IN PARTNERSHIP WITH

LONDON RESEARCH

Crank
Providing your levers for growth

A GUIDE TO MARKETING BUDGETING AND FORECASTING

A review of how marketers approach forecasting and budgeting, spend and performance (including ROI) benchmarking, and specific KPIs and metrics.

CONTENTS

London Research is focused on producing research-based content for B2B audiences.

We are based in London, but our approach and outlook are very much international. We work predominantly, but not exclusively, with marketing technology (martech) vendors and agencies seeking to tell a compelling story based on robust research and insightful data points.

As part of Communitize Ltd, we work closely with our sister companies Digital Doughnut (a global community of more than 1.5 million marketers) and Demand Exchange (a lead generation platform), both to syndicate our research and generate high-quality leads.

Please get in touch if you think we can help.
www.londonresearch.com

We provide actionable insight, not facts and charts, but interpretation of the data, to tell you what to do next.

We simplify data and analysis for marketers, brand people, creatives, ecommerce heads within corporates or start-ups that are struggling to grow. We work at pace, cost effectively and love to share a whiteboard.

We utilise our insight for strategy and/or changes that need to be made to create action(s) and positive uplifts in sales. We often combine the use of those insights with customer experience evaluation resulting in most clients creating an almost instant uplift.

Speak to us about zero-based budgeting, benchmarking and data-driven growth solutions.
www.wearecrank.com

ABOUT THE AUTHORS

Linus Gregoriadis
Director, London Research

Linus is an experienced digital marketing analyst who spent more than a decade setting up and building the research function at Econsultancy, a digital research and training company now owned by Centaur Media. After leaving Econsultancy, where he oversaw the production of hundreds of survey-based trends reports, buyers' guides and best practice guides, he launched ClickZ Intelligence for B2B media company Contentive. London Research, founded in 2017, is a sister company to Digital Doughnut, the world's largest community of marketers and digital professionals.
linus@londonresearch.com

Peter Abraham
Co-Founder, weareCrank.com

As well as being co-founder of weareCrank.com, Peter is the co-author of 'Building the Agile Business Through Digital Transformation', which provides a definitive blueprint for organisations looking to become more agile as a business. He has more than 20 years of 'digital' experience and another 15 years prior to this as a creative. Specialising in digital strategy, digital transformation, digital capability, culture and mindset for marketing and ecommerce teams, Peter has worked globally with large multinationals since 2009 helping them better understand disruption and navigate digital transformation. He is also a non-executive director and adviser to TheDigitalTransformationPeople.com.
@peterjabraham

londonresearch.com
UK: +44 (0)207 193 4600
US: +1 415-463-7044

HIGHLIGHTS

> Never let your campaigns write cheques that your website can't cash.
>
> **Avinash Kaushik**
> *Digital Marketing Evangelist, Google*

Are you a Marketing Legend or a Marketing Loafer?

Legends are nearly twice as likely as Loafers to have complete control over their marketing spend **(50% vs. 27%)**.

72% of Legends dedicate more than **20%** of their total marketing spend to digital, compared with **27%** of Loafers.

Legends are far more likely than Loafers to revisit their marketing spend at least once every three months – **64%** of Legends do this compared with **18%** of Loafers.

Legends are **more than five times** as likely as Loafers to forecast customer profitability and return on marketing spend by channel and device **(50% vs. 9%)**.

Nearly two-thirds **(64%)** of Legends evaluate their current marketing performance against their forecast at least on a monthly basis, compared to only **37%** of Loafers.

Legends are **four times** more likely than Loafers to use published industry research benchmarks to understand performance **(36% vs. 9%)**.

Legends vs. Loafers: Winning at Digital Budgeting and Forecasting

Legends		Loafers
Regular evaluation of marketing performance by spend and channel	vs	'Set and forget' budgeting
Business intelligence tools + Google Analytics	vs	Google Analytics + Excel only
Sophisticated use of Google Analytics	vs	Basic use of Google Analytics (i.e. just for traffic volumes or vanity metrics)
In-house capabilities	vs	Heavy reliance on outsourcing
Greater digital investment	vs	Lower digital investment
Use of internal and external benchmarking	vs	Little or no benchmarking
Revisit forecast at least twice a year	vs	Never or once a year
Forecast customer profitability and return on ad spend	vs	Do not measure ROI
Revenue increase 10%+	vs	Revenues remain the same
20%+ of total marketing spend is digital	vs	Less than 10% of total marketing spend is digital

Executive summary

> In order to win in this growing digital era, marketers need to own the forecast and budget, and set a variety of benchmarks, continually analysing, adjusting, improving and investing.

This report, produced by London Research in partnership with weareCrank, and based on a survey of more than 100 senior marketers, casts the spotlight on how companies are budgeting for marketing, and attempts to define what marketers should be doing in terms of forecasting and measurement to maximise their chances for success.

Forecasting, or better still zero-based budgeting, is a method of planning your marketing spend with a clean slate at the beginning of the year and then monitoring performance regularly, rather than basing it on what has gone before. It is emerging as the model of choice for many firms, including Unilever and Diageo, as it allows marketing teams to think deeply about what will drive value in the year to come, instead of relying on assumptions – a risky approach in a rapidly changing market.

Despite the efficiency and flexibility offered by forecasting and zero-based budgeting, the research shows that there is still a large gap between those that do forecasting and those that are just being handed a budget to spend.

For this research, we designate marketing teams that are adopting best practices in the area of budgeting and associated activities as 'Legends' (i.e. Leaders) and their less sophisticated counterparts as 'Loafers' (i.e. Laggards).

Half (50%) of respondents labelled as 'Legends' have total control over forecasting, compared with 18% of Loafers, who are more likely to have their budget set by someone else and handed to them.

Why are some marketers not taking control of their own budgets? It may be due to current internal work processes, or because some marketing teams do not want the responsibility of owning a target. It may also be that marketing departments that are very brand awareness-focused have become responsible for the ecommerce channel and are selling direct to the consumer, yet struggle to build sales and marketing forecasts.

Key findings from the report include:

- 27% of Loafers never revisit their marketing forecast, while more than 90% of Legends revisit theirs more than twice during the financial year.
- 72% of Legends allocate more than 20% of their marketing budget to digital, compared with only 27% of Loafers.
- Loafers use benchmarking a lot less than Legends, who collaborate more, use published data and subscribe to a benchmarking platform.
- 55% of Loafers tend to use Google Analytics for basic metrics such as traffic volume, which is a rudimentary measurement, while Legends prefer to measure performance by using multi-channel funnels (in Google Analytics).

