

RSW/US

Agency-Client Relationship Experts

2012
RSW/US
NEW YEAR
OUTLOOK REPORT

AGENCY AND MARKETER
EXPECTATIONS FOR THE
COMING YEAR

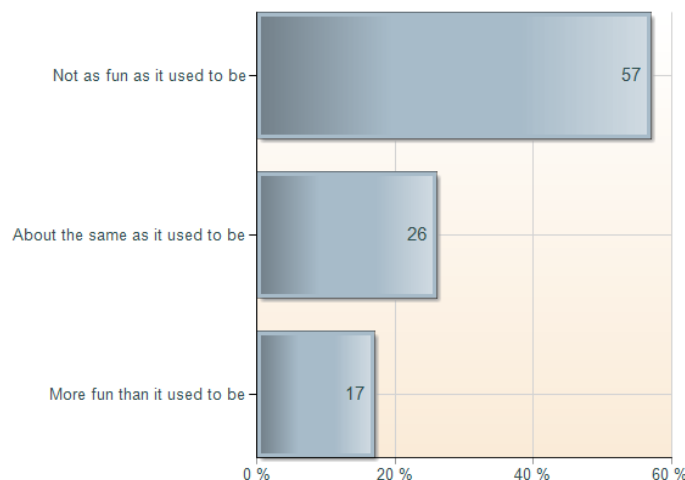
Background

The 2012 [RSW/US](#) New Year Outlook Survey was completed by over 100 senior level Marketers (“Clients”) and over 100 Agency Principals from Agencies of different types/sizes during December, 2011. The purpose of the survey was to glean insights relative to Client and Agency expectations going into 2012 – for things such as marketing spend levels, staff support, media usage, use of spec work, and new business activities.

Our hope is that the following key findings and implications from this study are of value to you as you formulate your plans for the start of this coming year and as you move throughout 2012.

We also hope we can be a part of making this business more fun. 57% of Agency principals in our survey stated that the ad business isn’t as fun as it used to be. Saddens us...and makes us want to work harder to make the relationships between Marketers and Agencies more transparent, better functioning, and more exciting - for both parties.

Thinking back over the past 3-4 years, how would you characterize the nature of the advertising business?



The Agency sample came from a database of marketing service companies ranging in size from under \$5M in capitalized billings to over \$100M. The disciplines of each Agency varied from full service advertising to digital, to marketing consultancies.

The client sample came from our RSW/US database of over 20,000 marketing decision maker contacts. Client company size, location, and size varied.

In an attempt to add value and help you improve your own efforts as you work your way through 2012, we have prepared an overall executive summary for ease of reference and perspective/implications relative to some of the key results in the study.

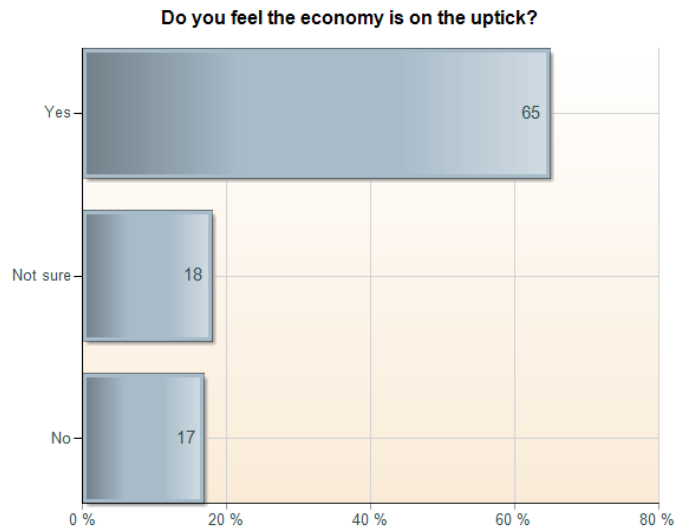


If you would like to reproduce any of our findings in any format whatsoever, please give us a call (513-559-3111) or email us. If you would like to discuss any of the information below, please feel free to reach out: lee@rswus.com.

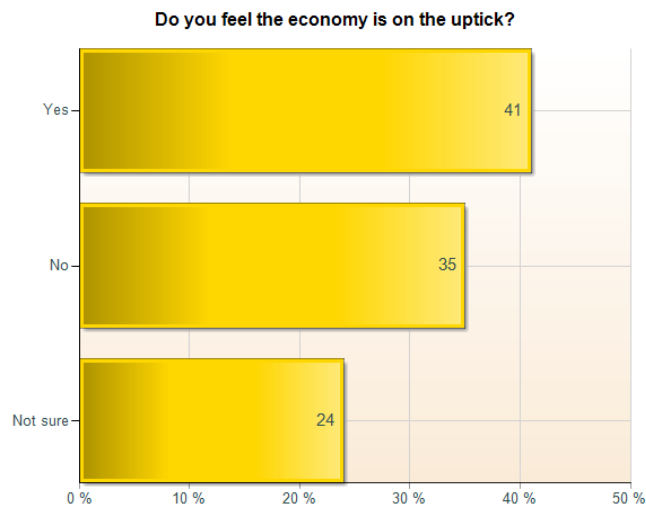
Executive Summary/Overall Survey Implications

More Agencies (than Marketers) feel like the economy is on the uptick as we head into 2012. 65% of Agency principals feel positive about the economy, as compared to only 41% of Marketers.

