

RSW/US

Agency-Client Relationship Experts

THE 2013 RSW/US AGENCY-MARKETER BUSINESS REPORT

Issues related to agency selection criteria used by marketers, the importance of agency specialization, the impact of digital agencies, among other topics discussed



Background

The 2013 [RSW/US](#) Agency-Marketer Business Report was completed by 124 senior level Marketers and 130 Agency Principals from Agencies of different types/sizes during January, 2013. The purpose of the survey was to glean insights relative to Marketer and Agency expectations for 2013.

Additional questions were supplied by Adweek that involved agency selection criteria. Results to these questions provide some interesting insights that should help both Marketers and Agencies as they move through the selection process.

And in this day of specialization, also some interesting findings relative to expectations that Marketers have as it relates to the need for specialization and what level of specialization is required in order to be an expert in a category.

Our hope is that the following key findings and implications from this study are of value to you as you formulate your plans as you move throughout 2013.

The Agency sample came from the [RSW/AgencySearch](#) 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 Marketer sample came from our [RSW/US](#) database of over 30,000 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 2013, 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

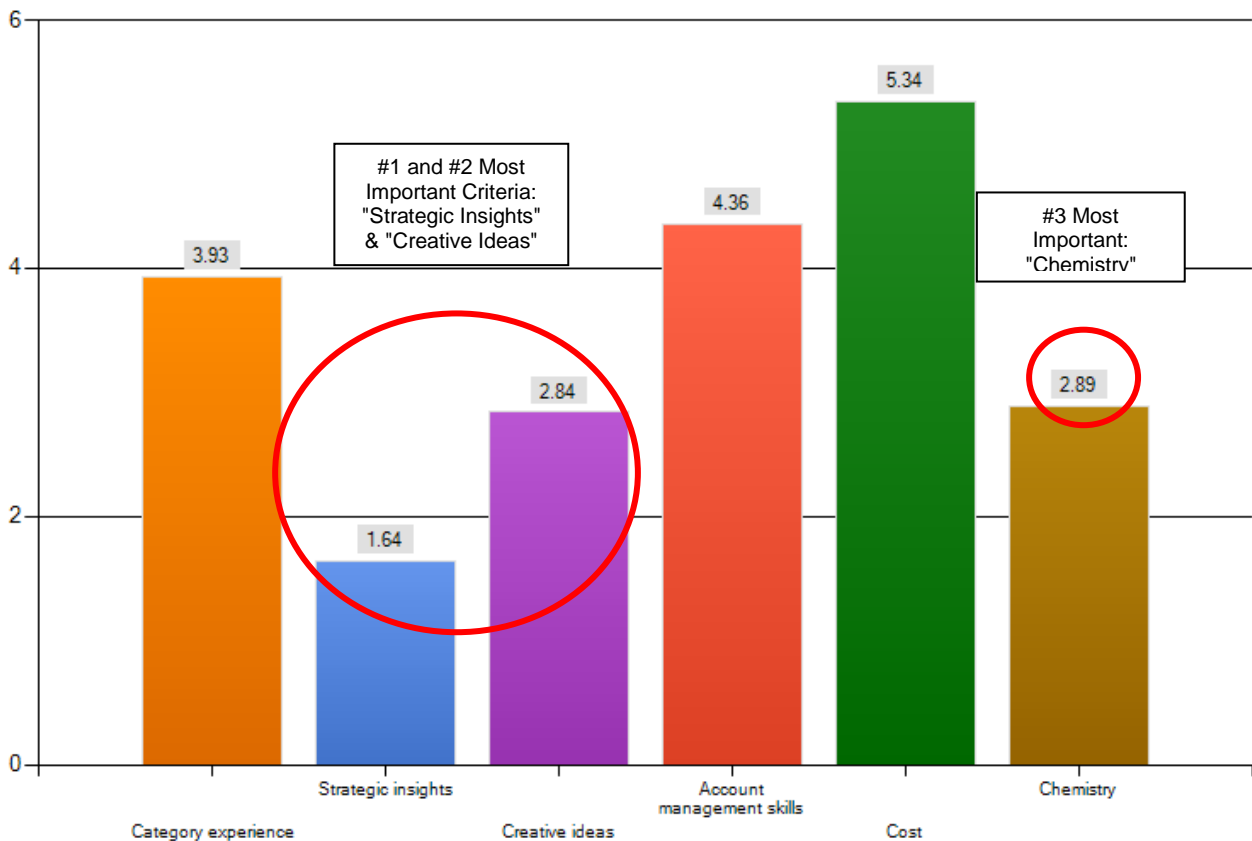
Our first series of questions come from the team at Adweek

These questions explore how important different criteria rank when Marketers review Agencies.

What Agencies think Marketers SHOULD use and what Agencies think Marketers ARE using to evaluate them are two different things. Agencies think Strategic Insights and Creative Ideas should be most important, but believe that Marketers are actually placing equal emphasis on category experience, chemistry, and creative ideas.

Agencies - How Marketers SHOULD Judge Agencies

The following question comes from the team at Adweek: In order of most to least important, how do you think Marketers SHOULD rank the following when reviewing new agencies?

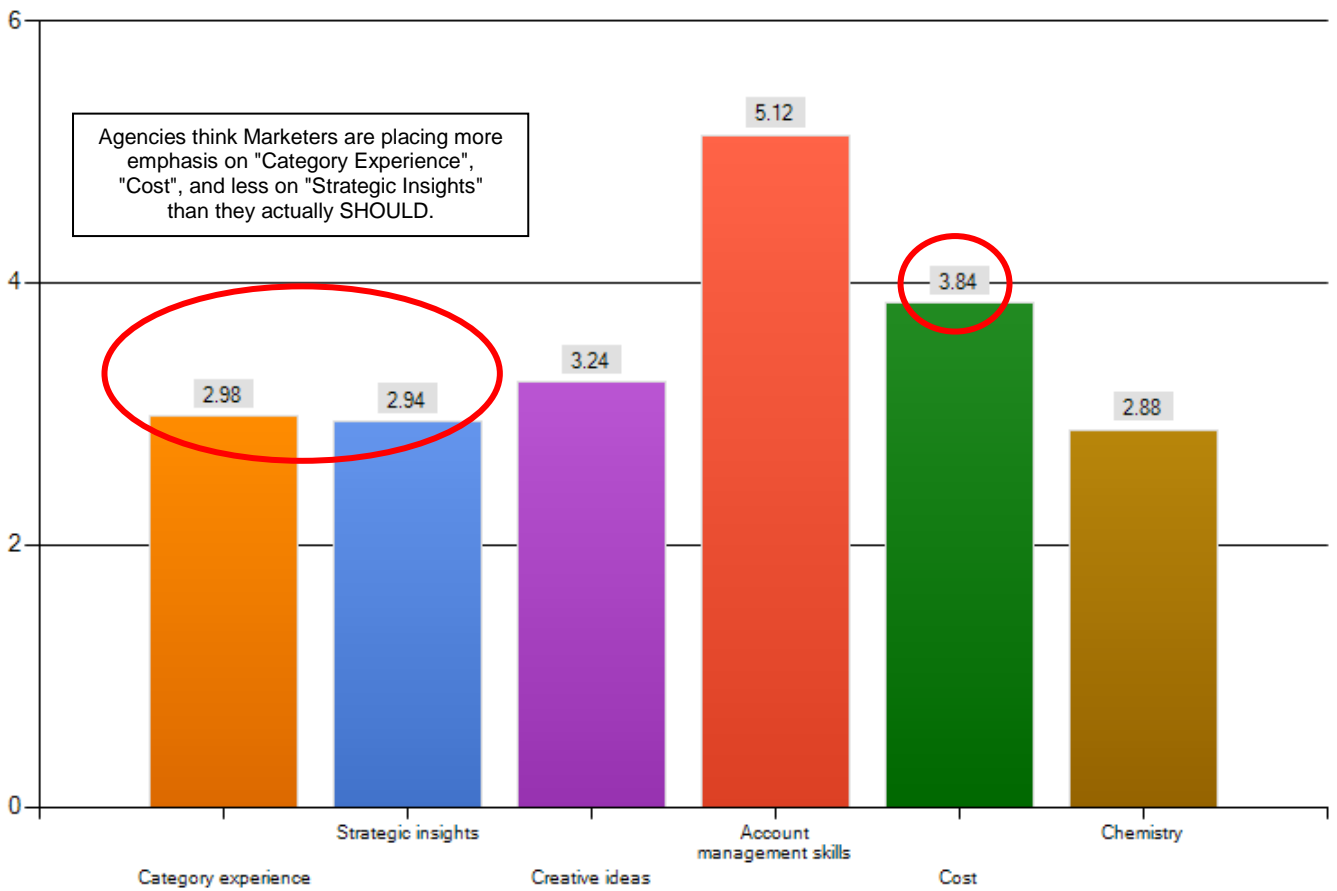


Note: The lower the rating (above), the higher the relative level of importance when evaluating Agencies.

Agencies also think Marketers *should* place the least amount of emphasis on cost, but believe they *are* actually placing the least amount of emphasis on account services.

Agencies - How Agencies think Marketers ARE Judging Agencies

The following question comes from the team at Adweek: In order of most to least important, how do you think Marketers rank the following when reviewing new agencies?

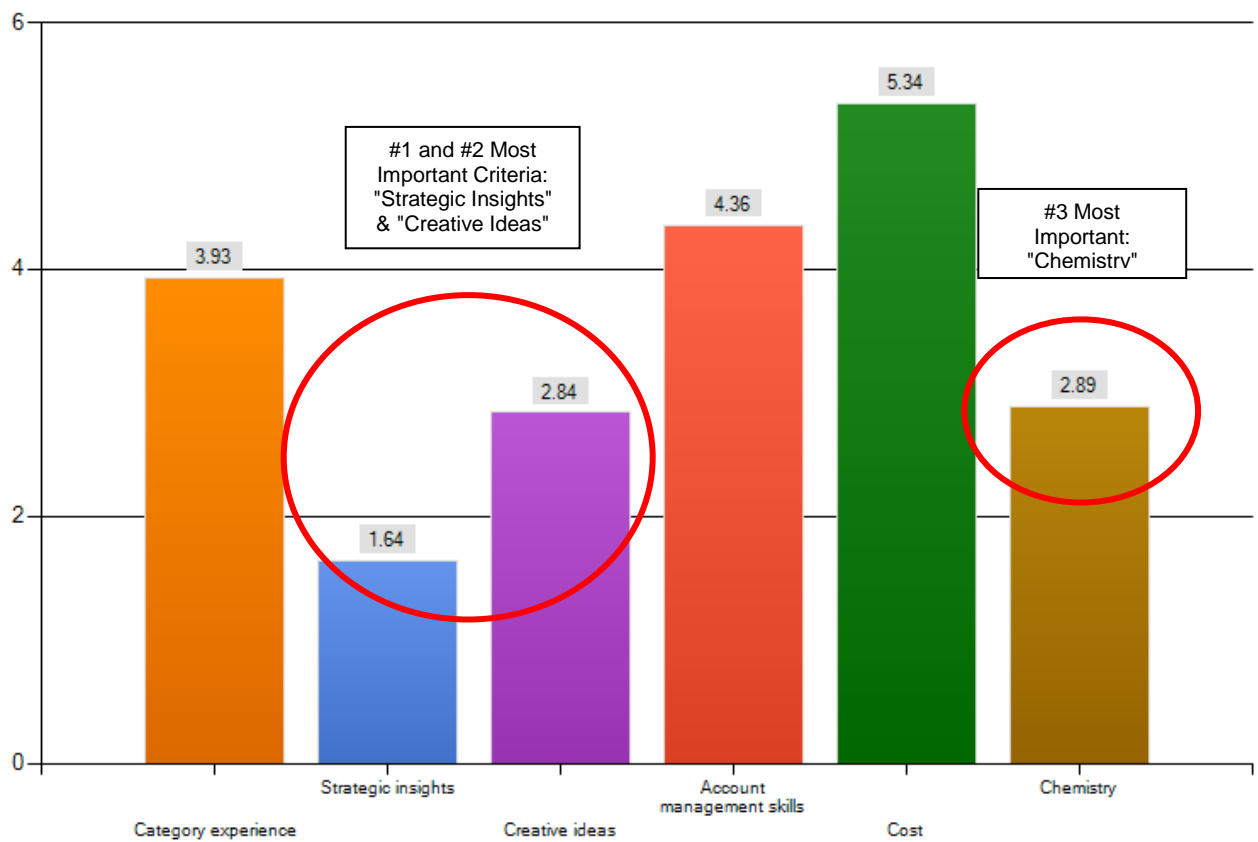


Note: The lower the rating (above), the higher the relative level of importance when evaluating Agencies.

Interestingly what Agencies think Marketers SHOULD use as criteria when evaluating Agencies is very close to what Marketers ARE using as their ranking criteria.

Agencies - How Marketers SHOULD Judge Agencies

The following question comes from the team at Adweek: In order of most to least important, how do you think Marketers SHOULD rank the following when reviewing new agencies?