Executive summary (continued)

Legends are better at identifying the best KPIs and metrics. They have a better understanding of measuring ROI, they use benchmarking, and they build forecasts which they revisit on a regular basis, not just once a year, continually adjusting, improving and investing or re-allocating.

In the last financial year, revenue from digital channels increased by more than 10% for more than 57% of Legends, while for 46% of Loafers it remained more or less the same.

Financial officers are frustrated at the lack of commercial competence in marketing. This was evidenced In a 2014 report by Marketing Week which reported 83% of marketers were unable to quantify ROI, not only that but 49% of marketers insisted on being handed more control of the financials. Financial officers expect marketers to:

- Understand commercial objectives
- Create realistic forecasts and predictions
- Have more accurate reporting, KPIs and metrics

The role of the CMO, and in some cases Heads of Digital, has expanded to include ecommerce, marketing technology, customer experience and more accountability for sales outcomes.

More senior marketers are accountable for supporting sales channels and driving more measurable sales outcomes deeper into the sales funnel.

This report will look at some of the behaviours that characterise Legends, how forecasting can deliver greater efficiencies, and suggest how you can adopt a better approach within your organisation.

METHODOLOGY

We surveyed more than 100 senior marketers in Q2, 2018. The survey was promoted by London Research sister company Digital Doughnut to its community of more than 1.5 million marketers.

Legends and Loafers were identified using a scorecard system based on their answers to questions relating to:

- How often they revisit budgets and forecasts
- What type of metrics and KPIs they use
- Whether they use benchmarking
- Their ability to measure ROI/performance

Those in the top quartile were classified as Legends, while those in the bottom quartile were classed as Loafers.

The survey was global but the majority of respondents were either from the UK (40%) or the US (13%). There is more information about the profile of respondents in the appendix, including the split between B2B and B2C, and breakdown by company size (number of employees).

1 Forecasting, budgeting and spend

Continual adjustment and changing of forecasts and budgets improves results. Marketers need to be in control if they want to be in charge of their own destiny.

> Marketers who are unable to plan and communicate the value of their marketing budget investment as a forecast will relinquish control of their budget.

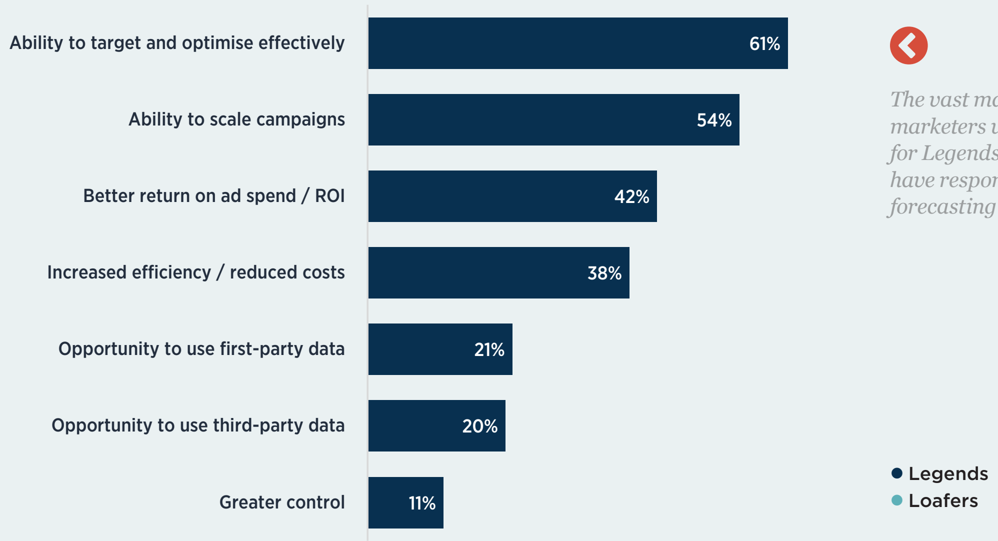
Marketers who are not in control of their budget, either owning it or, more importantly, forecasting it, are unlikely to move or assign budget to the right channels at the right time. They are less agile and less able to respond to inevitably changing market conditions, putting the brakes on any possible growth.

Customers, markets and touchpoints move more rapidly than they used to. It is imperative that marketers understand the channels that are most effective and how best to action that channel and at what time.

Marketers who are unable to plan and communicate the value of their marketing budget investment to an executive or team upfront as a forecast will relinquish control of their budget, which will inevitably be created by another member of the team, who may not understand the market or the campaign as deeply as the marketing team does.

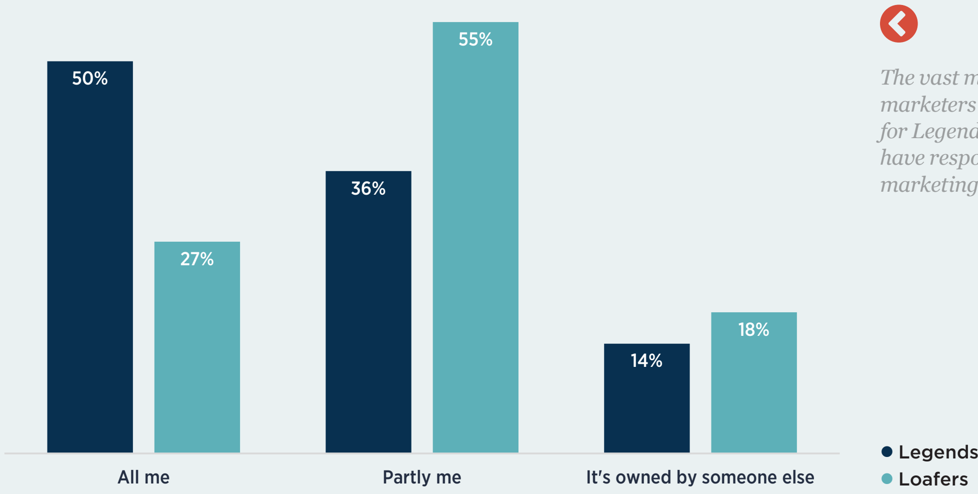
As can be seen from *Figure 1*, Loafers are nearly eight times more likely than Legends to have had their forecasting set by someone else (55% of Loafers compared with 7% of Legends). Conversely, Legends are nearly three times more likely to have complete responsibility over forecasting when compared with Loafers – half of responding Loafers (50%) said that they took full responsibility for forecasting, compared with just 18% of Legends.