Agencies



Clients

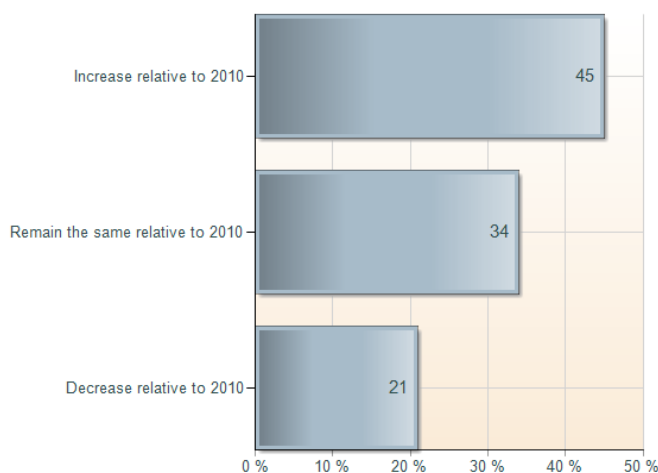


Implications: While things certainly appear to be improving, it is important not to get too far ahead of yourself as you head into 2012. Throughout 2011, we witnessed Marketer spending increases and the opportunities to acquire new business increase for our RSW/US Agency clients as well as non-clients - which is certainly great. But it is important that we all remember what we just came out of economically - and play it with some measure of cautious optimism as we head into 2012.

A lot of the Agency enthusiasm is likely driven by the number of new business opportunities increasing year over year and Agency principals expect the increased activity to continue as we move into 2012. 45% of Agencies stated that they saw the number of new business opportunities increase in 2011 versus 2010. And a whopping 72% of Agency principals believe that the new business picture will be especially bright as we move into 2012.

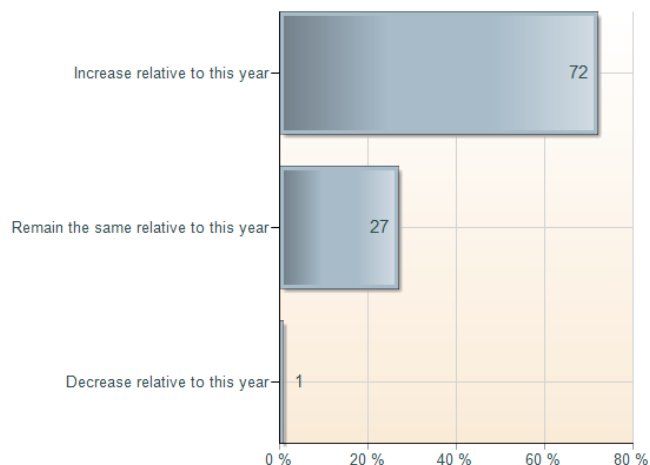
Agencies - Increase in New Business Opportunities versus 2010

Over the past year, have you seen the number of new business opportunities....



Agencies - Likelihood New Business Opportunities to Continue in 2012

Looking ahead to 2012, do you expect the number of new business opportunities to...

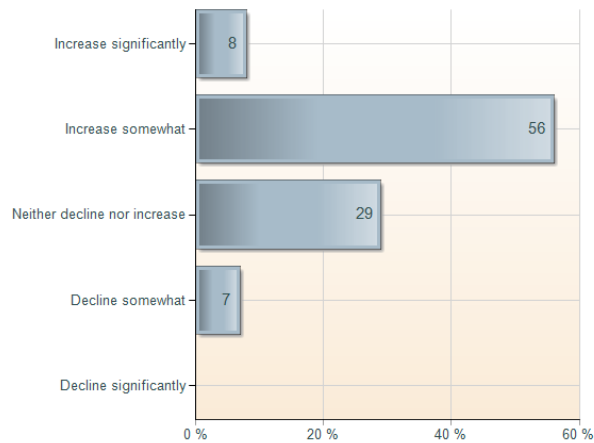


Implications: If you don't have a program together to capitalize on this growth, get on it. If you aren't seeing the opportunities for new business growth, you probably should take a hard look at what you're doing and try and diagnose what is wrong. The business is out there. Take a look at your offering, your positioning, your support, and your outreach - as something likely needs some fixin'.