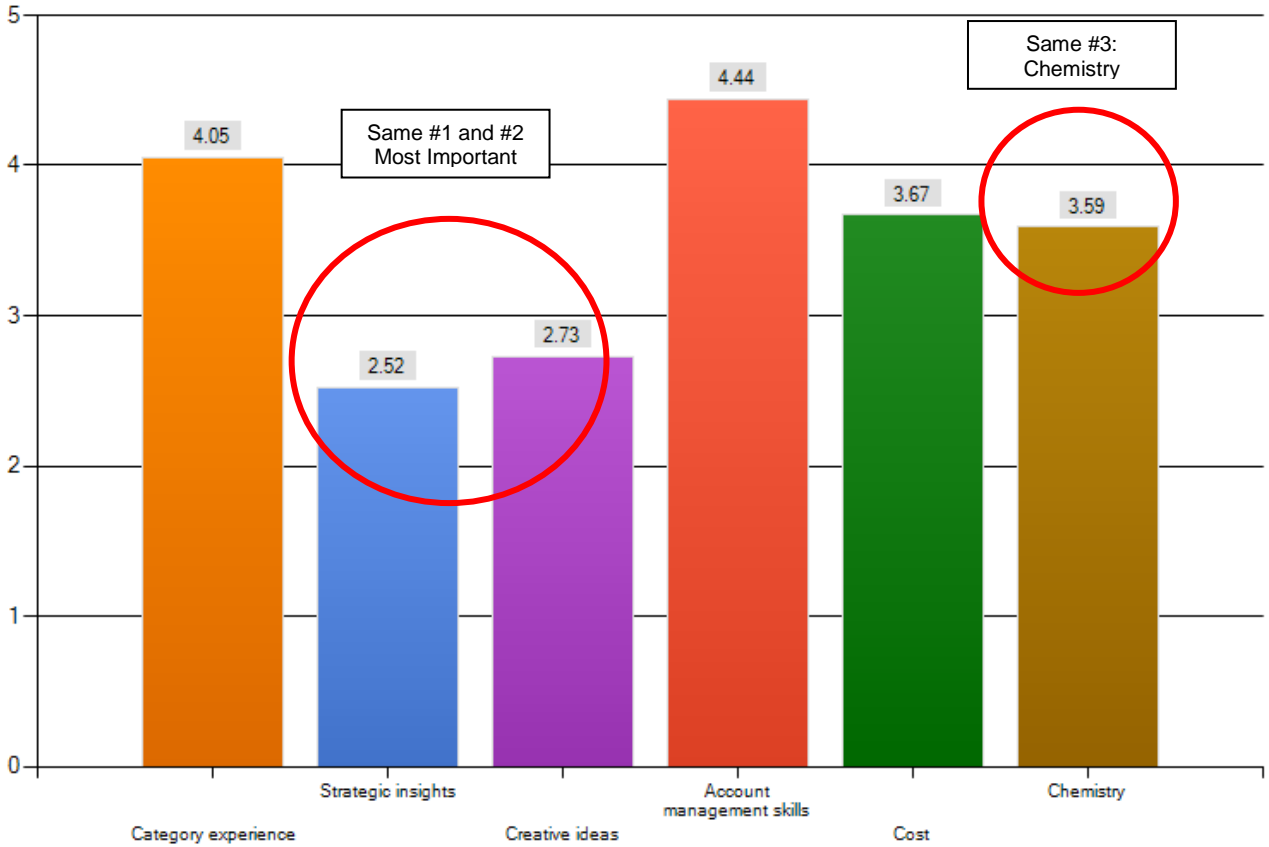


Note: The lower the rating (above), the higher the relative level of importance when evaluating Agencies.

Marketers are evaluating Agencies the way Agencies want them to. While Agencies would potentially like to think that most, if not all Marketers only think about price and other less meaningful measures, it appears that how Agencies think Marketers SHOULD judge them, is exactly (or at least close to) how Marketers actually are judging them.

Marketers - What they ARE Using to Judge Agencies

This question also comes from the Team at Adweek: In order of most to least important, how would you rank the following criteria when reviewing new agencies?



Implications: At the end of the day, Marketers are buying your strategic thinking and creativity. This is what we hear from our agency clients, it's what we see on the AgencySearch side of our business when we talk to Marketers involved in searches, and it's what Marketers tell us in this survey - as noted on the previous page.

Note: The lower the rating (above), the higher the relative level of importance when evaluating Agencies.

Marketing and Category Specialization

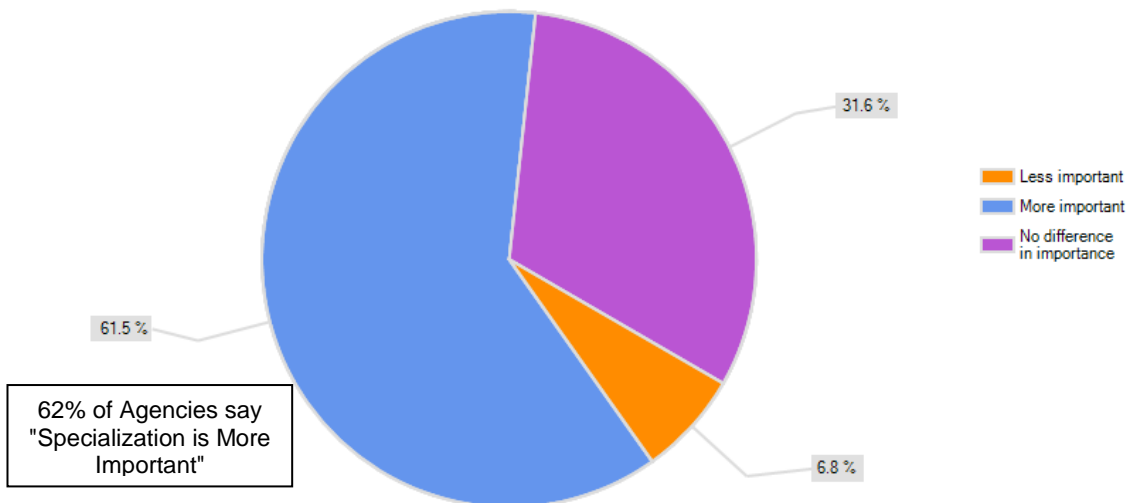
The next grouping of questions shed some interesting light on the growing area of market and category specialization. There are a lot of folks in the market professing the importance of specialization - and it is important. The question is: How much is necessary in order to accomplish what you need to accomplish in trying to win the hearts and minds of Marketers? Some claim you need to go 100% against a sector. We've said no from the start of our business and Marketers seem to support this, as noted in the sections that follow.

Let's start with a look at how Agencies view specialization

62% of Agencies state that specialization is more important today than it was 3-4 years ago. As we'll see in a minute, Marketers don't feel that things have changed as dramatically - maybe because they have always felt it was an important variable when evaluating firms - and Agencies are just now starting to feel the competitive pressure to specialize.

Agencies

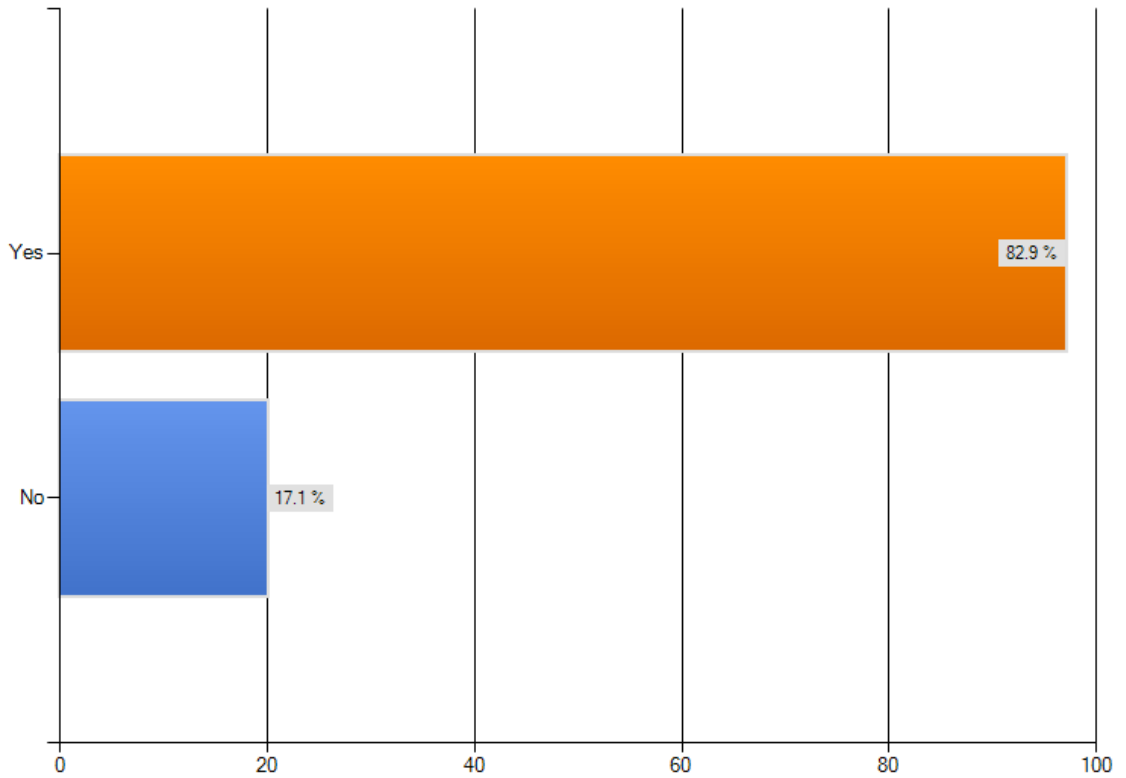
Do you feel it is less or more important to have a specialty today than it was 3-4 years ago?



Our next question asks Agencies if they have a specialty (and to define specialty however they want). 83% said "yes", which is not terribly surprising given the amount of conversation in the market that suggests it's important to do it - and the fact that it's almost always the number one question asked by Agency Search recruiters and/or Marketers when considering an Agency.

Agencies

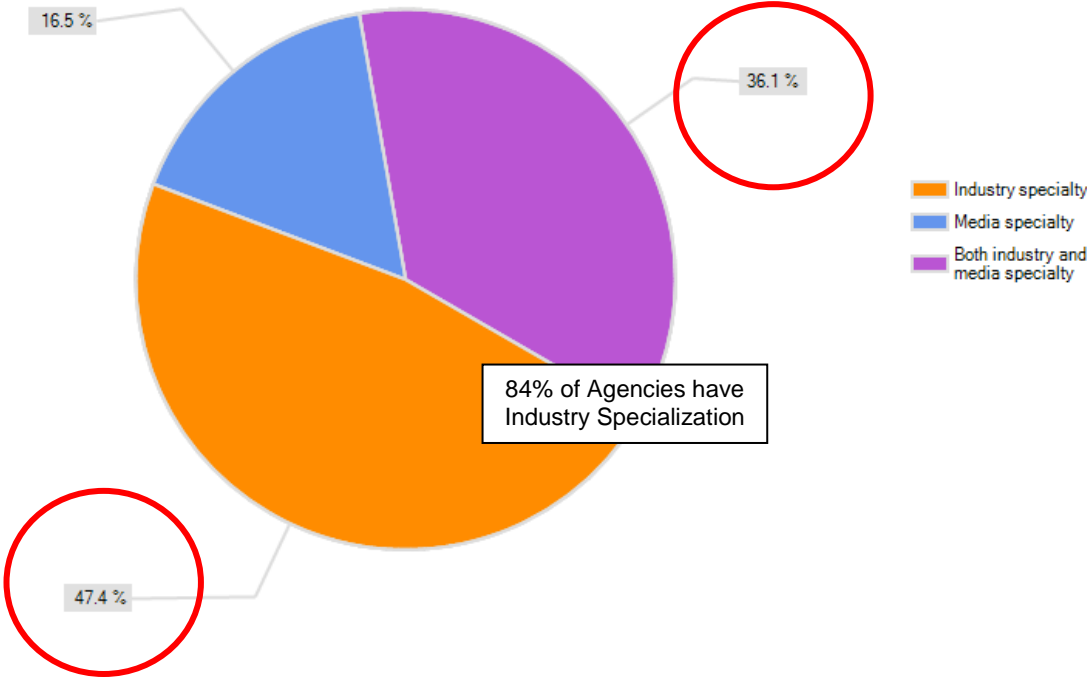
Does your agency have a specialty (define specialty however you'd like)?



We next asked if the specialty was an industry specialty (e.g. healthcare), a media specialty (e.g. digital), or both? 84% had an industry specialty or an industry and a media specialty. It is not terribly surprising for an Agency to have one or both given the highly competitive nature of today's market and the need to present expertise in a space to give the Marketer confidence you can get the job done for them. The million dollar question is, just how much is enough to be considered an expert?

Agencies

Is the specialty an industry specialty (e.g. healthcare), a media specialty (e.g. digital), or both?



We then asked Agencies how many industries they specialize in. 84% of Agencies said they had two or more areas of specialization. This is healthy. While I believe it's important to talk the "game" when you're discussing your experience with a prospective client, you don't need to throw all your eggs in one basket to make this work (as we'll see later - directly from the Marketer's mouth).