FIGURE 1
How much responsibility over forecasting (revenue) do you have?



The vast majority of marketers working for Legends (93%) have responsibility for forecasting revenue.

FIGURE 2
How much responsibility over marketing spend do you have?



The vast majority of marketers working for Legends (86%) have responsibility for marketing spend.

Just over a quarter (27%) of Loafers and 43% of Legends take partial responsibility over forecasting revenue.

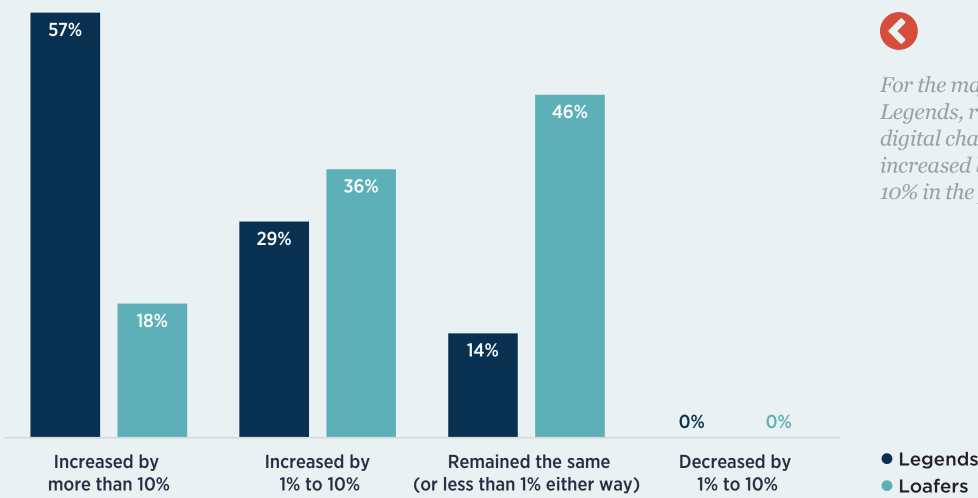
The survey also sought to discover whether there was a difference in the control of spend compared to what was forecast.

In findings similar to those seen in *Figure 1*, Legends are nearly twice as likely to have complete responsibility over their marketing spend as Loafers, with 50% of Legends saying so, compared with 27% of Loafers (*Figure 2*). Loafers are more likely than Legends to have only partial or zero responsibility over their marketing spend.

Legends are more than three times more likely than Loafers to have increased revenue from digital channels by more than 10% in the last year (*Figure 3*). Where the majority (57%) of Legends said this was the case, just 18% of Loafers said so.

Loafers are most likely to have seen their revenue from digital channels stagnate over the last 12 months. Nearly half (46%) of Loafers said that their revenue had remained roughly the same in the last year, compared with just 14% of Legends. This stagnation or slide backwards may be due to Loafers having less of an understanding of how their marketing is performing, or how to allocate their spend.

FIGURE 3
Has revenue from digital channels increased or decreased in the last year?

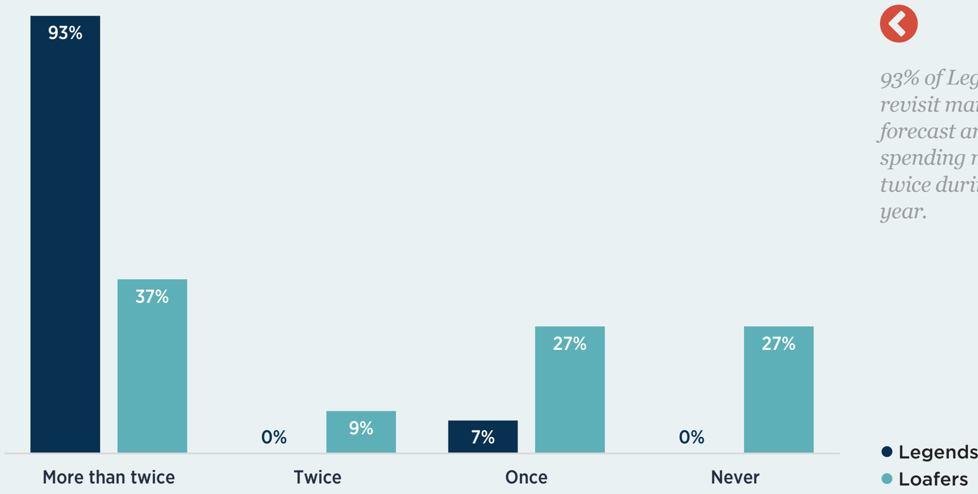


For the majority of Legends, revenue from digital channels has increased by more than 10% in the past year.

2 Evaluation and allocation

Companies should be revisiting marketing budgets regularly to ensure they are getting the best possible ROI from their investments.

FIGURE 4
How often do you revisit your marketing budget forecast and adjust spend during your financial year?



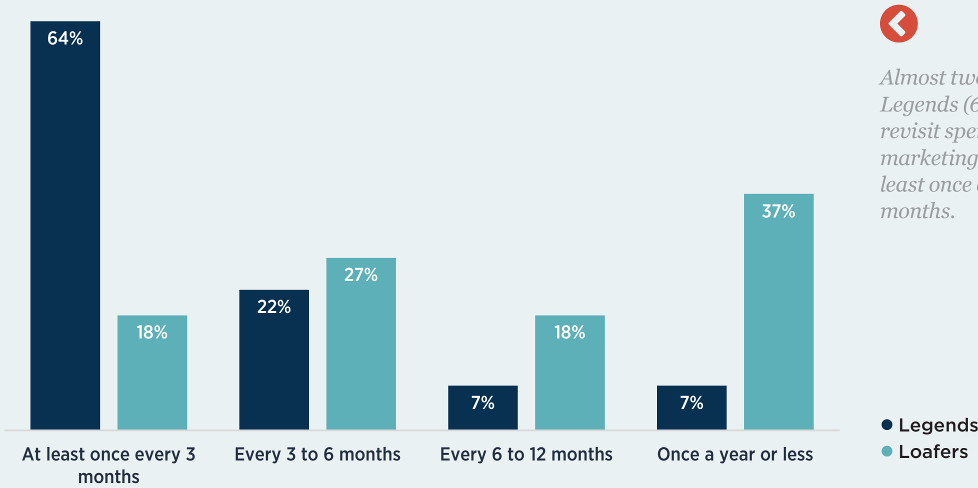
93% of Legends say they revisit marketing budget forecast and adjust spending more than twice during the financial year.