It appears that the Marketing world will not change too dramatically in terms of staffing in 2012 - which in the end, could bode well for Agencies. While Agencies expect their staffing to increase fairly substantially in the coming year (probably driven by recent year cut-backs), Marketers aren't quite as enthusiastic. Only 25% of Marketers state that their staffing will either increase "somewhat" or "significantly" in 2012. This compares to a much more aggressive stance by Agencies, with 64% stating the same.

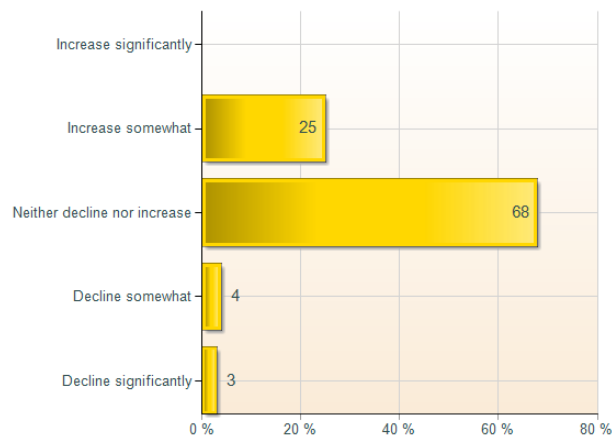
Agencies

Thinking about 2012, do you anticipate your staff personnel headcount will:



Clients

Thinking about 2012, do you anticipate your marketing personnel headcount will:



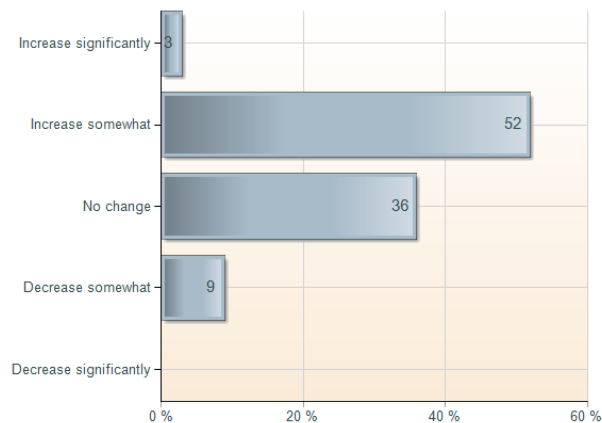
Implications: With slimmer Marketing staffs comes the need for outside marketing help from Agencies. While the needs may not justify the levels of hiring that Agencies seem to believe they will need, the fact that there won't be a huge wave of Marketing hiring certainly will help. The other implication is that with fewer Marketers making their way around the marketing community, there will be fewer opportunities for networking and referral opportunities for Agencies. As we'll see later, Agencies seem to recognize this fact, as their plans for business development in 2012 appear to be much more aggressive than in years past.

This difference in enthusiasm for the economy and staffing is also reflected in how Agencies and Marketers expect spending levels to change in 2012. Far more Agencies expect Marketer spending to increase in 2012 (55%) than the Marketers themselves believe to be true (41%).

On the positive, compared to last year, there are far fewer Marketers believing their spending will decrease, which again suggests some optimism as we head into the New Year. In 2010, 28% of Marketers believed their spending would either decrease "somewhat" or "significantly". This year, only 19% stated such.

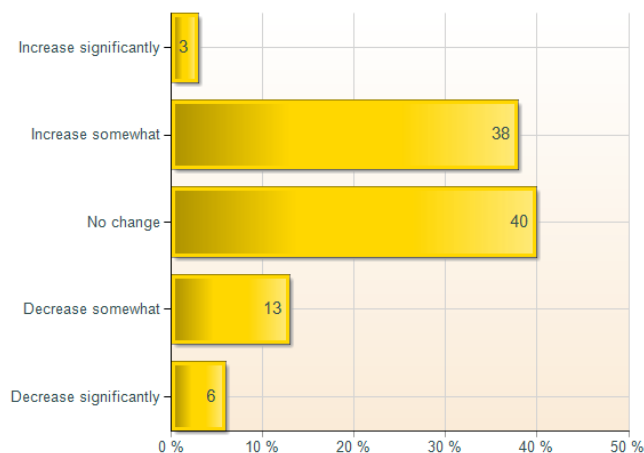
Agencies

How do you anticipate your clients' marketing spending (across the board) will change in 2012, if at all (relative to 2011)?



Clients

How do you anticipate your marketing spending will change in 2012 (compared to 2011)?

