Marketing budget cuts sandbag banks' growth and visibility, demanding a new perspective

Article

What we've been thinking: Dwindling marketing budgets have placed financial institutions (FIs) in a vulnerable position, reports the Financial Brand. Those that don't find a way to prioritize marketing efforts face threats to visibility, brand awareness, and competitive advantage.

The trend: Marketing budgets have trended downward since the beginning of the pandemic—**dropping from 10.4% in 2022 to 7.5% in 2023**.

- Higher interest rates have reduced consumer demand—rippling back into budgetary decisions.
- Filling vital roles has been increasingly difficult—demanding a higher portion of the budget.
- Banking digital spend growth has been slow amid industry uncertainty.

Risks of cuts: Marketing is the key to keeping businesses top-of-mind—a decision to cut marketing spend is a decision to risk lowering visibility.

- A reduced marketing budget opens up the passing lane for competitors.
- In a challenging market with bank closures, cutting marketing spend prevents FIs from communicating their stability.
- Plus, FIs that report marketing expenses tend to outperform their peers in growth of loans, deposits, and revenue.

Dodging the budgeting ax: Currently, **48% of financial services CMOs view marketing as a cost center and miss the opportunity to communicate its value as a profit center.** A fundamental shift in this mindset is necessary to safeguard marketing budgets.

- This transformation begins with marketing teams setting well-defined marketing goals that align with the broader objectives of the bank. This not only demonstrates the value of the team's efforts, but also communicates tangible progress toward these goals.
- Furthermore, CMOs must embrace the power of digital marketing. It offers the opportunity for FIs to maximize their marketing impact by efficiently and cost-effectively reaching a global audience.