There are several reasons to revisit budget at least once during the year. Marketers who are not forecasting ROI at some level will have no benchmark for how well their marketing pounds and dollars should be performing. They may also be leaving money on the table – if some channels are performing better than expected, it might make sense to allocate more budget to that area.

The clearest differences between Legends and Loafers emerged when we asked how frequently they revisit their marketing budget forecast and adjust spend during the financial year. While almost all (93%) Legends do this at least three times a year, more than half of Loafers (54%) do so just once during the year, or never at all (*Figure 4*).

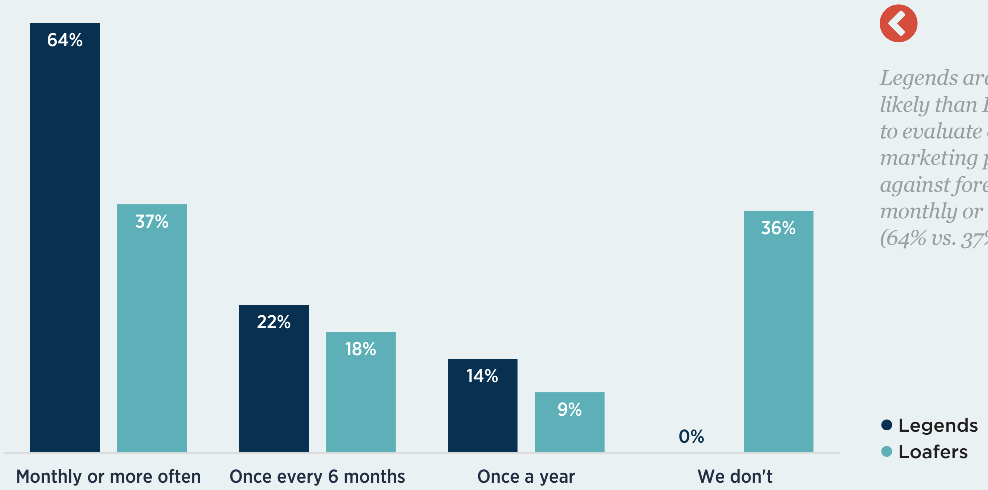
Similarly, *Figure 5* shows that Legends are far more likely than Loafers to revisit their marketing spend at least once every three months – 64% of Legends do this compared with 18% of Loafers. More than a third of Loafers (37%) revisit their marketing spend just once a year or never.

FIGURE 5
How frequently do you revisit your spend on marketing channels?



Almost two-thirds of Legends (64%) say they revisit spending on marketing channels at least once every three months.

FIGURE 6
How often do you evaluate your current marketing performance (ROI) against your forecast?



Legends are far more likely than Loafers to evaluate current marketing performance against forecast at least monthly or more often (64% vs. 37%).

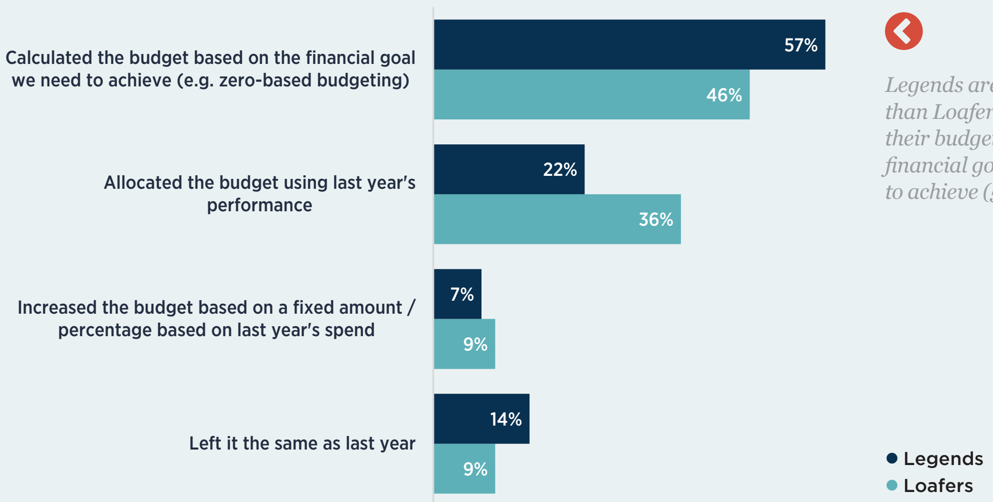
All the Legends surveyed evaluate their current marketing performance against forecast at least once a year, while more than a third (36%) of Loafers do not at all (*Figure 6*).

Legends are also nearly twice as likely than Loafers to evaluate their current marketing performance, or ROI, against their forecast on a monthly basis or more often (64% of Legends compared with 37% of Loafers).

More Legends than Loafers calculate the budget based on the financial goal they need to achieve – 57% of Legends compared with 46% of Loafers (*Figure 7*).

Although the majority of Loafers say they calculate budget based on the financial goal they need to achieve, their ability to do this will be dependent on how much control and influence they have over getting more budget. Most of this will depend on being able to substantiate how the budget will perform.

FIGURE 7
How did you go about changing your marketing budget this year vs. last year?



Legends are more likely than Loafers to calculate their budget based on the financial goal they need to achieve (57% vs. 46%).

72% of Legends dedicate more than 20% of their total marketing spend to digital, compared with 27% of Loafers.