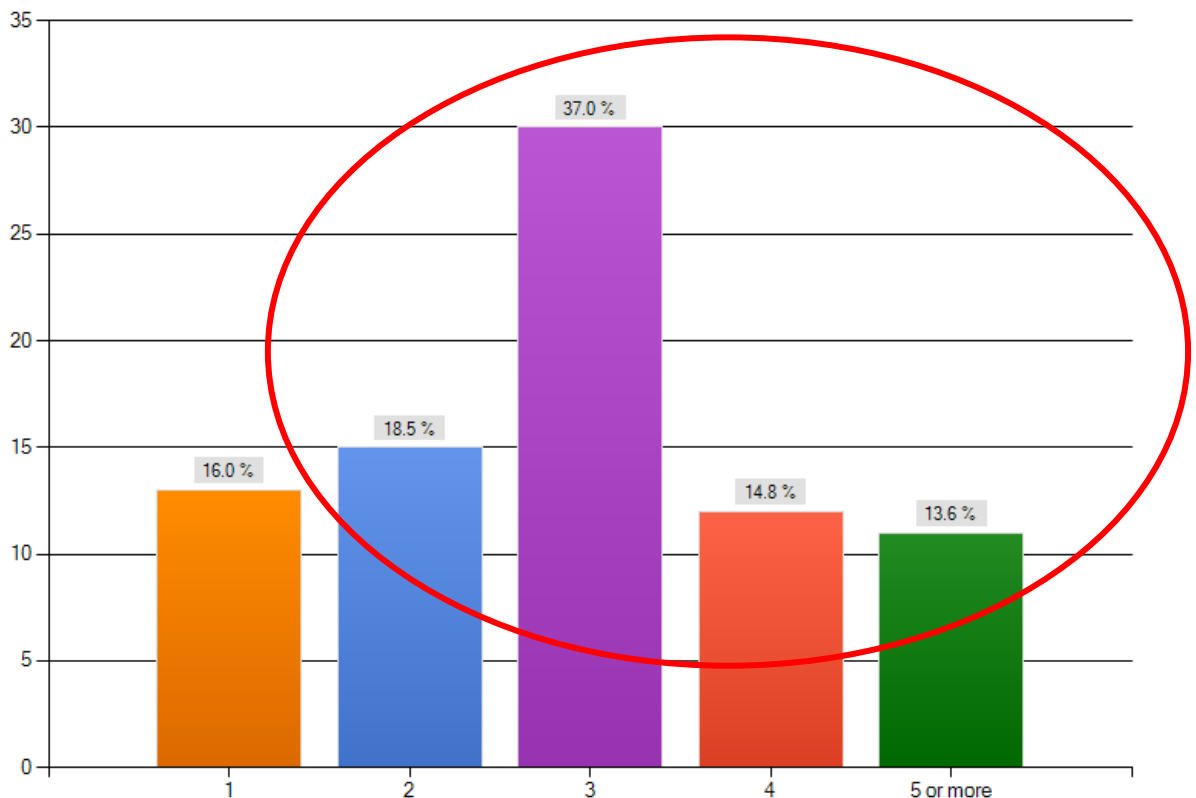
An RSW/US Experience Worth Noting:

We represented an Agency in the Midwest that had a focus exclusively in the service space. It was great for us because the focus made the sale of the Agency easy. We opened doors, he closed business...all seemed good.

One day an independent consultant entered the picture. He convinced him that he needed to focus even more - to really become the expert in something even more specific than "general services" and needed to dial down to a specific, highly technical service sector. He agreed and in essence had to start all over. New blog, new site, new collateral, and new set of prospects (that proved much less robust in numbers). Not only did the narrowness of this focus greatly limit the opportunities, but the sector chose didn't have a history of heavy spending, so he had trouble making a buck. Not a good place to be.

Agencies

How many industries do you specialize in?

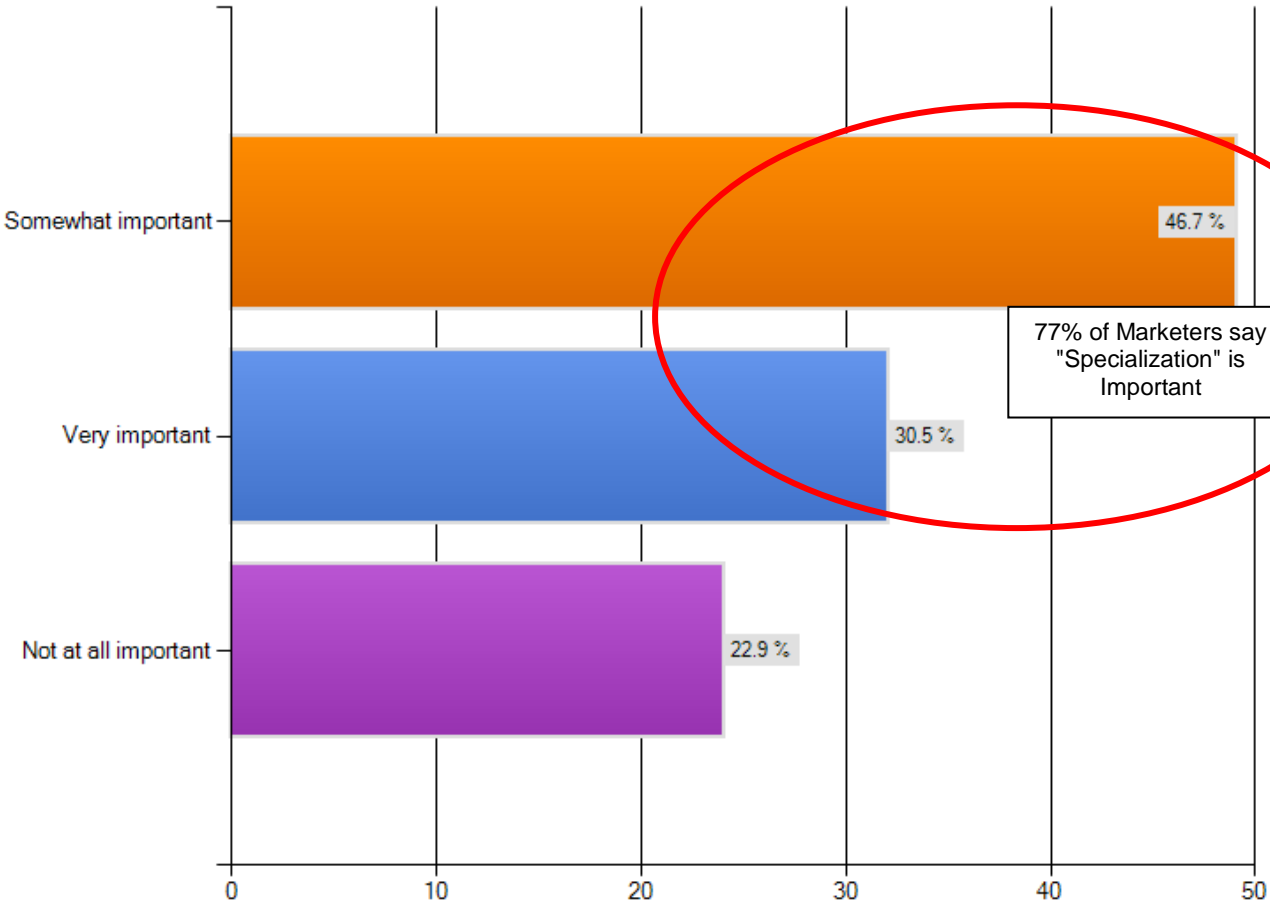


We then turned to the Marketer to get their point of view on specialization

77% of Marketers state that it is either somewhat or very important to hire an Agency that has some degree of specialization...so clearly it's an issue central to the selection process for Marketers.

Marketers

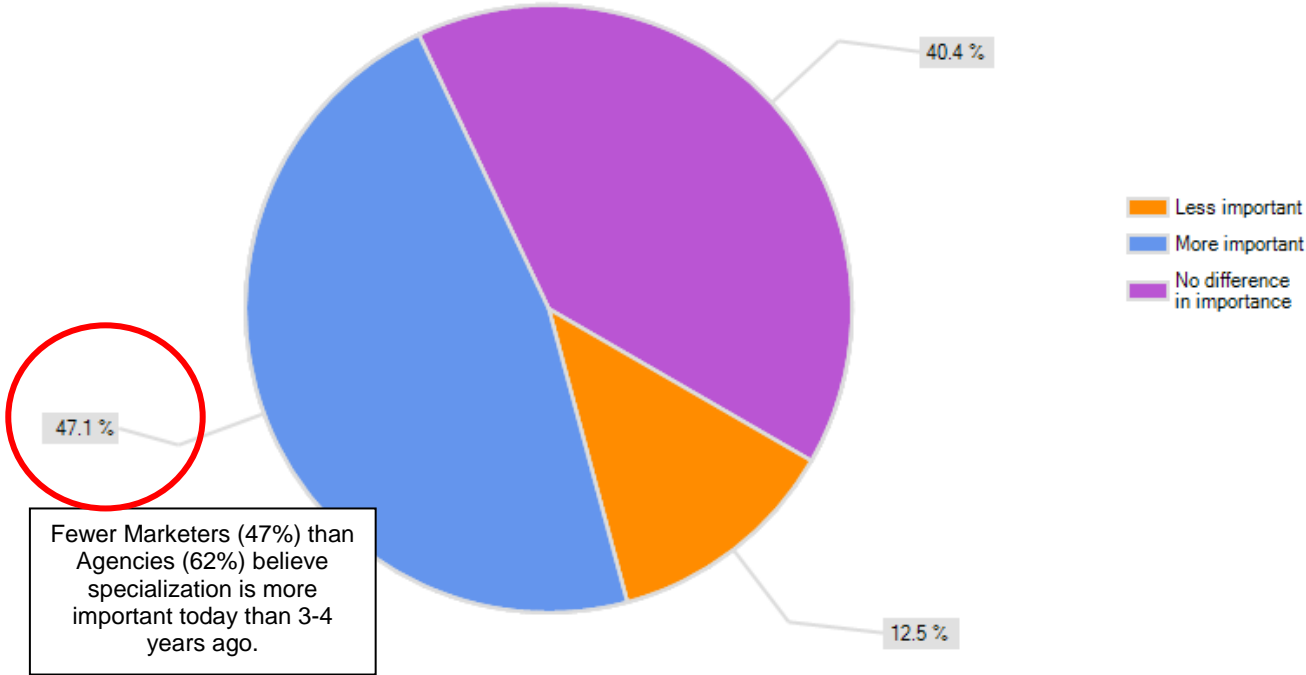
How important is it to you that the agency you hire specializes in your industry?



As noted earlier, there are fewer Marketers that feel the need for specialization is greater today, than it was 3-4 years ago. This is likely a function of Marketer needs not changing (always feeling that some level of specialization is important), but Agencies realizing that as things get more competitive, they need the category experience to help just "get them to the table" in a review or conversation.

Marketers

Do you feel it is less or more important to use an agency with a specialty today than it was 3-4 years ago?



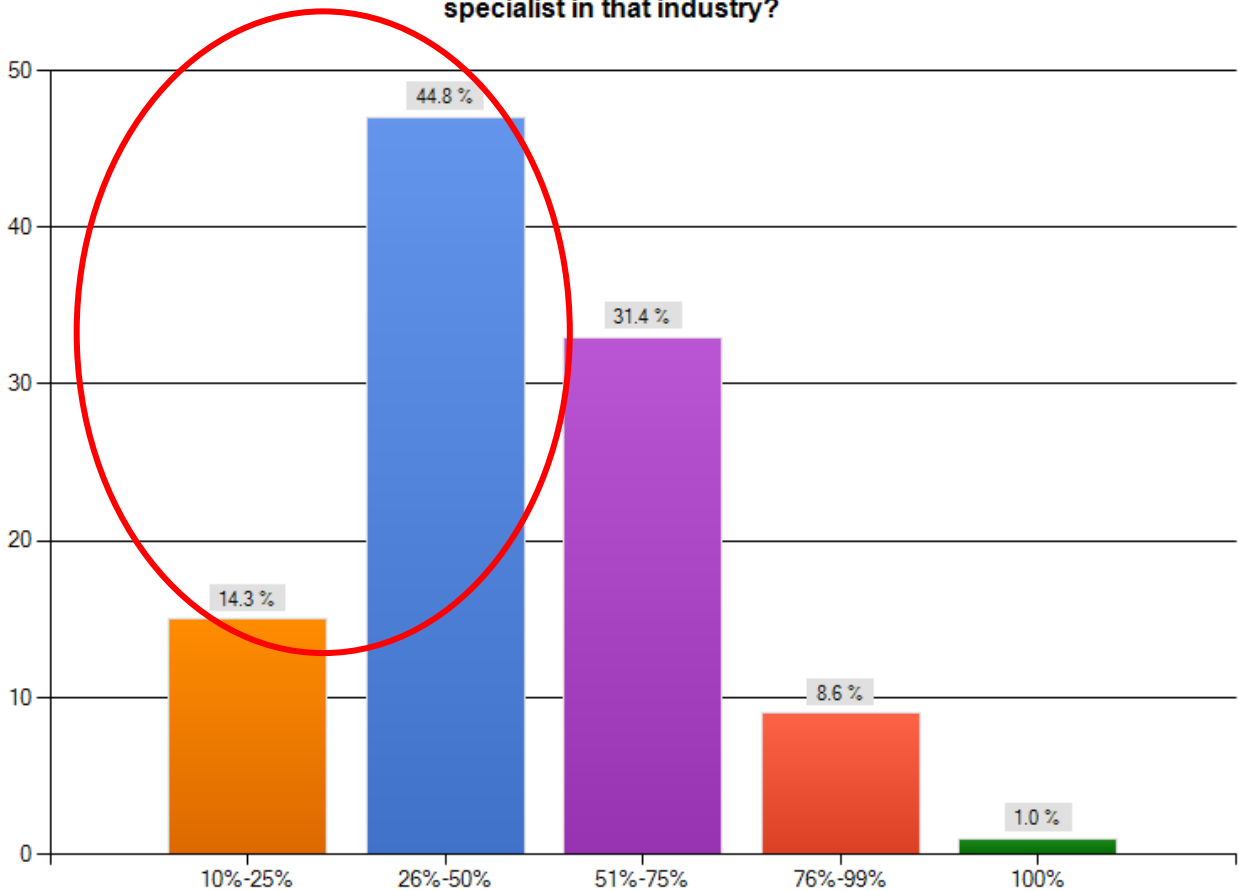
The most interesting part of this series of questions has to do with what Marketers think Agencies need to dedicate to a specialization in order for it to "qualify" as a specialty.

