

Gartner for Marketing

# **2024 Marketing Budget Benchmark for Retail**

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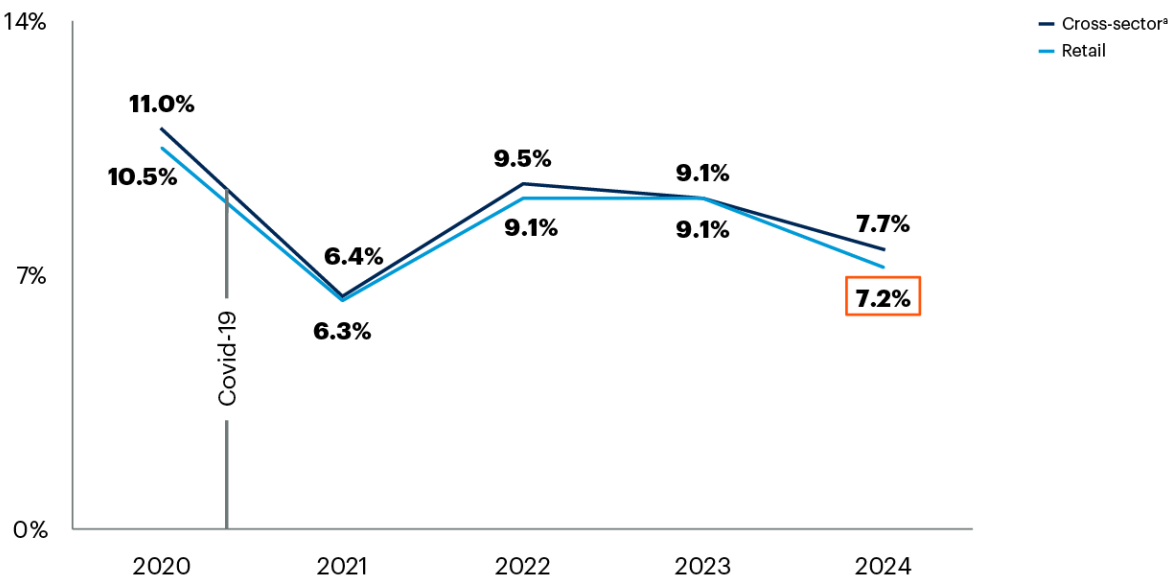
Marketing budgets decreased for retailers while pressure increased on online channels to drive sales. CMOs hope tech will improve productivity and are increasing spend on search advertising. Retail CMOs can use this benchmarking report to contextualize their marketing budget plans.

## Data Snapshot

### Marketing Budget as a Percent of Total Revenue (2020-2024)

#### Marketing Budget as a Percent of Total Revenue: 2020-2024

Mean percentage shown



n = Total: 342-618; Retail: 38-52 CMOs (base numbers vary by year)

Q: What percentage of your revenue is being allocated to your total marketing expense budget in 2024?

Source: Annual Gartner CMO Spend Survey (2020-2024)

<sup>a</sup>Cross-sector consists of the total CMOs surveyed across industries.

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Retail CMOs benchmarking and setting their budget strategy for 2024 through 25 should know:

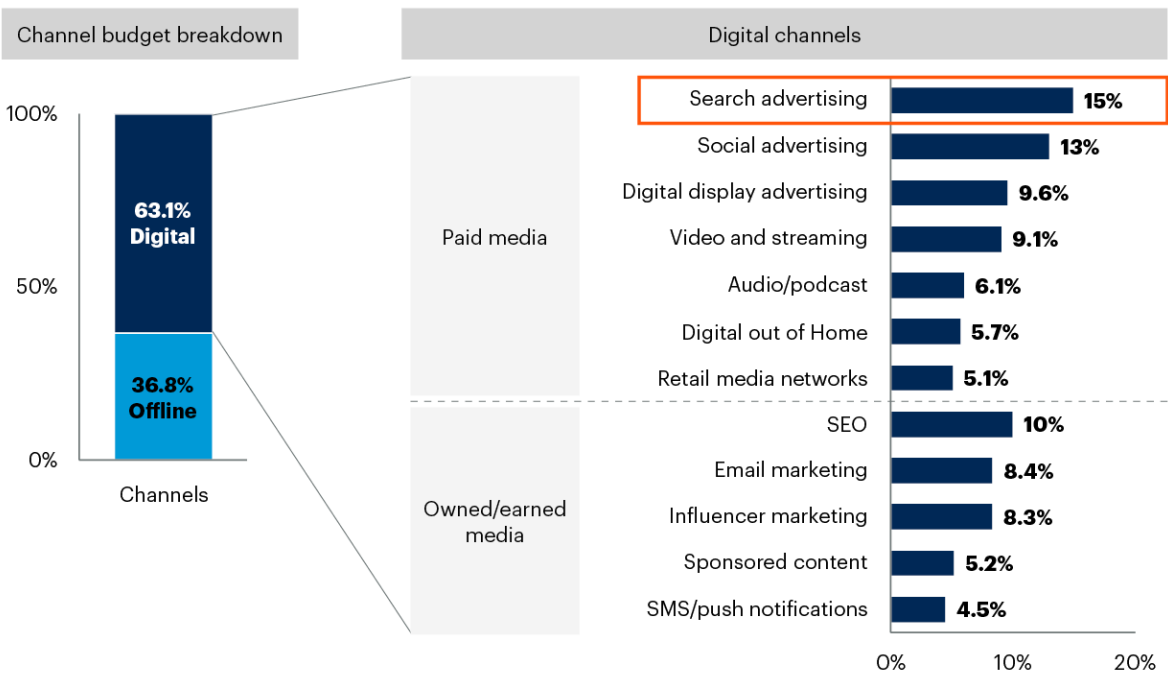
- **Retail CMOs face budget cuts.** Retail CMOs' marketing budgets fell below the cross-sector average to 7.2% of total revenue, the lowest point since COVID-19-era budget freezes. This slump is driven in part by economic headwinds, with inflation impacting margins and resulting in 26% of retailers falling short of their profit growth targets in 2023. Looking forward, 34% of responding retail CMOs also expect inflation to negatively impact their 2024 marketing strategy. To achieve revenue and profit growth objectives in 2024 through 25, CMOs will need to drive a high level of increased productivity given continued pressures on budgets.
- **Technology investment is rising.** CMOs are hoping that technology investments drive productivity gains in 2024. Seventy-five percent of retail CMOs are increasing their marketing technology investments in 2024. Generative AI (GenAI) is a major source of hope for CMOs, with 76% expecting it to positively impact their 2024 strategy. The highest perceived benefit of GenAI is improved cost efficiency, ahead of improved ad targeting and time efficiency.
- **Online customer acquisition remains challenging.** Retail CMOs target 45.2% of sales to come via digital commerce in 2024, up from just 34.9% last year.<sup>1,2</sup> This added focus will add competition to already competitive digital channels that drive customer acquisition. In search advertising, for instance, 52% of retailers plan to increase spend in 2024 while only 18% will reduce spend, which will likely increase bid prices for sales-driving keywords. More broadly, 68% of retailers will increase their paid media investments in 2024 as they seek to protect their acquisition pipeline. For some, increased competition, ad inflation and budget pressures could prove to be a problematic mix and force changes in strategy.
- **Media spend is expected to drive conversion to sales.** As a sign of changing times in the costs of performance marketing, CMOs now allocate significantly more budget to paid media than labor, martech or agencies and services. Media spend is particularly focused on ads driving conversion to sales. CMOs increased spend on conversion-to-sales ads from 26.3% to 31.9% of media budgets while reducing spend on brand awareness ads from 28.3% to 24.9%. This highlights the level of pressure retail CMOs face in producing confirmable results despite online tracking challenges. This shift in media spend strategy could prove risky if brand recognition falls as a result of lower spend on brand campaigns.

- **Online channels dominate budgets.** Sixty-three percent of marketing channel budgets are now going to online channels, a big increase from 2023 when just 51% was spent online. Last year, 76% of retail CMOs adjusted their digital channel investment priorities to meet evolving consumer behaviors and platform dynamics. Social advertising remains a high line-item, though search advertising became the biggest digital channel investment for retail CMOs as marketers seek to navigate significant changes in Google and Bing’s search engine results pages (see Figure 2).