Internal tool for allocating budgets

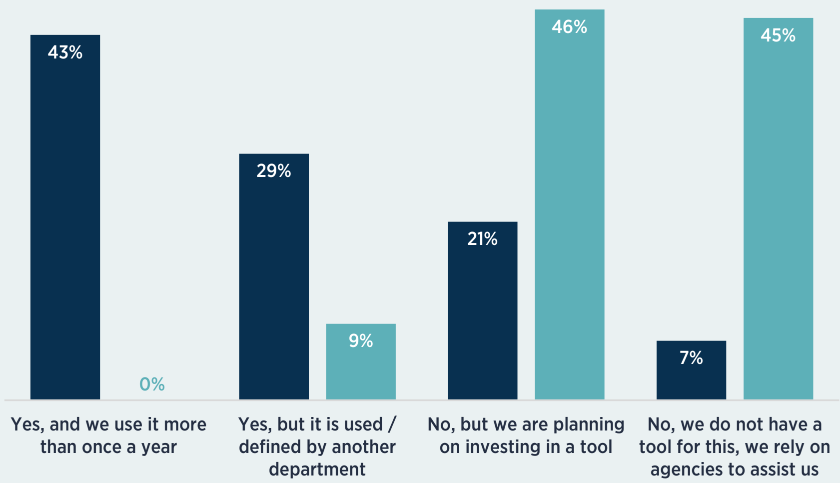
The vast majority of Legends (93%) have or plan to invest in an internal tool they use for deciding how to split marketing budget spend based on channel performance (*Figure 8*). According to the survey, 46% of Loafers are planning to invest in one, while a similar proportion (45%) have no such tool, and rely on agencies to assist them.

In this way, Loafers are at the mercy of their agencies. Having multiple agencies providing different viewpoints of which channel is best compounds the problem of understanding from an agnostic viewpoint where the money really should go.

Nearly half (43%) of Legends use their tool more than once a year, while 29% said that it is used or defined by another department.

At the beginning of 2017, Forrester predicted that in the US alone, digital marketing spend will near $120bn by 2021, adding that investment in paid search, display advertising, online video advertising and email marketing will account for 46% of all ad spend by then.[1]

FIGURE 8
Do you have an internal tool you use for deciding how to split marketing budget spend based on channel performance?



Hardly any Loafers (9%) have an internal tool for deciding how to split marketing spending based on channel performance.

[1] https://go.forrester.com/blogs/17-01-24-us_digital_marketing_spend_will_near_120_billion_by_2021/

Nearly two-thirds (64%) of Legends evaluate their current marketing performance against their forecast on a monthly basis or more often, compared to only 37% of Loafers.

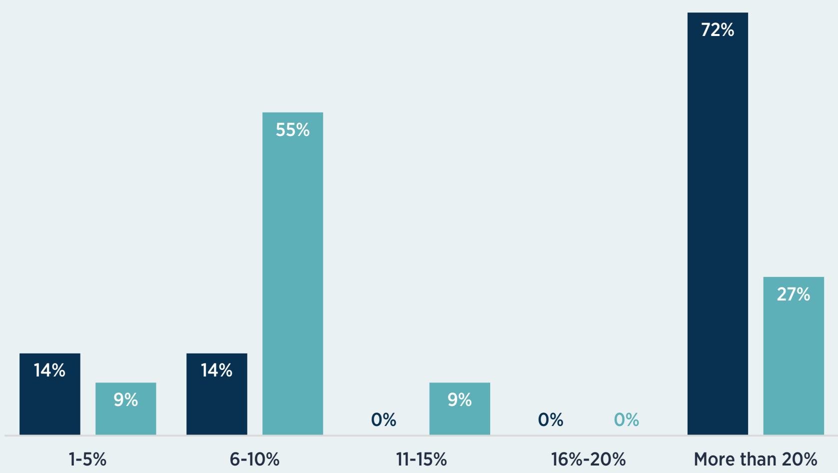
However, the latest research by Gartner suggests that spending on marketing technology (martech) has taken a fall over the last year. While martech spending accounted for 27% of the marketing budget in 2016, this fell to 22% in 2017, when the latest research was conducted.[2]

According to a 2016 survey by Econsultancy, 62% of marketers spend more than 20% of their total marketing budget on digital marketing.[3]

Our survey found that nearly three-quarters (72%) of Legends dedicate more than 20% of their marketing spend to digital, compared with 27% of Loafers (*Figure 9*). These figures are comparable, but it is worth noting that they will depend on the makeup of the kinds of businesses in the sample. Companies that operate largely or wholly online, such as ecommerce companies, will tend to invest a greater proportion of their marketing budget in digital than more traditional companies.

Loafers largely allocate less than 10% to digital – this is the case for about two-thirds (64%) of marketers in this group.

FIGURE 9
What percentage of your total marketing spend is digital?



Almost three-quarters of Legends (72%) allocate more than 20% of total marketing spend to digital channels.

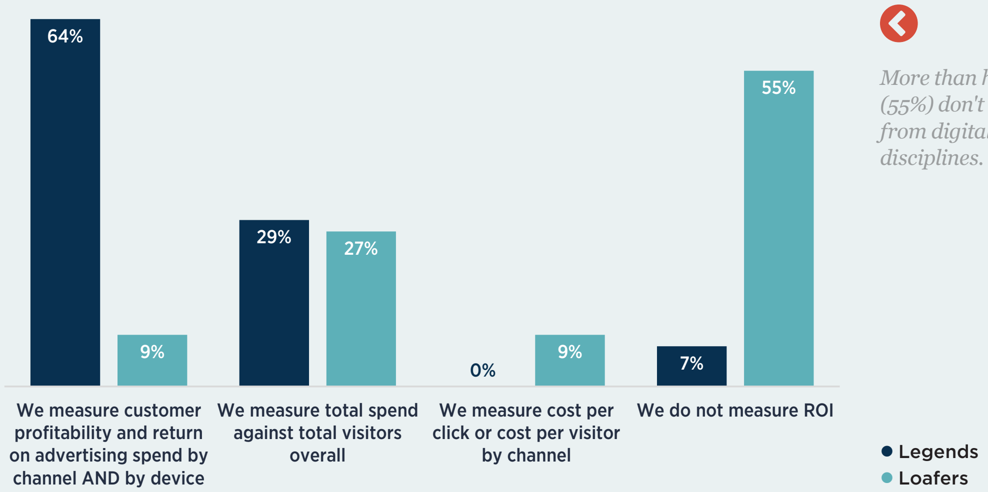
[2] https://www.gartner.com/smarterwithgartner/2017-2018-gartner-cmo-spend-survey/
[3] https://econsultancy.com/reports/marketing-budgets/

3 Performance and ROI

Only by considering both the channels and devices that people use to interact with the company can marketers build a full picture of the different kinds of customers they have, their behaviours, and what drives ROI.