59% of Marketers state that Agencies only need to have 50% or less of their Agency focused on their category in order to be considered a specialist in their field. This is certainly good news for those Agencies trying to turn their Agencies upside down to only focus on a single category.

A question that often comes up when we talk with Agencies is how to represent a specialty on a website. "If a prospect comes to my site and sees that I'm not 100% focused on their space, will I lose out on an opportunity?". Clearly the answer is "no". Having tabs that guide prospects down the appropriate paths, having easy ways to sort creative work by category, and offering perspective in blogs that speaks to the different fields of specialization are all ways to show a prospect that you care about his/her space.

Marketers

What amount of an agency's business must be focused on an industry to consider it a specialist in that industry?





As noted on the next pages, Marketers provided open-ended responses to help dimensionalize why they either did or didn't feel it was important for Agencies to specialize.

Reasons why Marketers DON'T want to place too much emphasis on specialization include:

- Adds different perspective to business
- Advertising methods are changing too rapidly
- Strategy should cross specialties
- More important to get ideas across industries than within industries
- I see too many agencies in our vertical get stuck in the same ideas
- Specialization is not forward looking

Reasons why Marketers DO want specialization include:

- Agencies can be more focused and strategic when they're specialized
- I don't have time to train "beginners" in my space
- We don't have the time or money to waste.
- We need experts in our industry who know it intimately

Implications: At the end of the day, I personally believe that if you can make the Marketer feel like you know their category (no matter your level of experience in their space), they will feel good about you. Recently wrote a post based on my past two Agency Searches we ran. In both cases, clients told us that they selected the winning Agency because they "felt like they were already ramping up". The winning Agencies tailored their presentations to the Marketer, they showcased their knowledge of the space, and they shared smart, strategic thinking applied from the Marketer's and other industries. In both cases, there wasn't any marked advantage that the winning Agency had over the other Agencies in terms of category experience. They just came to the table with a smarter, more creative, more strategic, and more energetic approach.

Page 14, Q14. Please briefly explain why you answered the previous question the way you did.

1	Adds different perspective to the business.	Jan 31, 2013 12:01 PM
2	While strategic considerations are im important, market instinct, knowledge of key players and obstacles to purchase are best learned through experieience.	Jan 30, 2013 1:11 PM
3	Advertising methods are changing rapidly with online tools	Jan 30, 2013 8:03 AM
4	Must understand the business in general and the direction and issues facing it.	Jan 29, 2013 12:21 PM
5	I do not want to bother training someone to give me the answers I have already provided them. The latter point is already bad enough with someone who has industry knowledge.	Jan 29, 2013 8:51 AM
6	Strategically understanding the industry to know how to place limited dollars	Jan 29, 2013 8:23 AM
7	The media landscape is changing so quickly in both B2C and B2B. In the past, I considered it more important to have industry experience, however, I think now it is more important to have a broader exprience, across different mediums (traditional, digital, social) and the creativity to know how to use each to optimize the ROI. They can learn about the industry, but knowing these new mediums and how to deploy them strategically and cost effective, if becoming increasingly important.	Jan 29, 2013 8:10 AM
8	Less money need to stand out more from competitors	Jan 29, 2013 8:09 AM
9	Ever-changing healthcare environment. Must understand challenges facing this industry - the unknown!	Jan 29, 2013 7:46 AM
10	It is critical to understand how to drive volume for our service, therefore, a broad knowledge of the research behind decision-making, effective strategies, etc. is key.	Jan 29, 2013 7:45 AM
11	Agencies can be more focused and strategic when they're specialized in an arena, such as interactive or social.	Jan 29, 2013 7:33 AM
12	Knowledge of our industry is relevant, but much can be learned and applied from other industries.	Jan 29, 2013 7:29 AM
13	Increased complications and regulatory considerations to translating ideas to implementation	Jan 29, 2013 7:27 AM
14	Strategy should cross specialties.	Jan 29, 2013 7:27 AM
15	Knowing the trades in our industry and the right editors is still important today, just as it was yesterday	Jan 29, 2013 7:26 AM
16	being smart and creative is most important	Jan 22, 2013 6:49 AM
17	I don't have time to train beginners in all the complexities of our business.	Jan 18, 2013 1:44 PM
18	Experience and focus	Jan 18, 2013 12:57 PM
19	In overall consideration of an agency's value to our business, specialization is one of several criteria, and it has not changed in rank for me. I want an agency	Jan 18, 2013 11:18 AM

Page 14, Q14. Please briefly explain why you answered the previous question the way you did.		
	with a range of talents, and it's important some team members who are very good in their specialty areas.	
20	more imporant to get ideas across industries than within an industry	Jan 18, 2013 10:54 AM
21	Our industry is very specialized and we need an agency that understands our language, as well as our market.	Jan 18, 2013 10:06 AM
22	Understanding of our cultural/language needs of our customers and competition, while having knowledge of our industry which is highly regulated.	Jan 18, 2013 9:18 AM
23	Tourism has some interesting twist so saves time to have an agency familiar with the field...also thinking they're staying up on current trends.	Jan 18, 2013 8:18 AM
24	No sure what this question means	Jan 18, 2013 7:58 AM
25	Great ideas know no bounds. While specialization may help in ramp up and initial understanding, the insular nature of specialization could actually be a hindrance in the long run.	Jan 18, 2013 7:56 AM
26	I don't have time to waste on explaining FDA regulations to a non-medical agency. A non-medical agency is typically more creative, but it's not worth it in the end.	Jan 18, 2013 7:51 AM
27	We are a small nonprofit organization and only employ agencies for very specific projects rather than year-long retainers.	Jan 18, 2013 7:50 AM
28	Creativity is transferable between industries. I see too many companies in our vertical stuck in the same ideas year after year. It's why a smaller company like mine can compete with the larger players. We and our agency partners look at what other industries do to recruit customers.	Jan 18, 2013 7:46 AM
29	because they will truly understand the business and not just attempt to understand the business on the surface.	Jan 18, 2013 7:26 AM
30	Executive management is starting to realize that advertising and marketing are not these high-concept art forms shrouded in mysticism, and that if practiced with the slightest bit of care, can really be carried out by anyone. Many companies, including my own, have fired our agencies and replaced them with graphic design/creative contractors...its cheaper, we get higher ROI, and we pay only for what we use.	Jan 18, 2013 7:25 AM
31	Understand digital/social/mobile etc can expedite process and speed to market is very important.	Jan 18, 2013 7:21 AM
32	knowledge of regulatory hurdles and how products work limits back and forth on creative	Jan 18, 2013 7:16 AM
33	In today's economic climate, an agency has less likelihood of consideration if they can't reach across multiple disciplines. Multiple agencies (and associated agency fees) are not efficient. They take more resrouces to pay for, more resources to manage, and a lot more effort to align them with each other in their support of our objectives.	Jan 18, 2013 7:15 AM
34	to gain from their knowledge and experience in order to distinguish our brand	Jan 18, 2013 7:13 AM

Page 14, Q14. Please briefly explain why you answered the previous question the way you did.		
35	The agency needs to be a partner with us, a member of the same team. We will provide any support they need "getting up to speed."	Jan 18, 2013 7:12 AM
36	A fresh perspective from an agency who is not stuck in doing things the same old way can sometimes be helpful. Maybe we should be doing things differently and thinking about things differently.	Jan 18, 2013 7:12 AM
37	Many agencies claim to be well versed in many different aspects of advertising / PR. I find most have a core competency and peripheral support functions.	Jan 16, 2013 6:53 AM
38	Widespread adoption of digital marketing makes specialty less important.	Jan 15, 2013 1:38 PM
39	We dont have time or money to waste. Industry specific experience and expertise help avoid mistakes and add value.	Jan 15, 2013 11:37 AM
40	As long as the agency has a solid knowledge of our business, we are usually satisfied with them.	Jan 15, 2013 11:20 AM
41	Traditional agencies seldom seem proficient at digital strategies and vice versa.	Jan 14, 2013 3:04 PM
42	With limited funding, it is very important to leverage all cost avenues.	Jan 12, 2013 7:35 PM
43	specialization is not forward-looking.	Jan 11, 2013 1:42 PM
44	A good agency is smart enough to understand issues and opportunities.	Jan 11, 2013 12:04 PM
45	You will need an agency that understands your specialty and customers in your market.	Jan 11, 2013 11:31 AM
46	I am not sure there is such a thing as a "full service" agency, I feel like they have one major specialty. I like to hire a core group of agencies with needed expertise to form the AOR	Jan 11, 2013 11:28 AM
47	If the agency has good ideas, we consider them. if they don't we won't	Jan 11, 2013 9:41 AM
48	It's important to have new eyes looking at things. Keeps things fresh.	Jan 11, 2013 8:55 AM
49	Use separate agencies for creative (lead) media buying and interactive	Jan 11, 2013 8:19 AM
50	In my experience traditional agencies do not have the nimbleness and breadth of experience & motivation to take the risks necessary to be relevant and successful in the digital arena. It's a culture thing.	Jan 11, 2013 8:08 AM
51	Market has changed and i think we (in-house mkt group) are more knowledgeable than an agency and equipped to advise them.	Jan 11, 2013 7:18 AM
52	No agency can really be a one stop shop, though many have tried. So, using groups with specialties is necessary. However, I don't think that the urgency is any more or less today than it was 3-4 years ago.	Jan 11, 2013 7:16 AM
53	I believe that having a an edge in terms of industry specialization is important, we are in education, which is a niche industry and knowledge of the field is important.	Jan 11, 2013 6:58 AM

Page 14, Q14. Please briefly explain why you answered the previous question the way you did.