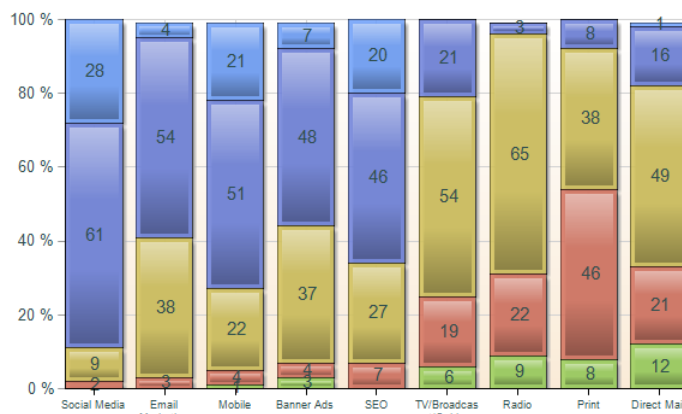


Implications: We suspect that some of the Marketer expectations for flat spend is a reflection of how spends will be allocated - meaning more dollars placed into less expensive digital media. We'll see some findings that speak to this situation next. If this holds true - what it suggests is that the staffing and structure of Agencies will need to be carefully managed if the allocations continue to be distributed differently (more into digital media) than they have in the past.

While it is clear that the move to spend more dollars in digital media will continue, it may not be at the rapid pace that Agencies expect. Marketers are not as aggressive in their forecasts for spending in non-traditional media. While it's clear that the increases will outpace that of traditional, the rate of increase won't match Agency expectations. As an example, Agencies expect spends to increase by 89% in social, 72% in mobile, and 55% in banner. This compares to 63%, 46%, and 30% respectively for Marketers.

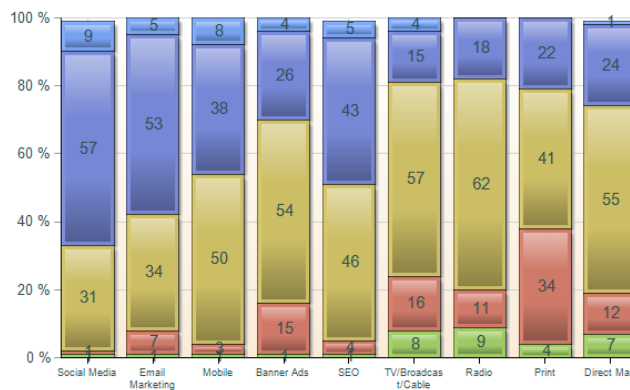
Agencies

Thinking about next year (2012), how do you anticipate your clients' marketing spending will change across each of the following as compared to this year (2011)?



Clients

Thinking about next year (2012), how do you anticipate your marketing spending will change across each of the following as compared to this year (2011)?

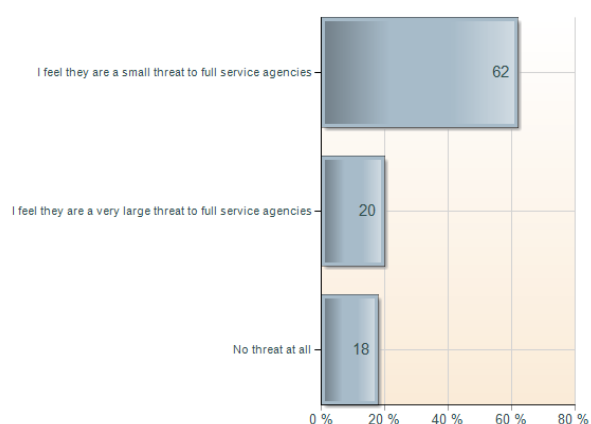


Implications: While it is critical to either staff up or at the very least, have access to the digital resources, it is important to do it with a measure of care and smarts. Without question, Marketers will challenge you to not only get them into (or more deeply into) the digital space, they will also likely put increasing pressure on you to help them understand how well this space is delivering for them. So in the end, it's not going to be enough to simply "do" digital, you'll need to be able to analyze, and report, and adjust programs to deliver the best possible returns for your clients.

As we just discussed, if you currently don't have digital as part of your "full service" mix, you need to get there. If you are a digital only firm, you need to think beyond the four walls of digital to find your way, long-term. Not only is this the sentiment shared by Marketers in studies last year (www.rswus.com/resources.com), but it is also how Agencies feel about the state of the industry in this year's survey. Agencies feel far less threatened by digital only firms than they do digital firms that also play in the traditional space (20% versus 40%).

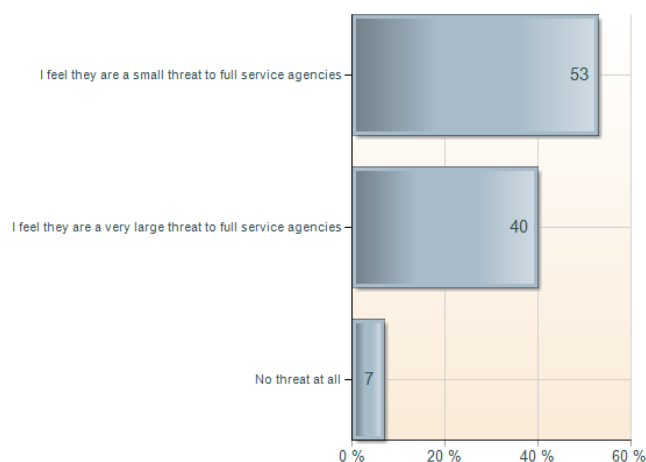
Agencies - Digital Only Shops. A Threat to Full Service Firms?