Legends are more than five times more likely than Loafers to forecast customer profitability and return on advertising spend by channel and device (50% vs. 9%).

FIGURE 10
How would you describe how you measure digital channels or disciplines?



More than half of Loafers (55%) don't measure ROI from digital channels and disciplines.

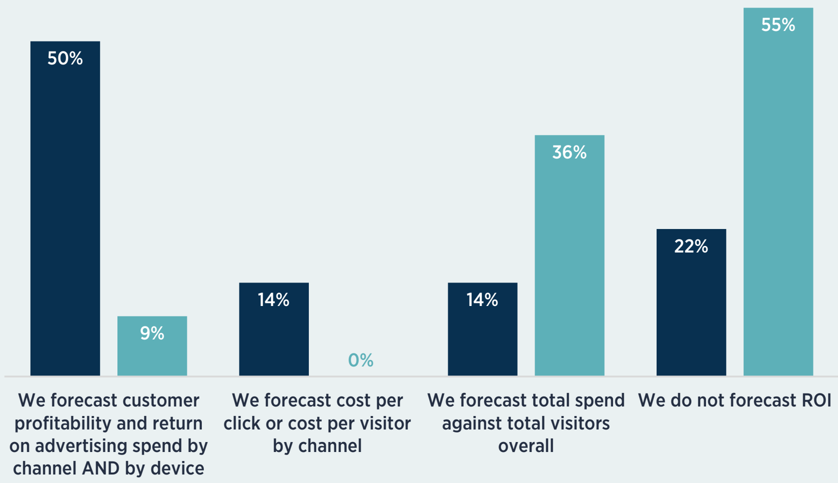
Only by considering both the channels and devices that people use to interact with the company can marketers build a full picture of the different kinds of customers they have, their behaviours, what affects those behaviours and, ultimately, what drives ROI.

It is important to understand the differences between how customers act depending on what device they use. Many customers use multiple devices, so marketers need to understand not only what channels to use, but also what assets, messages and even products and services work best on what devices in terms of ROI.

Another stark difference between Legends and Loafers reveals itself here (*Figure 10*). As is to be expected, Legends seek a far more granular view of their customers, taking a more sophisticated approach than Loafers. While nearly two-thirds of Legends (64%) measure customer profitability and return on advertising spend by channel and device, just 9% of Loafers do.

More than half of the Loafers do not measure ROI at all, compared with just 7% of Legends. The Loafers who do measure ROI are most likely to do so by measuring total spend against total visitors overall (27% of Loafers cited this, comparable to 29% of Legends).

FIGURE 11
How would you describe how you forecast ROI from digital channels or disciplines?

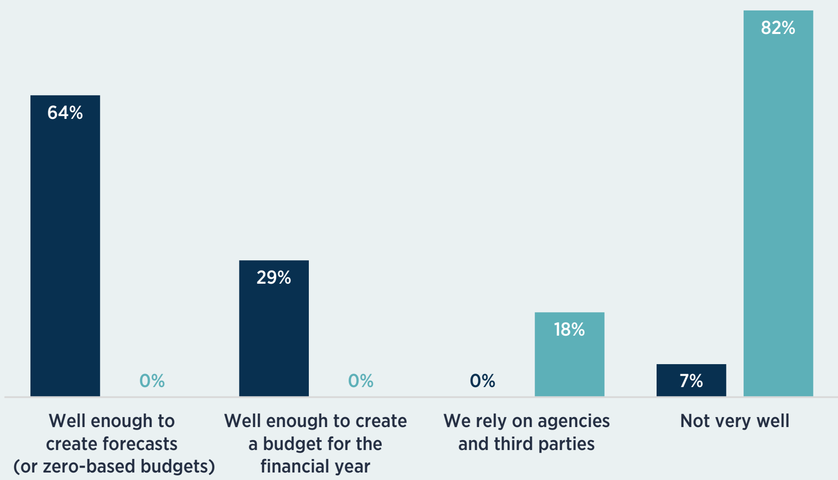


Half of Legends forecast customer profitability and return on advertising spend by both channel and device.

Half (50%) of the responding Legends forecast customer profitability and return on advertising by channel and by device, compared with just 9% of Loafers (*Figure 11*). Conversely, more than half (55%) of Loafers do not forecast ROI at all. The Loafers who do forecast ROI tend to do so by forecasting total spend against total visitors overall – 36% of Loafers do this, compared with 14% of Legends.

Nearly two-thirds (64%) of Legends rate their ability to measure ROI well enough to create forecasts or zero-based budgets, with 29% rating it well enough to create a budget for the financial year (*Figure 12*). The vast majority of Loafers (82%) do not rate their ability to measure ROI very well, with the remaining 18% relying on agencies and third parties to do so.

FIGURE 12
How do you rate your ability to measure ROI from the following digital channels or disciplines?



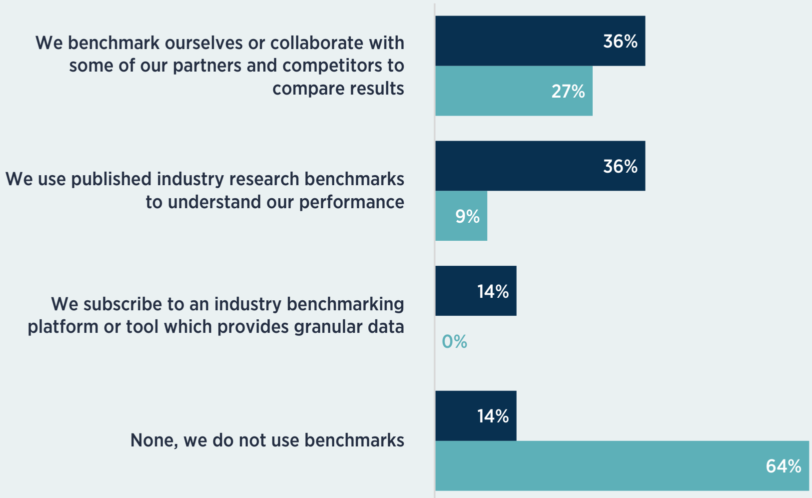
Nearly two-thirds (64%) of Legends rate their ability to measure ROI well enough to create forecasts or zero-based budgets.