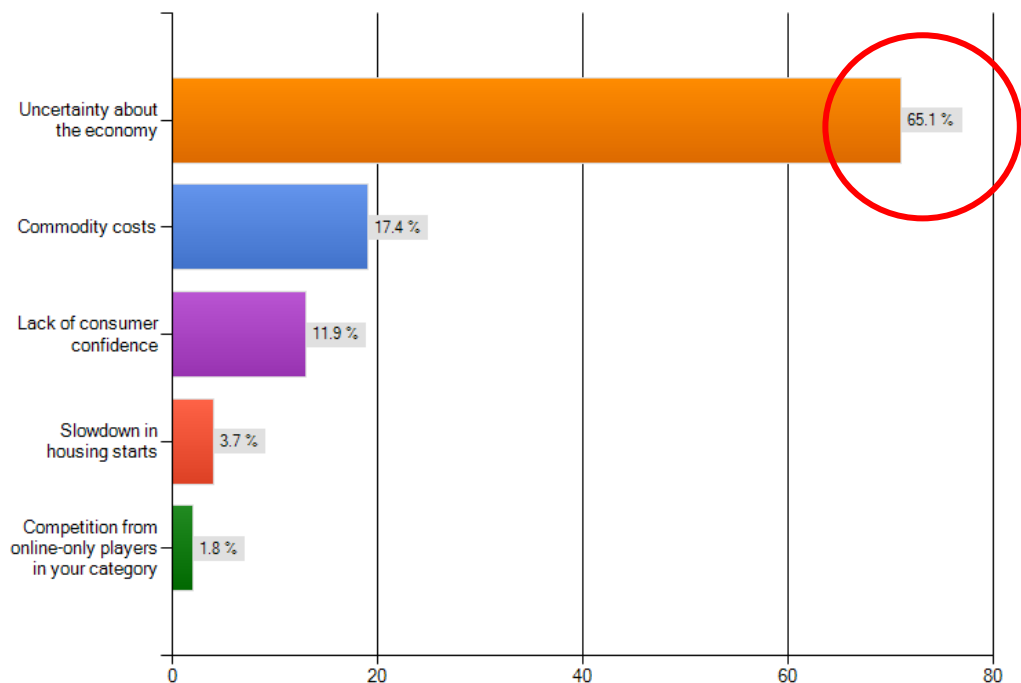
54	Historic need persists for agencies to understand specific category and industry norms and competitive landscape. Should have or quickly develop in conjunction with our business.	Jan 11, 2013 6:58 AM
55	We are a health system that requires an agency that can tackle health care jargon, government regulations, and technical terms; and then translate those items into consumer friendly messaging. We cannot afford to train you for a year while you attempt to learn our jargon and its relationship to everyday consumers.	Jan 11, 2013 6:57 AM
56	Critical to understand my B2B clients and products.	Jan 11, 2013 6:56 AM
57	Marketing and advertising is fragmenting and it's increasingly difficult for one agency to be good at everything. It makes sense to hire specialists in specific areas of need rather than trying to find a generalist who has only a moderate amount of knowledge in each area.	Jan 11, 2013 6:55 AM
58	more competitive, niche is important... we need experts that know our industry intimately.	Jan 11, 2013 6:54 AM
59	If you hire smart people committed to driving results, industry experience is irrelevant.	Jan 11, 2013 6:52 AM
60	Although I think experience in my field is important, I'm more concerned with an agency taking the time to understand my organization and its vision/needs. Also, some of the best concepts come from outside of our industry.	Jan 11, 2013 6:52 AM
61	Specialty agencies promote their strength and then err in trying to sell services that they "can do" but really don't have the experience. Too many specialty agencies want to be full service agencies and use their specialty to get their foot in the door. This diminishes their credibility.	Jan 11, 2013 6:46 AM
62	Understanding our distribution model and what influences/drives their behavior is important to drive conversion and success.	Jan 8, 2013 7:27 AM
63	Although many claim they do it all, very often we find they don't do it all and they are only mediocre at much of it. Usually there is one thing the agencies leadership has a passion for and that is what they do best from conception through execution.	Jan 8, 2013 7:06 AM
64	Speaking from the health care industry, there are too many rules and regulations within how you can market doctors to have to start explaining it from scratch, not to mention having some health or clinical knowledge to be able to have an understanding on what drives referrals and be able to interview and gain respect from physicians in the limited time an agency representative would have with them.	Jan 8, 2013 6:45 AM
65	Consumer purchase process is different and competing with share of wallet for other product categories in our industry	Jan 8, 2013 4:54 AM

The Economy and Its Impact on the Agency and Marketer World

Our next series of questions also comes from the team at Adweek. When asked, Marketers state that their biggest potential impediment to growth in 2013 is a general uncertainty about the economy. 65% of Marketers in our survey stated that "uncertainty" was the biggest driver, followed by commodity costs (17%) and lack of consumer confidence (12%).

Marketers

This first question comes from the team at Adweek: What's your biggest potential impediment to growth in 2013?



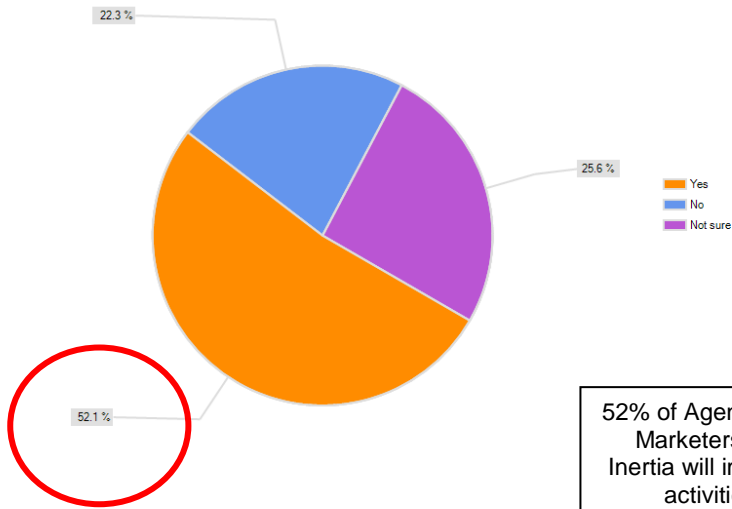
Implications: This is not new news. We felt it as we rolled into 2009 and only in the early part of 2010 did we start seeing some kind of give from Marketers. While 2011 and 2012 have proven to be a much more robust year for Marketers and Agencies (as evidenced by more of our clients closing business and more of their clients dialing up their spend), there still is (and probably will be for the near term)...uncertainty. And with this uncertainty comes more conservatism in spending than normal.

As we look to some of the following questions, we'll see a pattern. Agencies feeling a little more optimistic than Marketers, but a general good feeling among both groups - both in terms of marketing investment and general investment in business - which bodes well for the economy and advertising spending.

More Agencies (than Marketers) feel like the political inertia in Washington will impact the advertising community in 2013. 52% of Agency principals feel concerned about the impact our friends in Washington will have on advertising as compared to only 44% of Marketers who feel this same way.

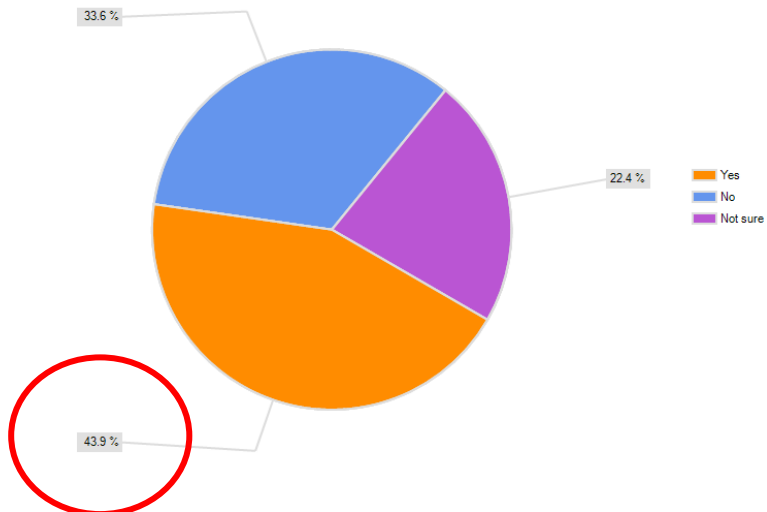
Agencies

Do you think political inertia in Washington will impact the advertising community in 2013?



Marketers

Do you think political inertia in Washington will impact your marketing activities in 2013?

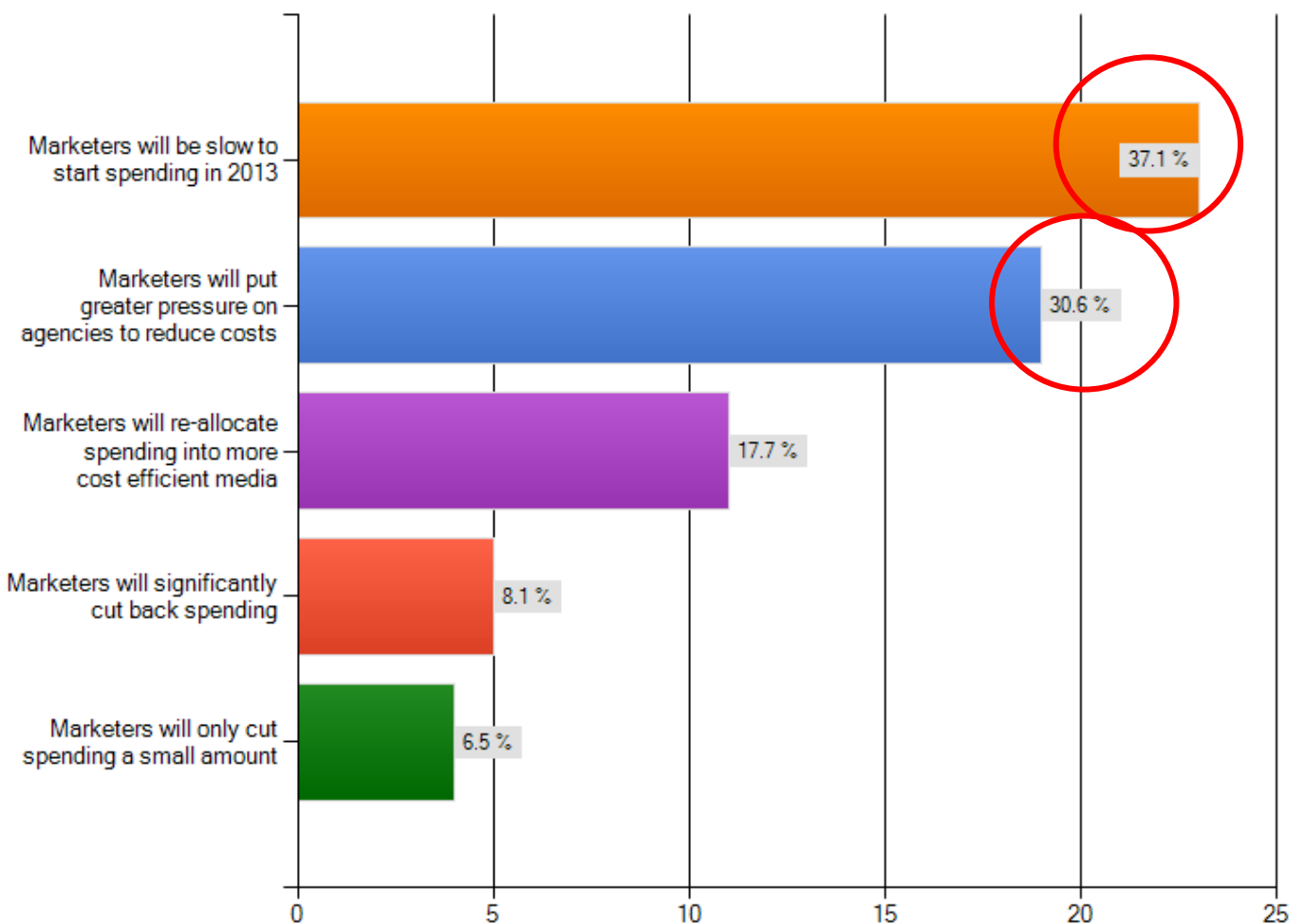


Implications: While it is certainly a concern that so many on each side aren't feeling great about the wrangling in DC, it is encouraging to see that Marketers aren't as down about the situation as their Agency counterparts. So while it might slow things somewhat, hopefully we'll continue to see a continuation of the slight uptick many Agencies are already facing today.

Fortunately, any impact that the lack of action in DC may present, isn't going to take its toll on Agencies to nearly the level that they believe (as we'll see when comparing the responses below to Marketers' responses on the next page). 68% of Agencies believed that the impact would manifest itself in a slowdown to the start of spending and increasing pressure on Agencies to reduce costs.

Agencies

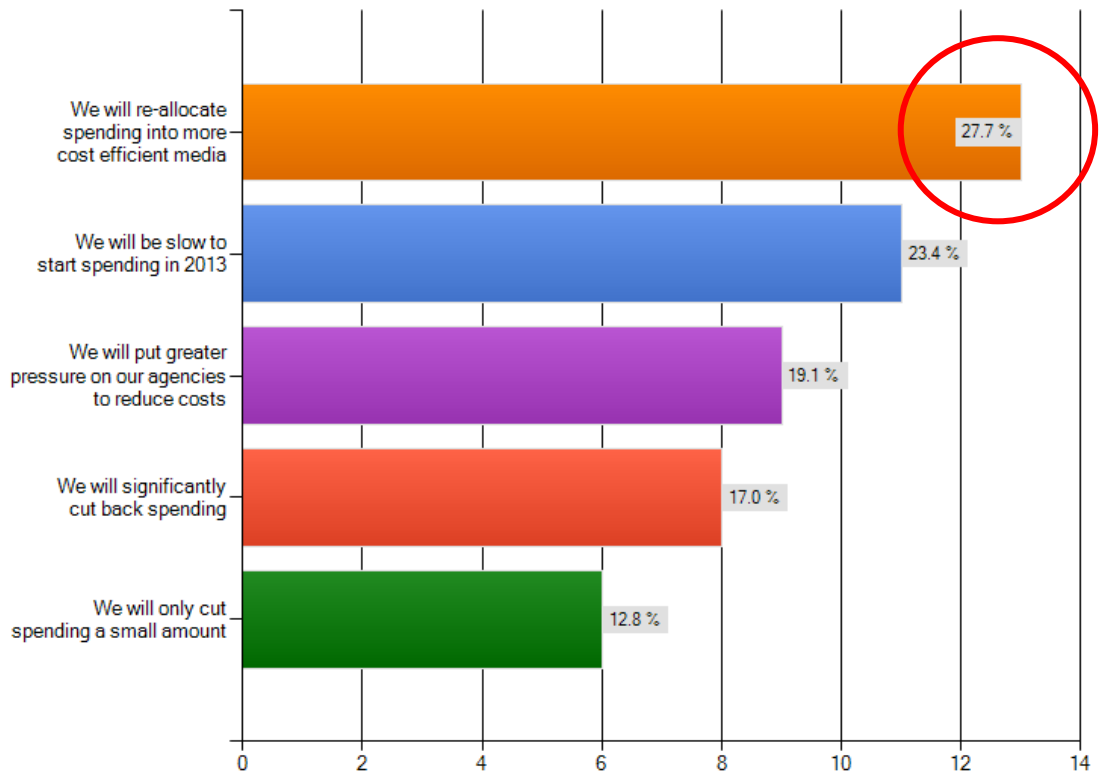
What impact do you think will prove greatest?