How much of a threat do you believe Digital-Only shops are to traditional, full service agencies?



Agencies - Digital Shops *that are Integrated*. A Threat to Full Service Firms?

How much of a threat do you believe Digital shops that also play in the traditional space are to traditional, full service agencies?

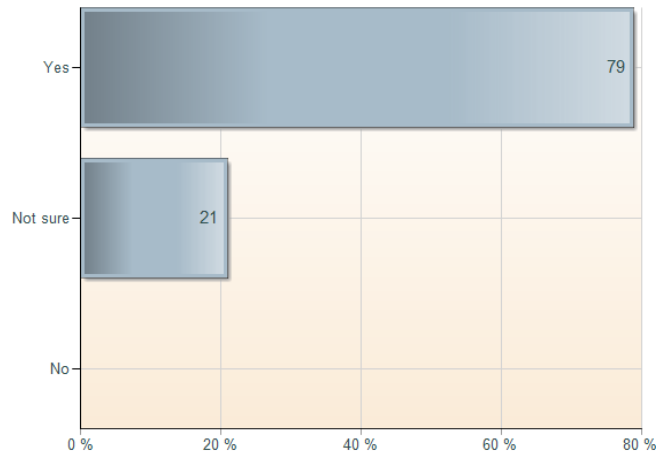


Implications: Today, more Marketers are looking at programs in a fully integrated manner and more Marketers are looking at digital as the driving force that needs to set the tone for an entire campaign. If you approach a Marketer's world from a very one-sided, limited view, it's likely more progressive digital firms with the capabilities of playing in a more traditional space will win the day with Marketers...so get on board.

Whatever good feelings Agencies and Marketers are having about the economy now, those good feelings are expected to continue well into this year. This sentiment was echoed on both the Agency and the Marketer side of the fence, with 72% and 79%, respectively feeling strong about the coming year.

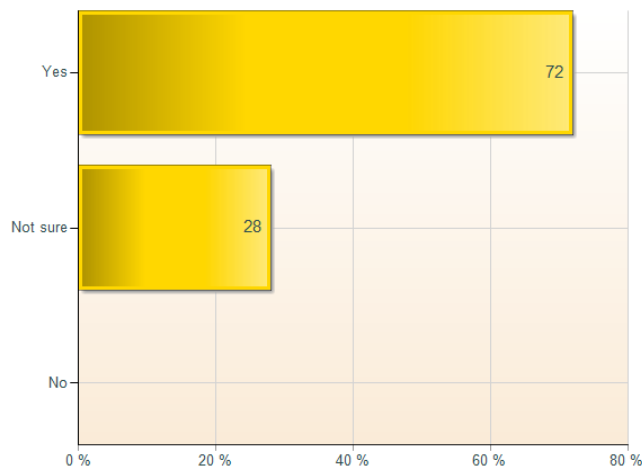
Agencies

Do you think the economy's forward movement will continue into next year?



Clients

Do you feel the economy's forward movement will continue into next year?

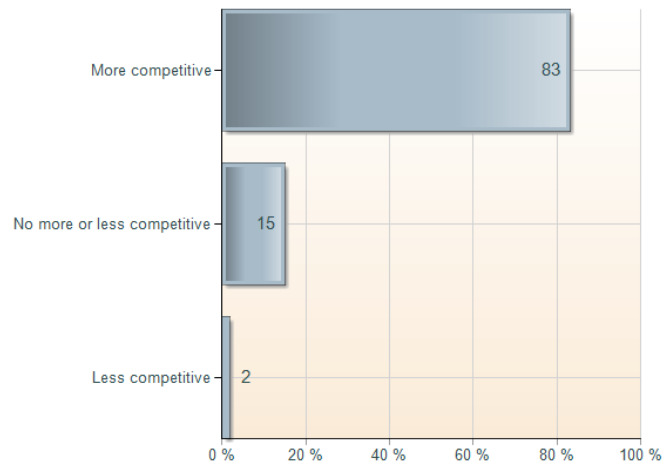


Implications: This certainly is a good sign. Unlike 2010, where Marketers were very apprehensive about what the New Year was to bring, and consequently were a bit tighter with their spends, the fact that Marketers are erring on the side of optimism bodes well for advertising and marketing activity in 2012.

The increased enthusiasm will bring with it increased competition among Agencies to win business from Marketers. 83% of Agency principals believe that the world of finding new business and building their business will get much more competitive in 2012. As a result, 82% feel that they will get either "somewhat" or "much more" aggressive in trying to win new business as they head into this year.