4 Benchmarking and attribution

Benchmarking works best when businesses create their own benchmarks, refer to other benchmark data and monitor any upward or downward swings over time. This can be done by channel to build a better understanding of which ones are key.

Legends are four times more likely than Loafers to use published industry research benchmarks to understand performance.

FIGURE 13
What best describes the way you carry out your digital marketing and ecommerce benchmarking?



Almost two-thirds of Loafers (64%) do not carry out any digital marketing and ecommerce benchmarking.

● Legends
● Loafers

Benchmarking works best when businesses create their own benchmarks, refer to other benchmark data and monitor any upward or downward swings over time. This can be done by channel to build a better understanding of which ones are key.

How do digital marketers carry out their benchmarking, and what are the main differences between Legends and Loafers? Overall, Loafers use benchmarking a lot less than Legends, who are more likely to collaborate, use published data and subscribe to benchmarking platforms (*Figure 13*).

A third (36%) of Legends use published industry research in their benchmarking. Another 36% benchmark themselves or collaborate with partners and competitors to compare results, and 14% subscribe to an industry benchmarking platform or tool that provides granular data.

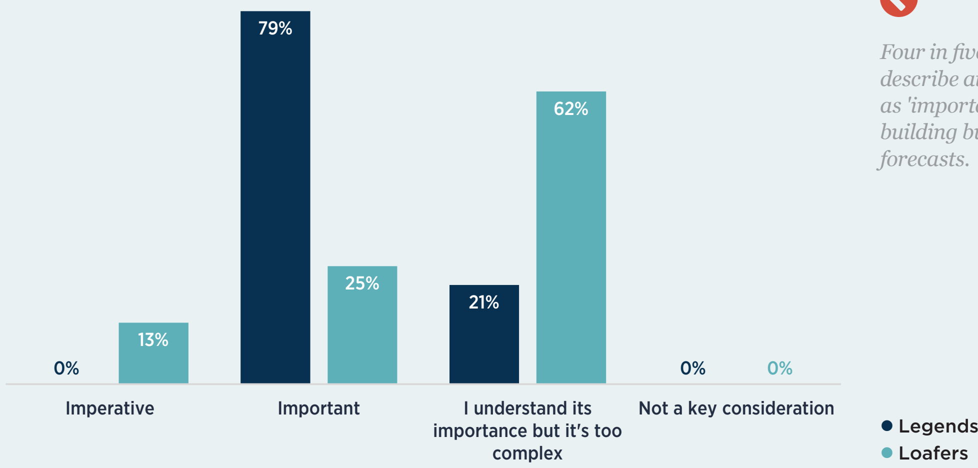
Of the Loafers who do benchmark their digital marketing and ecommerce activity – 36% of respondents – three-quarters do so themselves or by collaborating with some of their partners and competitors to compare results. The other quarter use published industry research benchmarks to understand their performance.

Attribution

Tagging and tracking customer activity is crucial not just for understanding the customer journey, but for being able to forecast more accurately.

Attribution is seen as a key consideration by all respondents – both Legends and Loafers – when it comes to building budgets and forecasts (*Figure 14*). However, while 79% of Legends consider it important, just 25% of Loafers do also.

FIGURE 14
How important is attribution to you when building budgets and forecasts?



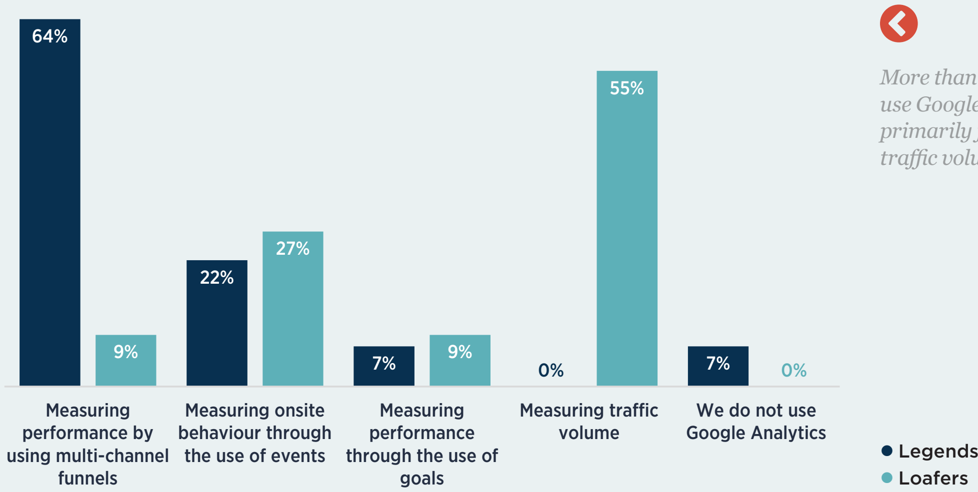
Four in five Legends describe attribution as 'important' when building budgets and forecasts.

There were respondents from both camps who said that they understood the importance of attribution, but that it is too complex. Three times as many Loafers than Legends felt this way (62% vs. 21%).

Finally, the survey asked what the businesses primarily use Google Analytics for (*Figure 15*). Using Google Analytics primarily to measure traffic volume is a practice exclusive to Loafers – 55% said they did this compared with no Legends at all. Legends tend to use more sophisticated measures of performance such as using multi-channel funnels.

Seven percent of Legends do not use Google Analytics at all, probably because they use a paid-for analytics tool or have developed their own solution in-house.

FIGURE 15
What do you primarily use Google Analytics (or other analytics) for?



More than half of Loafers use Google Analytics primarily for measuring traffic volume.

Recommendations

1 **Forecasting**

Forecast rather than accept the marketing budget you're given.

Marketers need to be in control of their budget, making sure they own it by forecasting it. Getting into the numbers improves understanding, helps you manage agencies, and will ensure you assign budget to the right channels at the right time. You'll be more agile, responding to inevitably changing market conditions and channel switching, therefore improving returns and growth.

2 **Evaluation**

Revisit forecasts and budgets regularly.

Marketers who are not forecasting ROI at some level have no benchmark for how well their marketing spend should be performing. They may be leaving money on the table especially if some channels are performing better than expected where it makes more sense to allocate more spend to that area. Re-forecasting can help you get more budget to allocate in order to exceed growth expectations.