Not so say Marketers. While it could affect overall dollars spent, Marketers are more likely to see themselves re-allocating spend into more efficient media like digital before they put the squeeze on Agencies or cut their spending outright.

Marketers

What impact do you think will prove greatest?

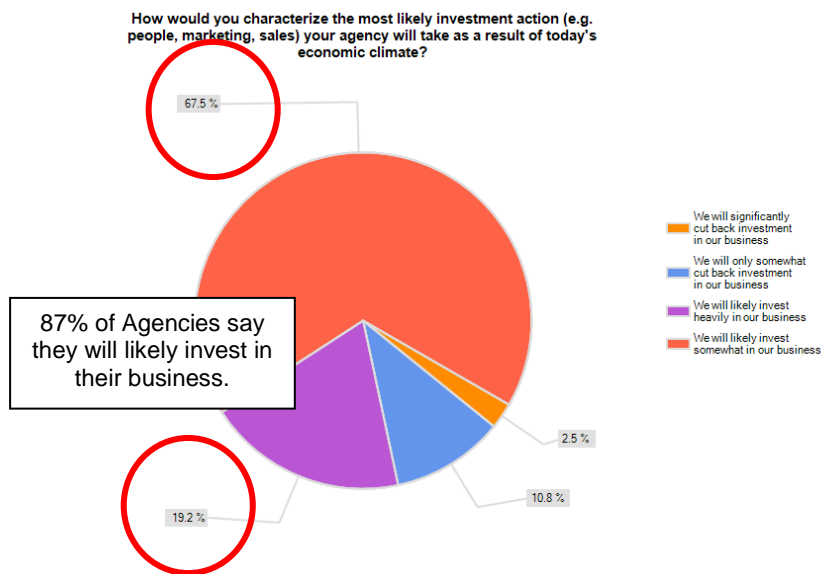


Implications: If the economy is impacted to some degree, and you don't have a program to capitalize on what Marketers say would be a slowdown in spending or re-allocation of spending to react to an economic stall, you need to get on it.

This frankly means two things: 1) you need to be out there finding new business to help diversify your portfolio; and 2) you need to have your agency well positioned to support changes in how marketers are spending. And you need to be proactive in helping them get there...and assess the effectiveness of where you take them.

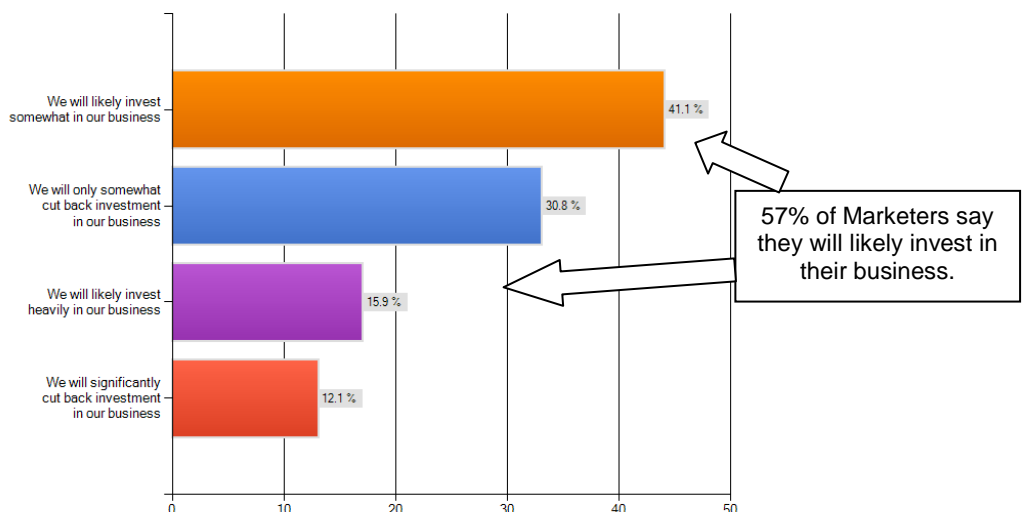
But all this said, the business investment outlook still feels pretty good to both Marketers and Agencies. Both groups expect to invest "somewhat-to-heavily" in their businesses. 87% of Agencies expect to drive more investment in their business (we suspect in areas like technology and new business). And while the numbers are lower for Marketers (57%), the fact that there is an air of re-investment bodes well for the advertising community and economy as a whole.

Agencies



Clients

How would you characterize the most likely investment action (in general) your business will take as a result of today's economic climate?

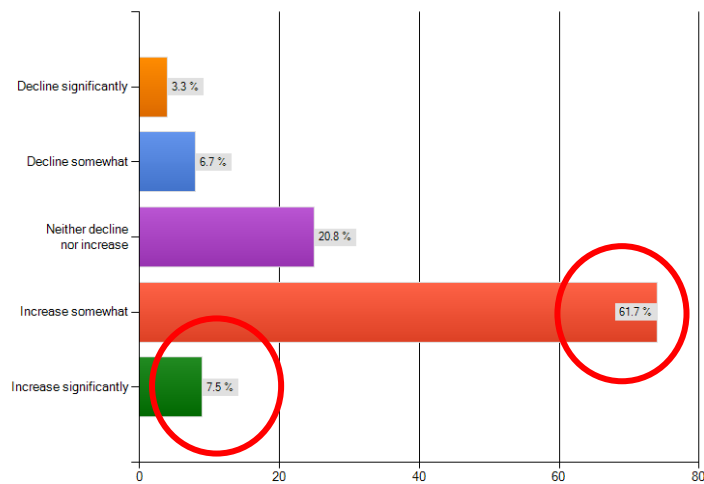


Implications: The boldness of Agency investment suggests that there is a renewed willingness to get more aggressive in efforts to support existing business and win new business. An old CEO of mine used to say "you can't save your way to salvation" and that's what appears to be happening here - a recognition that if Agencies are going to gut this out, they need to make the investment to succeed.

The higher order enthusiasm for business investment among Agencies (relative to their Marketing counterparts) is also reflected in their anticipated investments in personnel. 69% of Agencies expect to increase headcount somewhat or significantly - as compared to only 26% of Marketers feeling the same way.

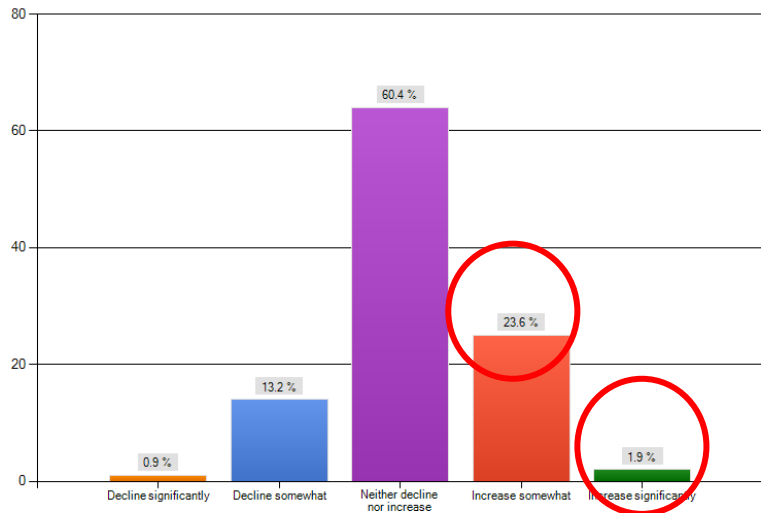
Agencies

Thinking specifically about headcount in 2013, do you anticipate your staff personnel headcount will:



Clients

Thinking specifically about marketing headcount in 2013, do you anticipate your marketing personnel headcount will:

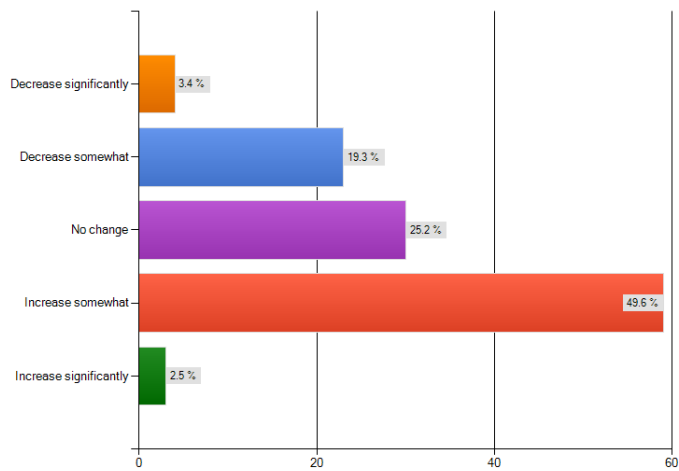


Implications: This is good news and not so good news for Agencies. Good news: 1) Fewer marketers means less time to get stuff done, which can mean a greater need for outside support; and 2) Less investment in personnel could mean more spending (or at least not reduced spending) in other areas like marketing support. Bad news: 1) Fewer marketers means a group of more scattered and harder to manage Marketers for Agencies; and 2) Fewer Marketers means fewer people moving around that create more networking and referral opportunities for you.

In terms of marketing spending, it appears that 2013 will bring the same or slightly more spend from Marketers than it did in 2012. 66% of Marketers expect to spend the same or slightly more in 2013, which is certainly better than where we've been in the past. The divide between Marketer and Agency expectations isn't as great as some of the previous questions, so good to see Agency expectations are in line with what Marketers see as their likely spend activity in 2013.

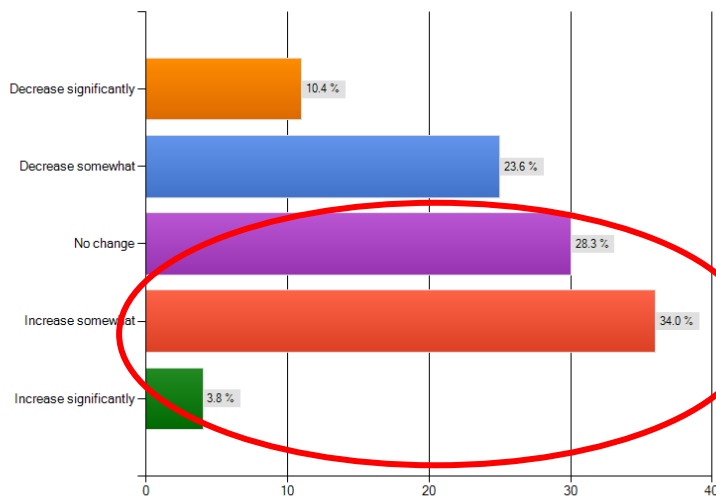
Agencies

Thinking about all of 2013, how do you anticipate your clients' marketing spending (across the board) will change in 2013, if at all (relative to 2012)?



Clients

Thinking about all of 2013, how do you anticipate your marketing spending (across the board) will change in 2013, if at all (relative to 2012)?