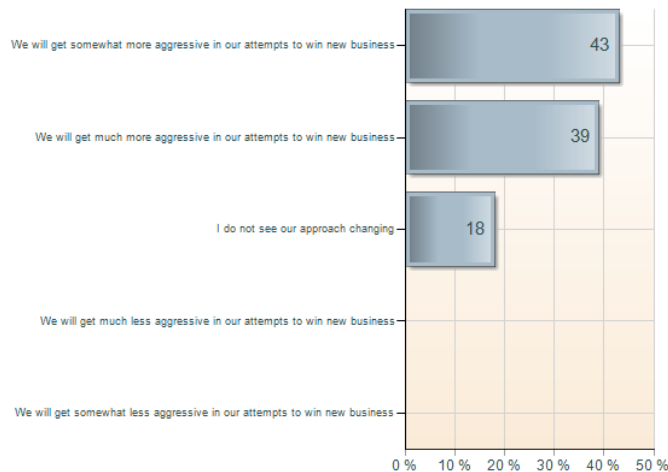
Agencies - How Competitive?

Thinking back over the past 3-4 years, do you feel the business of advertising has gotten...



Agencies - How Aggressive?

Looking ahead to 2012, how do you anticipate your approach to winning new business will change?

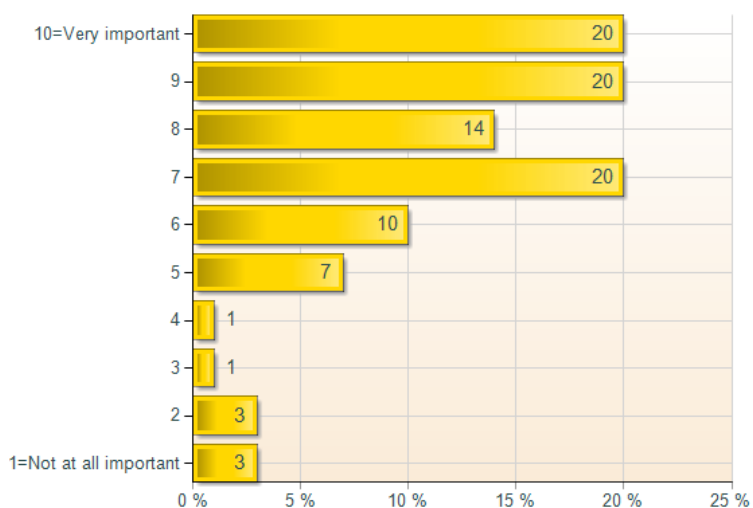


Implications: A key consideration as you move into this year is establishing a new business prospecting plan - and sticking to it. Make this the year that you are no longer the Cobbler's Child. Make this the year that you set up a structure in your Agency (or outside of your Agency) to create a marketing and sales program for your own firm. With many larger Agencies now vying for business that in the past proved too small for consideration, small and mid-size firms will have to work harder to capture the attention of Marketers and successfully win over their hearts and pocketbooks.

If Agencies want to win more new business, there are some basic blocking and tackling things they need to do in order to "get in the game". For one, find a focus. Marketers tell us that having specific sector experience is important. While we know that doesn't always make sense (meaning most Agencies can handle just about any marketing challenge, regardless of sector), it's something that is important to the Marketer - so it needs to be important to you, the Agency.

Clients

How important is it that an agency be focused on your specific sector (or sectors) in order to be considered as a viable candidate if you are looking for a new agency?



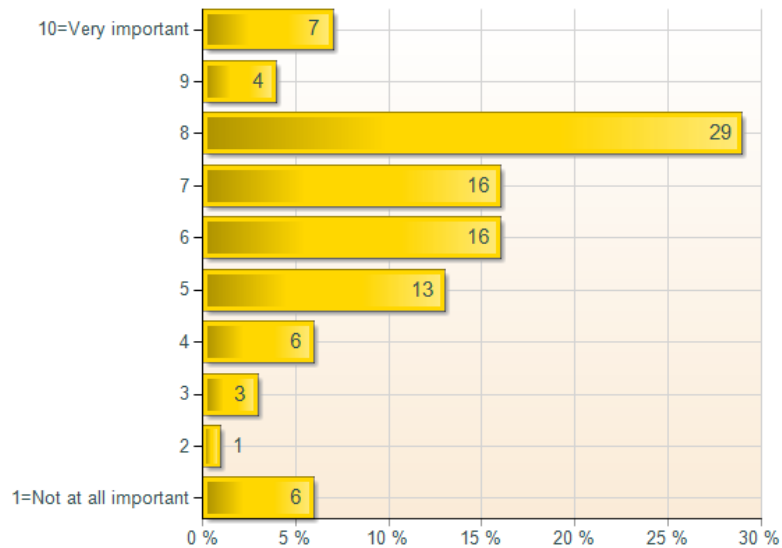
Implications: If you don't have a specific sector focus for your agency, create one - either by creating a targeted effort to build business in a sector or find some other way to focus your efforts. Based on our experience, specialization can also manifest itself into a specialty relative to the type of work you do (e.g. digital), a particular target you are good at "talking" to (e.g. DIY'ers), or type of experience consumers enjoy - and you are good at marketing to (e.g. youth or active lifestyle). Key is knowing what your sweet spot is and sticking with it.

