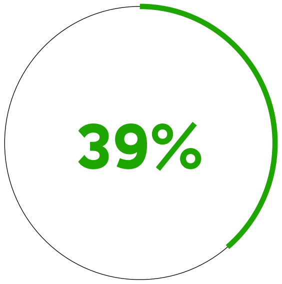
There was also a significant increase in content marketing spend, which is often directly tied to the multitude of direct marketing channels a team can utilize. Content marketing spend increased 12% from Q1 to Q2, and 39% of companies had more than a 20% increase in their content marketing spend. Overall, marketers forecasted another 8% increase in Q3, showing that content marketing spend shows no signs of slowing down in 2020.

One assumption to be made here was that in Q2 of this year companies doubled down on direct marketing to their known audience with new programs and content. At the same time, they slightly increased funding in advertising to test messaging and programs for unknown audiences via all their digital channels, to get a new baseline for what works in our current environment. After those advertising tests, teams could continue marketing to their existing database without an additional increase in Q3, instead pumping more funding into expanding their advertising efforts to capture the eyeballs and wallets of previously unknown audiences.

Ultimately, we can see that B2B companies decided to bet the 2020 house on demand programs rather than brand programs.

Our final category of spend is around loyalty. How did marketing teams focus their efforts on existing customers in 2020?

Content marketing spend change Q1 vs Q2 2020



Companies that had more than a 20% content marketing spend

Overall there was a 12% increase in content marketing spend from Q1 to Q2, with a further 8% increase forecasted for Q3

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Section 3

Where is the Love? Loyalty Programs See No Increase in Q2

Another big piece of the spend puzzle was how companies viewed net new acquisition versus keeping their existing customer base happy with ongoing value. This was another area analysts and industry pundits shouted the importance of from the rooftops.

Again our expectations differ from reality. Investment in loyalty and advocacy programs decreased by 4% from Q1 to Q2. We think this was likely initial panic by companies faced with budget cuts, because things rebounded in their forecasts for Q3. We see 12% overall predicting an increase in loyalty spend, with almost half (47% of companies) forecasting a more than 20% increase in customer loyalty and advocacy spend.

From the forecasted spend increase on loyalty programs, it's clear many companies saw the writing on the wall and realized the impact of COVID wasn't going to be a one quarter deviation in their original 2020 plans. Those companies decided protecting their existing base was just as important as investing further in acquiring new customers and are dramatically increasing their investments here.

Loyalty and brand spend make up a similar percentage of overall marketing program budgets (~5%), but while brand spend was tightly correlated to overall program spend, budgets for customer loyalty were not. This raises another possibility in the changes we saw quarter-over-quarter; customer loyalty programs had more staff than discretionary budget prior to the pandemic, but roles were eliminated in the spring when many companies had layoffs. If they no longer had the same level of staffing, teams would need an increase in programming funds to support that area.

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Key Takeaway

Whether you fund it with staff or programs, customer marketing can never be ignored. Work with your team to determine the best way to support this established revenue stream.

Conclusion:

It's clear to anyone alive and reading this report that 2020 is not a normal year. But looking at all of these trends makes us wonder – what's next? What will 2021 look like for marketing organizations? Will the heavy investments in advertising, direct marketing, and content marketing continue? Or will those normalize as spending on programs like events and PR makes a resurgence with improvements to our global economy?

We will publish this benchmarking report annually. Marketers need new benchmarks for the post-COVID future, and we want this report to provide that type of insight and guidance. Year-over-year spend analysis is a tool every marketing organization ultimately still needs, and this report will provide insights into short- and long-term marketing investment trends.

As we build that yearly view in future State of Spend reports, Allocadia will continue looking at quarterly trends and identifying best practices to provide a roadmap for marketers. The pandemic has shown all marketing organizations that having both long and short-term investment plans is critical to success.

Marketing organizations are constantly under the microscope to explain exactly where and why we're investing our budgets, and this pandemic has brought that into even greater focus. Teams around the globe are looking for guidance on the best way to invest their marketing budgets to drive the biggest business impact. Allocadia is invested in being an ongoing part of that progress for all organizations, helping every marketer have confidence in where they should spend their next dollar.

Key Takeaway

Budget allocation is shifting more by product line and region than ever before, as the pandemic ebbs and flows globally, and consumer needs shift accordingly. Marketers shouldn't focus on finding one thing that works and hitting the gas pedal. They need constantly be testing, investing a bit more, doing market and consumer research, shifting budgets around, and testing again. It's an ongoing cycle.

Methodology

This marketing spend benchmarking report was based on the actual data of how Allocadia's B2B customer base is investing their budgets. The budgets of more than 50 marketing organizations at enterprise companies, representing billions of dollars in marketing investments around the world, were analyzed and aggregated to show overarching trends in marketing spend. The companies' overall revenue data was pulled from DataFox or Yahoo! Finance, depending on whether or not the company is publicly traded.

The classifications of what types of programs budgets were spent on is based on **IDC's marketing taxonomy**. Their taxonomy represents guidance built on years of quantitative research and thousands of conversations with marketing executives, marketing technology vendors and experts, and industry thought leaders.

All references to financial quarters within this document are based on the calendar year of 2020.

*Allocadia provides best-in-class money management capabilities for marketers and gives them the confidence to know where to invest their next dollar. It's award-winning marketing performance management platform enables marketers to plan strategically, invest with purpose, measure the performance of their activities, and ultimately maximize marketing's impact on the business. Companies like GE Healthcare, Unilever, Informatica, and Charles Schwab manage more than $25 billion marketing dollars within Allocadia, which enables them to save up to 40% of the time they spend on budgeting and planning as well as double their pipeline-to-spend ratio and ROI.

Learn how to #RunMarketing at **Allocadia.com**

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