Figure 2: Search Advertising Is the Top Digital Channel Investment

**Search Advertising is the Top Digital Channel Investment**

Mean percentage of digital channel budget shown



n = 38 Retail CMOs

Q: How is your 2024 total marketing expense budget allocation for digital channels being allocated to or spent on each of the following digital channels?

Source: 2024 Gartner CMO Spend Survey

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## What You Need to Do

Retail CMOs conducting annual budget planning or facing cost reduction pressures should pursue the following actions:

- **Build agility into long-term planning.** Given the volatility of channel efficiency, customer sentiment and consumer behaviors, flexibility will be paramount within long- and short-term strategies. For an example of how a Genius retailer embeds flexibility into its strategy, see Sephora “Agility Lanes,” referenced in Digital IQ Index: In the Company of Genius 2023-2024.
- **Prioritize high-impact use cases for generative AI.** Retail CMOs perceive GenAI as a key opportunity to increase productivity. As the tech landscape rapidly changes, the chance of misplaced effort is high. To ensure resources are spent effectively, focus first on high-impact use cases for integrating GenAI into marketing activities (see Effective GenAI Use Cases for Retail Marketing).
- **Ruthlessly prioritize channel budgets.** To increase the value of online assets, retail CMOs must optimize their messaging, assets and channel mix. For guidance on assessing which channels to use for key customer segments, see The CMO’s Guide to Multichannel Marketing Channel Strategy.
- **Monitor brand awareness to surface potential issues.** Shifting media investments away from brand awareness may negatively impact longer-term performance. CMOs must monitor brand familiarity and preference and be prepared to shift media spend if required. For guidance on measuring brand health, see A New Way to Measure Brand Health: From Brand Strategy to Business Outcomes.

## Evidence

<sup>1</sup> **2024 Gartner CMO Spend Survey.** The purpose of this survey was to look at top-line marketing budgets, and identify how evolving customer journeys, C-suite pressures and cost challenges impact marketing's spending priorities. The research was conducted online from February through March 2024 among 395 respondents in North America (n = 200) and Europe (n = 195). Respondents were required to be involved in decisions pertaining to setting or influencing marketing strategy and planning, as well as have involvement in aligning marketing budget/resources and/or lead cross-functional programs and strategies with marketing. Seventy-four percent of the respondents came from organizations with \$1 billion or more in annual revenue. The respondents came from a variety of industries: manufacturing (n = 48), healthcare (n = 47), financial services (n = 46), it and business services (n = 41), retail (n = 38), pharma (n = 37), travel & hospitality (n = 36), media (n = 35), consumer products (n = 32).

<sup>2</sup> **2023 Gartner CMO Spend and Strategy Survey.** The purpose of this survey was to look at top-line marketing budgets and identify how evolving customer journeys, C-suite pressures and cost challenges impact marketing's strategies and spending priorities. The research was conducted online from March through April 2023 among 410 respondents in North America (n = 205) and Western/Northern Europe (n = 205). Respondents were required to be involved in decisions pertaining to setting or influencing marketing strategy and planning, as well as have involvement in aligning marketing budget/resources and/or lead cross-functional programs and strategies with marketing. Eighty 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 (n = 44), tech products (n = 39), manufacturing (n = 55), consumer products (n = 43), media (n = 41), retail (n = 45), healthcare (n = 34), pharma (n = 38), IT and business services (n = 34), and travel and hospitality (n = 37). **Disclaimer:** The results of this study do not represent global findings or the market as a whole, but reflect the sentiment of the respondents and companies surveyed.

## Document Revision History

CMO Spend and Strategy 2023: Retail Leaders Reprioritize Investments as Inflation Hits -3  
August 2023

## Recommended by the Authors

Insights From the 2024 CMO Spend Survey

The Retail CMO's Research Guide

How to Discount Strategically in a High-Inflation Environment

Quick Answer: How CMOs Structure Retail Marketing Organizations

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