Gone are the days of the "be all to everyone" Agency. There is just simply too much specialization going on.

One other thing Agencies need to do is get their websites in shape for prospecting. It is going to be one of the first places a Marketer goes to after you reach out to them or after they hear about your Agency. We see it in the programs we manage for our clients by keeping close track of website analytics. Try it for yourself. Take a look at web traffic after you push out a wave of outreach. The needle will move when you start shouting out. Marketers value a good site.

Clients

How important is an agency's website in helping you determine whether or not you'll entertain a conversation with an agency?

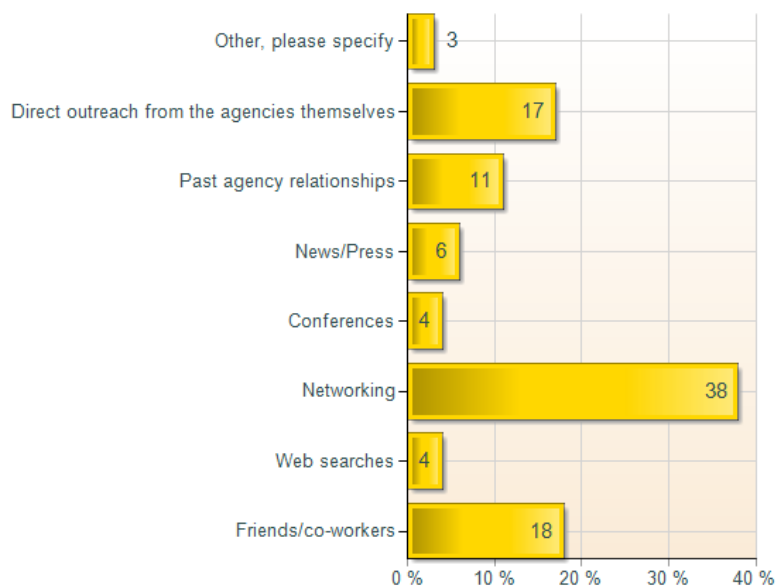


Implications: Marketers come to your site to see: 1) who you are; 2) where your focus lies; 3) who you've worked for; 4) the look/feel of the work you do; 5) the results of your efforts; and 6) the experience of key personnel. They don't care about philosophy or your guiding principles...because all of those look alike. If your site needs updating, stop talking about it, don't over-think it, and JUST DO IT!

And lastly, Agencies need to recognize that outreach works. With the age of referrals drying up - and search only offering modest value for Agency prospecting - a robust outbound prospecting program is central to making Marketers aware of who you are and why you are different (and better). 17% of Marketers state that this is the primary way they find out about Agencies, second only to networking.

Clients

How do you most often learn about new agencies?



Implications: Even if you don't have the time to put together a full-up outreach effort (that includes calling and mailing), at the very least put together a program that keeps insights and your Agency's name in front of desirable prospects via an electronic media program. Build up a strong list of prospects, create a template for your "newsletter", include content that brings value to your prospects, offer insights that can benefit them, and track activity so you can create an on-going "warm" list of prospects to pursue - which will enable you to focus your efforts (via phone, email, and social) to make your prospecting time more productive.

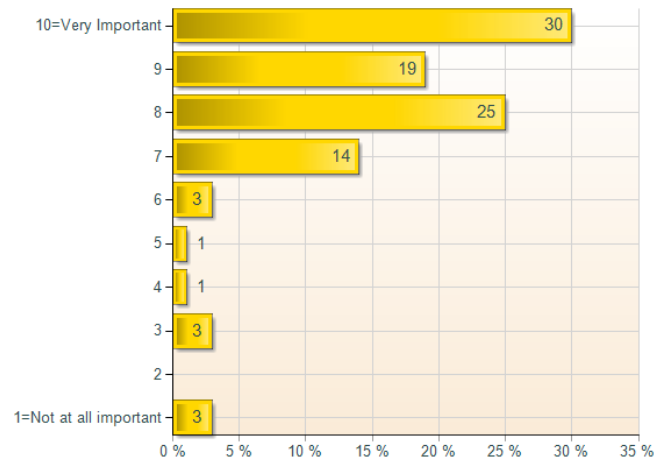
Warning...sales pitch ahead...

Note: In 2012, RSW/US is launching a "Lite" version of its full-up new business development program for those Agencies that know they need to do something and are looking for help in creating lists and managing an e-outreach to prospects.

Part of establishing a more aggressive stance also involves getting more aggressive when presenting/pitching for new business. We asked Marketers about their feelings as it relates to spec work - both in terms of how much they expect it and how likely an Agency is to win without it. In both cases, the expectations were high.