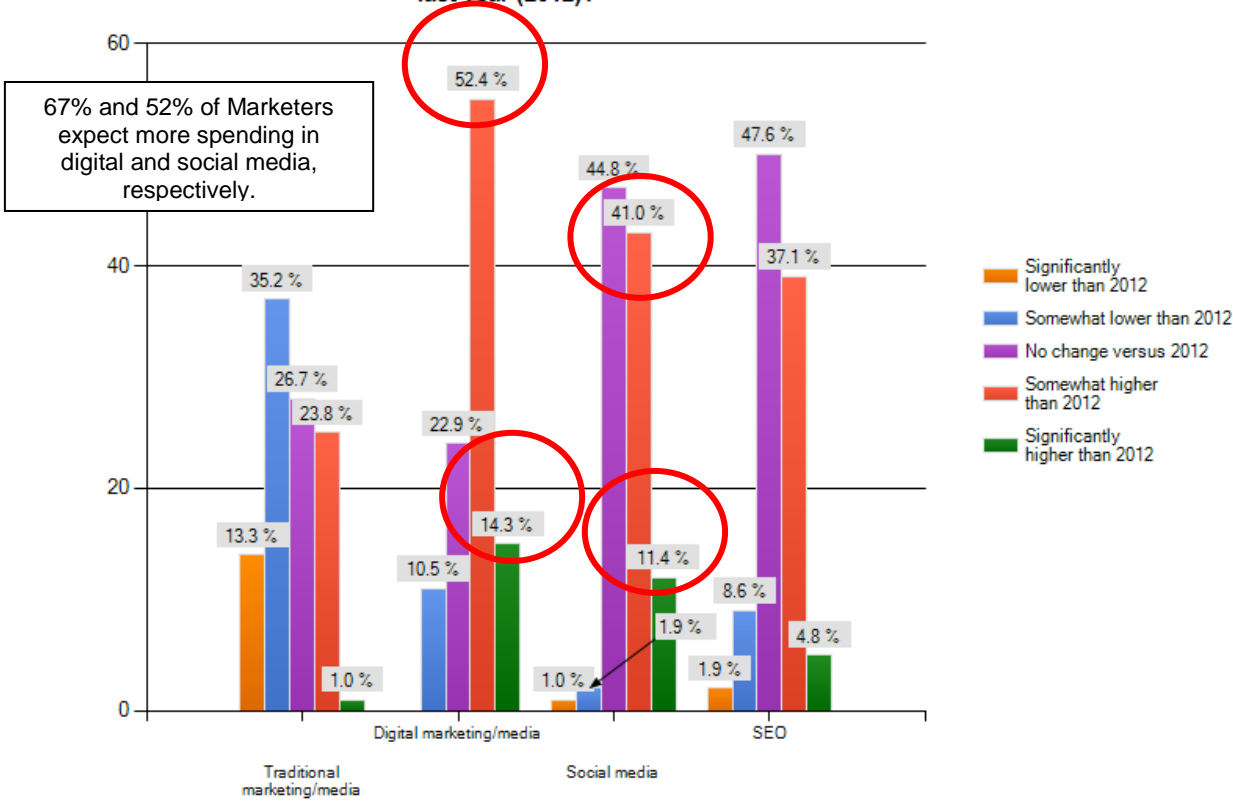
66% of Marketers expect to spend same or more in 2013.

Implications: While it is good to see a consistent level of enthusiasm for 2013, Agencies need to be cautiously optimistic as they take steps into the new year. While Marketers seem to be more positive about things like business, personnel, and marketing investment, the enthusiasm is still tempered to a degree - which means while Agencies should make the investments to keep their agencies on the forefront of technology and new business, they need to be cautiously optimistic in their approach.

No surprises here...Marketers see the biggest increases in non-traditional platforms (digital, social, SEO). 67% of Marketers see spending either somewhat or significantly increasing for "digital marketing/media", whereas only 25% of Marketers expect increases in "traditional marketing/media".

Marketers

Thinking about this year (2013), how do you anticipate your marketing spending will change across each of the following as compared to last year (2012)?



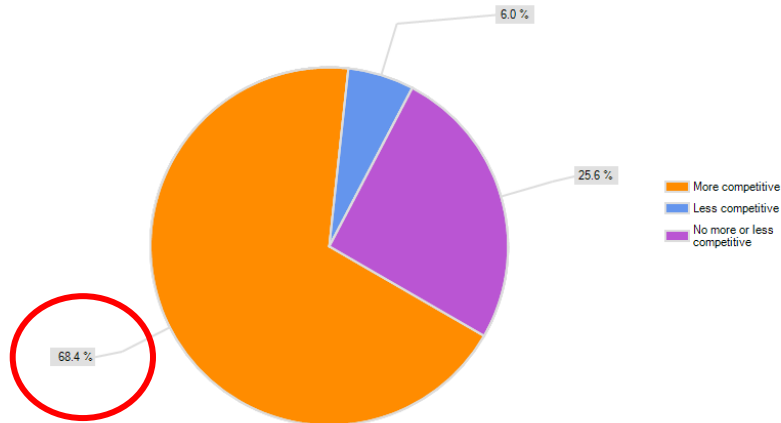
Implications: We've been saying this for the last 5 years...if you're not deep into the social/digital space, you better get moving and get into it. Frankly, if you've waited this long, it might be too late.

More and more digital, social, SEO firms have been reaching out to us at RSW/US to help support their business, which suggests more are springing up every day. We regularly see these firms encroach on the full service agency's world, so if you don't partner or play in it yourself, you're likely to get hit and it's going to hurt.

This increase in competitive activity is confirmed by both Marketers and Agencies when asked the simple question: "Is the space more competitive?". 68% of Agencies and 63% of Marketers say the business of advertising has gotten much more competitive.

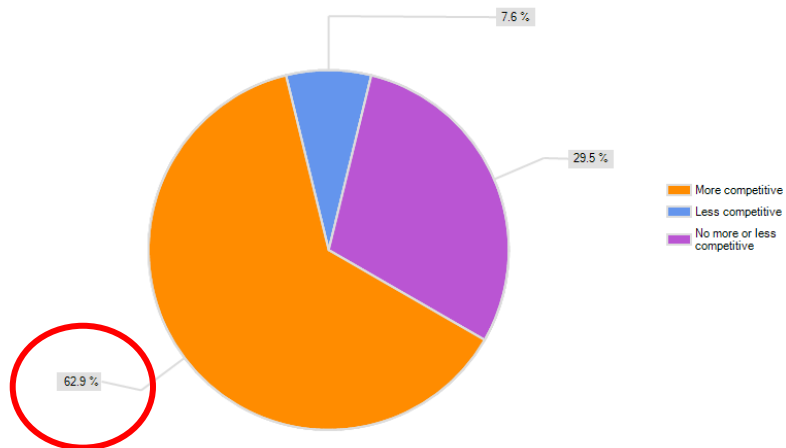
Agencies

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



Clients

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

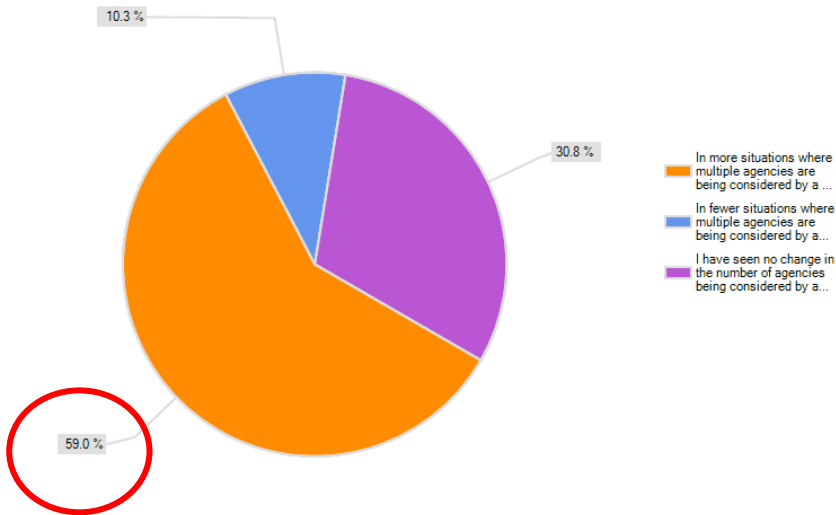


Implications: With larger firms vying for smaller pieces of business they never would have considered in the past...with public firms under increasing pressures to deliver higher levels of profitability...with start-up agencies popping up with a ever-increasing pace...with marketers considering higher orders of specialization from their firms...and with Agencies getting more and more aggressive in their attempts in trying to win new business...it's no wonder that both Marketers and Agencies feel like this world of advertising isn't the "fraternity" it once used to be. Sorry men of mad!

Interestingly Agencies seem to feel that this increase in competitiveness is playing out in Marketers' consideration sets. Marketers don't quite see it the same way. Only 34% of Marketers think that they have been in more situations where multiple agencies are being considered for their business (as compared to 3-4 years ago). This compares to 59% of Agencies feeling this same way. So either Marketers aren't good at math or Agencies are feeling the heat even when the heat isn't on - or maybe they're being told the heat is on, but in reality it isn't. Don't know...but regardless, the competitive pressures seem to be real and increasing for Agencies.

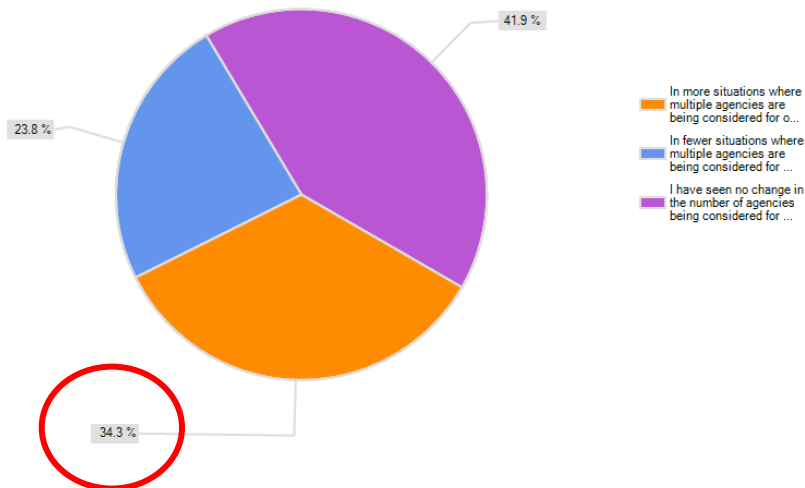
Agencies

Thinking back over the last 3-4 years, are you finding that you are in fewer or more situations where multiple agencies are being considered for a marketer's business?



Marketers

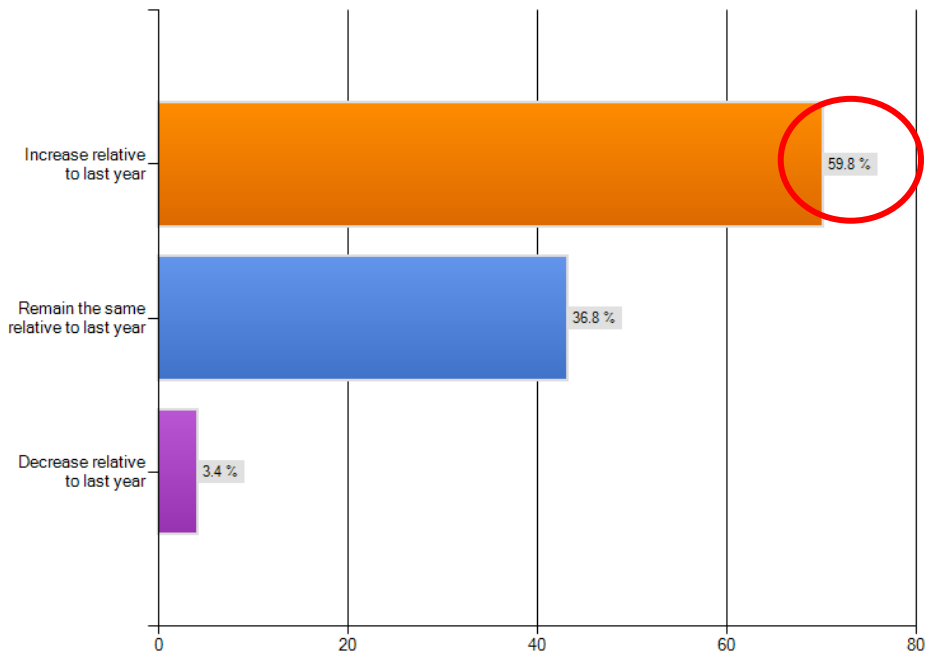
Thinking back over the last 3-4 years, are you finding that you are in fewer or more situations where multiple agencies are being considered for your business?



Part of what could be driving this feeling of a higher level of competitiveness is the fact that Agencies expect the number of new business opportunities to increase in 2013 relative to 2012. 60% of Agencies state that they expect the activity in 2013 to increase relative to last year.

Agencies

Looking into 2013, do you expect the number of new business opportunities to...

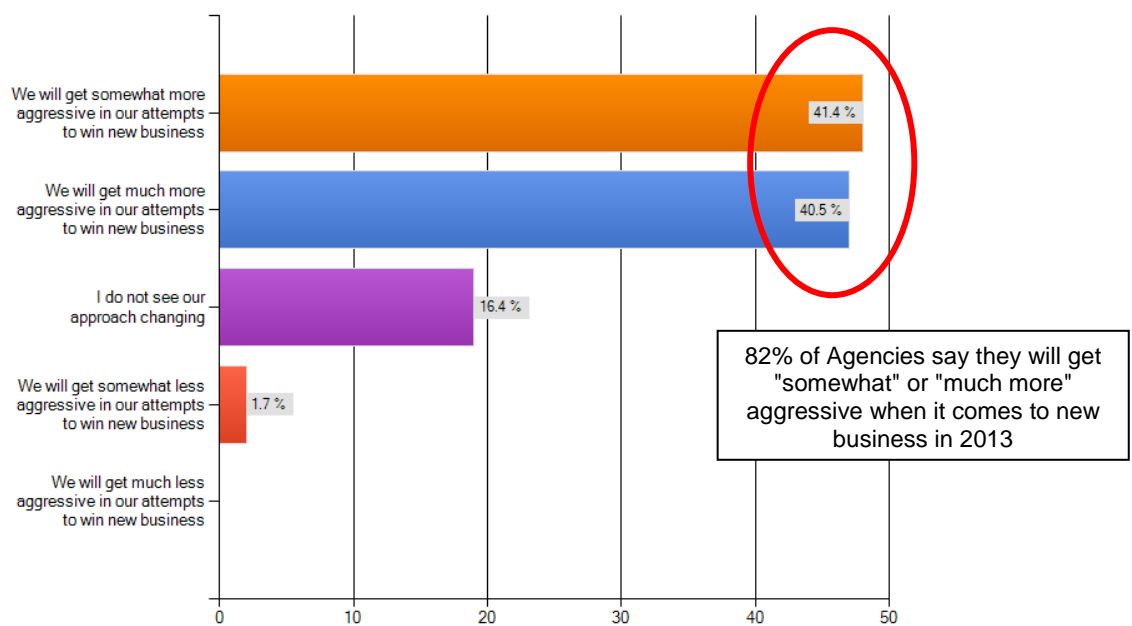


Implications: This is a two edged sword for Agencies. Good news is there are more opportunities. Bad news, more Marketers are opening up parts or all of their business for new Agencies. Not only is the pursuit of new business critical for Agencies as they roll into 2013, but so is the need to treat every client assignment like it's the first day of the relationship, every day. We recently had a Marketer come to us on the AgencySearch side of our business who had been with their Agency for 15 years and simply felt like they had fallen asleep at the digital/social wheel...and they needed a change. Don't let this happen to you.