3 **Allocation**

Invest more in the digital channels that are exceeding benchmarks.

Invest more of your marketing spend in channels where you can see there is more headroom or upside potential; you will hit a cap but you'll only know what that is by testing it. If you don't have, or can't get, more budget then re-allocate from poorly performing channels online and offline in order to maximise return on investment.

4 **Performance and ROI**

Continually adjust spend at least every three months.

Continual adjustment and changing of forecasts and budgets improves results. Many customers use multiple devices, so marketers need to understand not only what channels to use, but also what assets, messages and even products and services work best on what devices in terms of ROI.

5 **Benchmarking**

Know your benchmarks and don't fret so much about attribution.

Benchmarking works best when businesses create their own benchmarks, refer to other third-party benchmark data and monitor any upward or downward swings over time. This should be done for both channel and spend, looking at specific KPIs within each. Attribution is important but not crucial so don't chase the holy grail - get really good at the basics.

6 **Tracking**

Get really good at tracking and tagging.

Although we didn't ask questions in our survey about tracking, it is the ultimate foundation from which you'll make decisions about performance and spend. If you're not tracking correctly, some media will end up in the wrong bucket and you'll potentially throw money in the wrong direction. If you're not already doing so, ask questions about your direct traffic.

londonresearch.com
UK: +44 (0)207 193 4600
US: +1 415-463-7044

weareCrank.com
UK: +44 (0)203 302 0807
sales@wearecrank.com

Appendix

Respondent profiles for Legends and Loafers

FIGURE 16
Do you sell products and services to consumers or businesses?

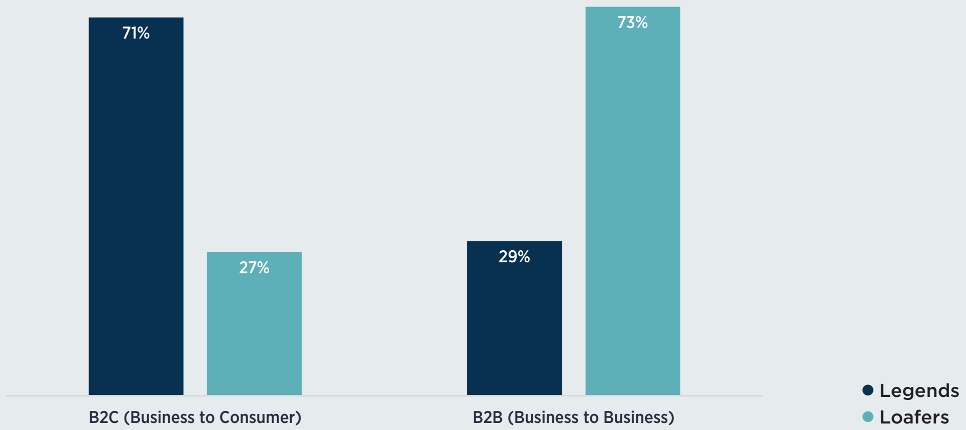


FIGURE 17
What best describes your online business or brand relationship?

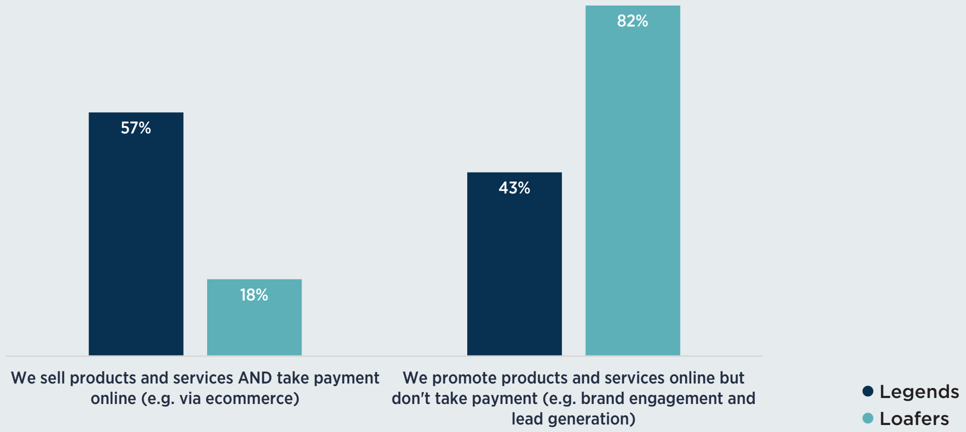
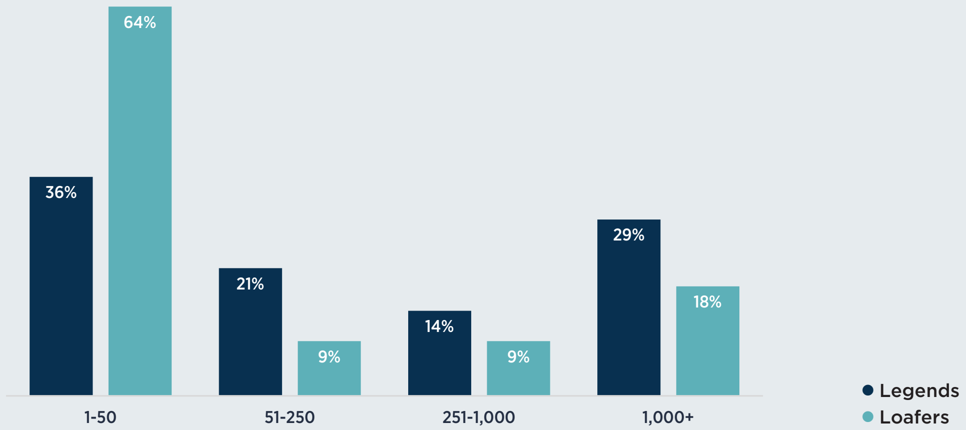


FIGURE 18
What is the size of your organisation in terms of numbers of employees?



londonresearch.com
UK: +44 (0)207 193 4600
US: +1 415-463-7044

weareCrank.com
UK: +44 (0)203 302 0807
sales@wearecrank.com

Get in touch

Crank
Providing your levers for growth

Contact weareCrank if you need help with your forecasting or want help growing your business.

sales@wearecrank
@wearecrank

LONDON RESEARCH

If you are interested in producing high-quality B2B research, please contact London Research.

info@londonresearch.com