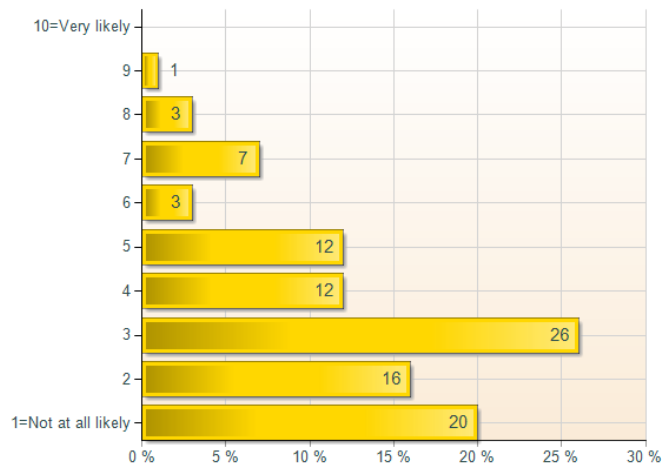
Clients - Expectations of Spec Work

How important is it to you that agencies present spec creative work when they are trying to win your business during final pitch presentations?



Clients - Likelihood an Agency Can Win Without It

What is the likelihood that an agency can win your business if they do not have spec creative work to share with you during a final pitch presentation?

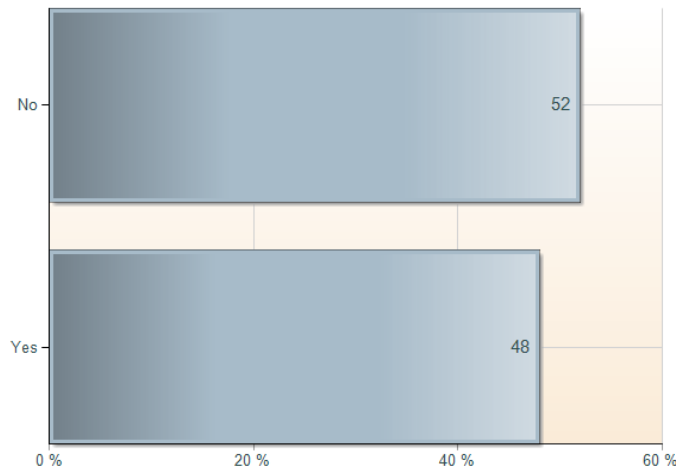


Implications: Agencies aren't afraid to take chances today - and aren't afraid to put it all out there when vying for a new piece of business. The counsel we give our Agency clients is that if they don't bring their ideas to life, someone else will and they'll look like the lesser Agency - or an Agency that isn't as interested in the Marketer's business. This doesn't mean you have to spend tens of thousands to make your work sing in a pitch. We had a client on the RSW/AgencySearch side that won a piece of business from a solar power company by presenting only one campaign idea - versus the three or four presented by the other firms. They believed in it, showed the client how they could integrate their idea across platforms and the commitment showed through.

The activity of presenting spec work, both during a final pitch presentation and as a means of trying to win over a Marketer outside of a pitch situation, seems to be a fairly popular pastime among Agencies. Nearly half of the Agencies surveyed have presented spec work during final pitch presentations or during the prospecting process to lure a Marketer to their side.

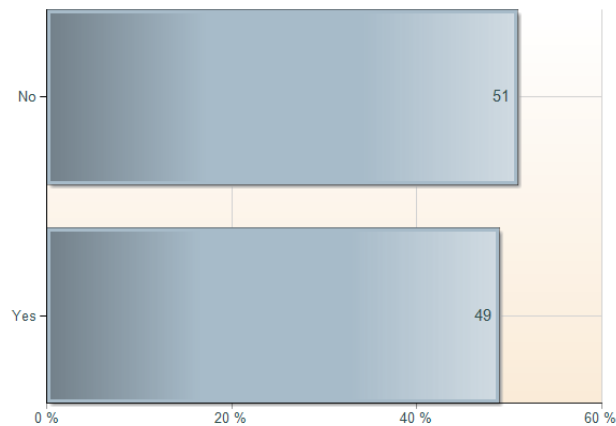
Agencies - Spec Work in Final Pitch

The last time you were in a pitch situation, did you present spec creative work as part of the final pitch presentation?



Agencies - Spec Work When Prospecting

Have you ever used spec creative work as a means of engaging a prospect in an initial conversation?



Implications: Key is knowing when to do it. If it's an attractive Marketer that you will go to any end to get on their radar, you might want to consider going that extra mile.

If you're in a pitch situation, know how to ask the tough questions to help you decide just how far you really want to go. How many Agencies are involved? Is the incumbent involved? How important is creative relative to the strategy, relative to the analytical and technical capabilities of the Agency? All questions that should be answered to help you determine just how far you can and should go to win the new piece of business.