If you don't get more aggressive in your pursuit of new business, the Agency down the street will beat you to the punch. 82% of Agencies state that they plan on getting somewhat or much more aggressive than they did last year. In past surveys, Agencies talked about a variety of different tactics they planned on using to heighten their level of prospecting activity, from trade shows, to inbound marketing, to hiring internally or externally to support a program.

Agencies

Looking into 2013, how do you anticipate your approach to winning new business will change?



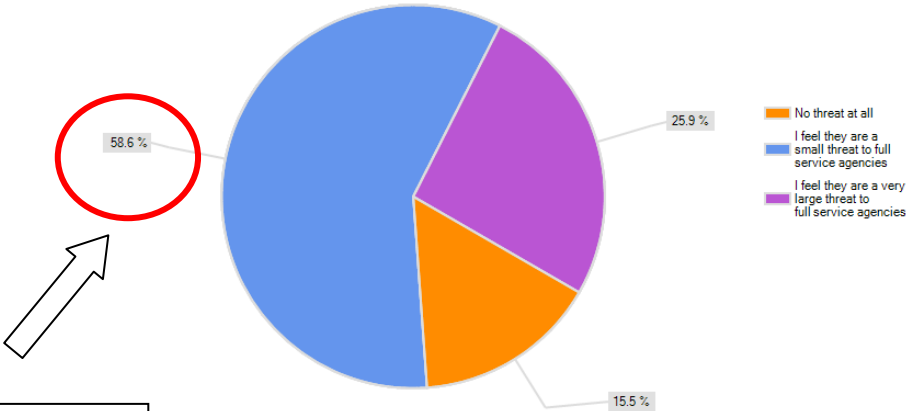
Implications: If you don't have anything in the plan for 2013, you need to consider some kind of program to protect yourself. We've seen too many Agencies with too few pieces of business representing too large a piece of their pie - suddenly lose a piece of business and scramble. Or the other scenario we often see is Agencies putting off the pursuit of new business because things are too good. Just as quickly as things can be too good, we've seen things turn on Agencies and again, they need to scramble to make up lost ground. Don't put yourself in this position.

The Impact of Digital Agencies

Our final series of questions centers around digital firms and the threat that they do/don't pose to full service firms - and - what if anything they themselves need to do (e.g. offer traditional services) in order to survive long-term. We started by asking Agencies and Marketers if they felt that digital firms were a threat to full service agencies. The majority of both Agencies and Marketers only see digital firms as being a small threat to full service firms.

Agencies

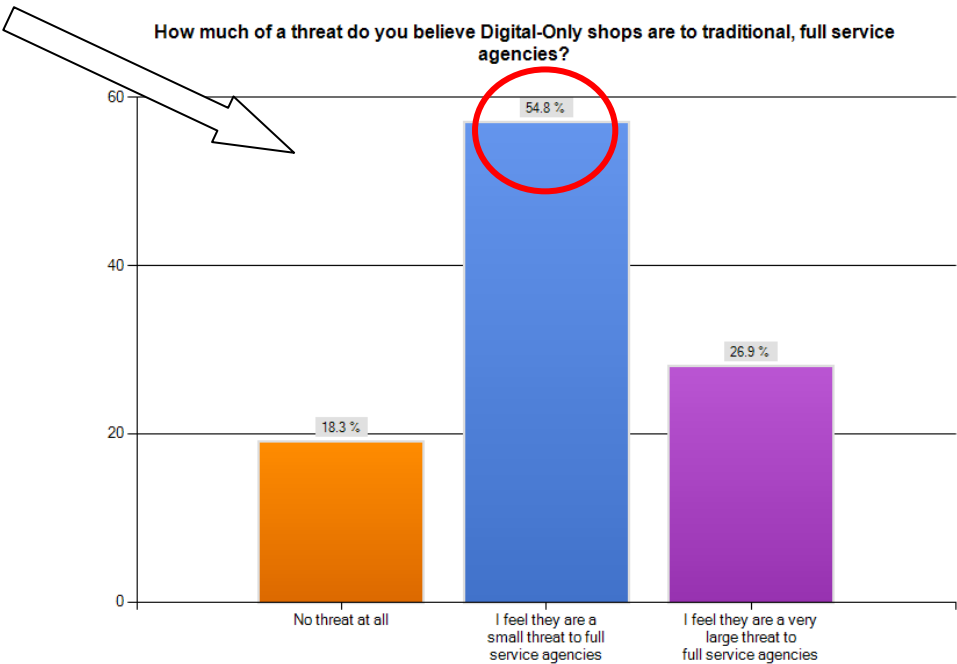
How much of a threat do you believe Digital-Only shops are to traditional, full service agencies?



Agencies and Marketers think digital-only firms are a small threat to full service Agencies

Marketers

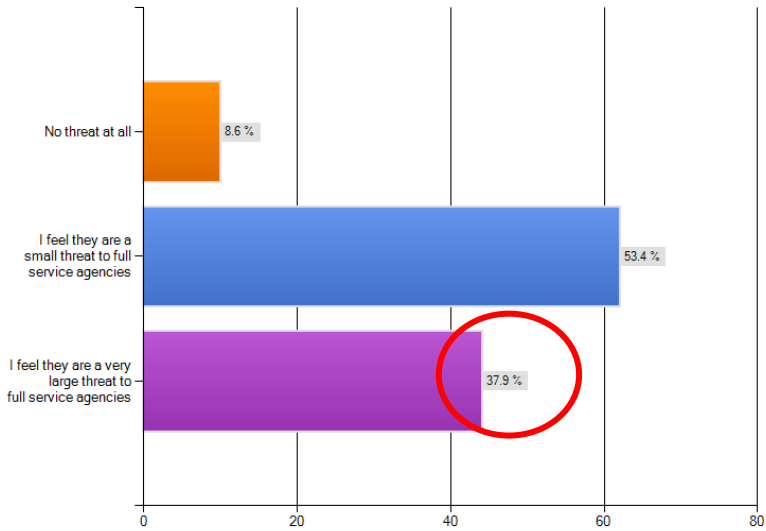
How much of a threat do you believe Digital-Only shops are to traditional, full service agencies?



We then asked if a digital firm also offered traditional services - if that changed the "threat level" to any degree. While not a dramatic shift in how Agencies and Marketers think digital firms would impact full service firms, but there's clearly a shift, with more of both groups feeling that it would prove a more significant threat to full service agencies.

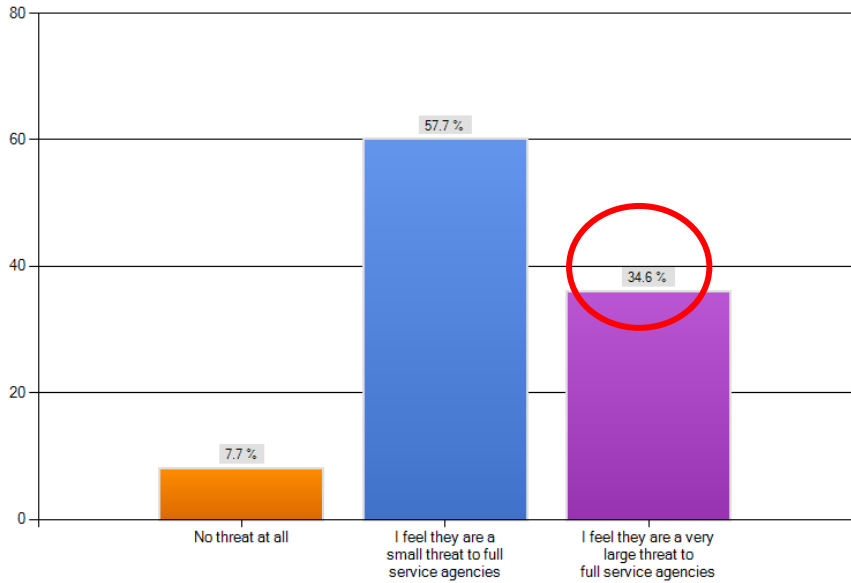
Agencies

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



Marketers

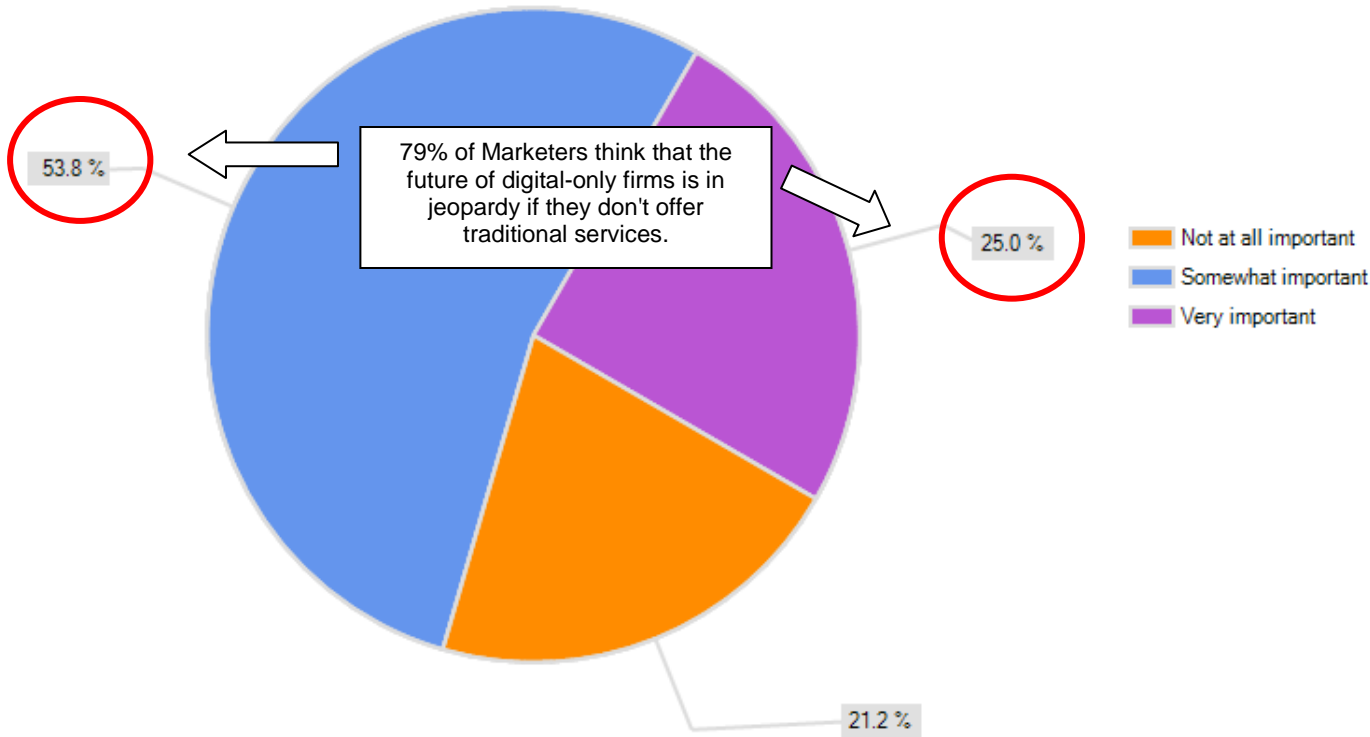
How much of a threat do you believe Digital shops that also play in the traditional space are to traditional, full service agencies?



And finally, when asked how important it is for digital firms to offer traditional services in order to survive long-term, 79% of Marketers (and 75% of Agencies) feel it was either somewhat or very important. These findings are consistent with past surveys we've conducted and continue to suggest that the talents that once were unique to digital firms only, are now more easily transferring to traditional, full service Agencies - and consequently are becoming less unique.

Marketers

How important do you feel it is for digital firms to offer traditional media services in order to survive long-term?



Implications: Digital-only firms won't go the way of the dinosaur, but they will face challenges in finding new business if they aren't capable of looking at a marketer's challenge in a more holistic, fully integrated manner.