

Marketers Waste About One-Fourth of Their Budgets

Experimentation and long-term agreements contribute to inefficiencies

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There's an old axiom that marketers waste half of their money, but they just don't know which half. A recent study indicates marketers are well aware they're spending money ineffectively, but believe the squander is closer to a quarter of their budgets

In a survey of 1,000 marketers worldwide by Rakuten Marketing, respondents estimated they waste an average of 26% of their budgets on ineffective channels and strategies. And about half of respondents said they misspend at least 20% of their budgets.

A few pessimists—just 2.9%—believed they're squandering more than 80% of their marketing dollars.

Percent of Their Marketing Budget Lost on the Wrong Channels or Strategies According to Marketers Worldwide, Jan 2018

% of respondents

0%-20%	50.3%
21%-40%	30.0%
41%-60%	12.2%
61%-80%	4.6%
81%-100%	2.9%

Source: Rakuten Marketing, "What Marketers Want in 2018: Five Strategic Opportunities for 2018" conducted by Morar HPI; eMarketer calculations, March 13, 2018

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The Rakuten report cited marketers' desire for cheap audience reach as a factor that leads to wasted spend. The report stated that focusing on reach can become "a poisoned chalice," leading to low-quality ad placements that don't perform well for marketers. Low-quality inventory has been particularly **problematic in programmatic** advertising, because brands purchasing cheap inventory through ad exchanges have found themselves **embroiled in brand safety scandals** when ads wind up against unscrupulous content.

Marketers also spend their money inefficiently because they're testing out new ad formats and placements that prove to be not as proficient as they anticipated, according to Brendan Gahan, founder of ad agency Epic Signal.

Another contributor to ineffective spending is that marketers can get locked into long-term agreements, meaning they can't simply pull their spend once they realize it isn't meeting key performance indicators (KPIs), Gahan added.

But he believes marketers are making progress through frequent their experimentation, and that as a collective group they're wasting less of their budgets now than they did decades ago.

"Hindsight is 20/20," Gahan said. "You have to experiment to understand what channels, mediums and strategies are working in order to learn and increase efficiencies."