

AGENCY OUTLOOK  
REPORT 2008





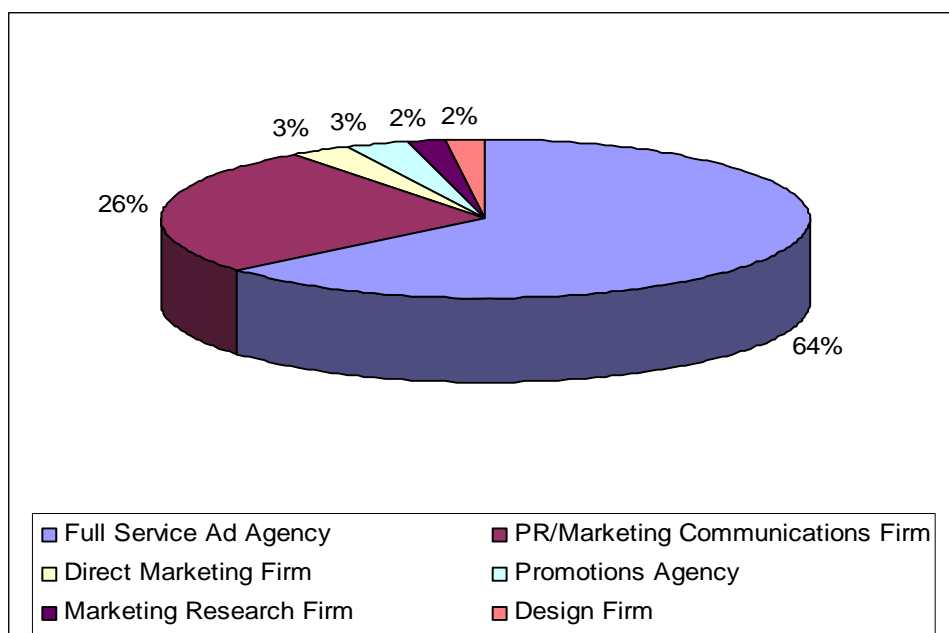
## Background

The 2008 RSW Agency Outlook Report was completed by 103 key agency principals during August 2007. The purpose of the survey was to glean insights about the 2008 business climate that could prove of value to agency principals as they prepare for the upcoming year.

The sample came from a database of agency principals ranging from under \$5M in capitalized billings to over \$50M. The disciplines of each agency varied from full service ad agencies to promotions agencies as shown in the breakdown below.

As usual, we leave the interpretation of our detailed findings to you. You know your business and you know how to use this stuff, so we won't teach you how to suck eggs. Instead, we have prepared an overall executive summary for ease of reference.

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## **Overall Survey Implications**

Many agency principals feel 2008 will be a more competitive landscape. Nearly 50% of agency principals believe there will be more agencies in the market in 2008. Additionally, 85% of respondents stated they will be more aggressive in their approach to win new business in 2008 versus the previous year.

Despite the increased level of competition, 86% percent of agency principals still feel their business will grow in 2008. 50% principals also stated they plan on hiring more personnel for the upcoming year, further supporting their confidence

Agency principals believe the largest increases in new business will come in the form of acquiring new clients and offering innovative solutions to client needs. 65% believe increases in business will come by increasing the quantity of clients on the roster, while nearly 60% believe the key to success is by offering innovative, interactive & digital solutions.

Implications: More competition among agencies coupled with a more aggressive approach by firms to win new business will make it tougher for agencies to acquire new clients. Our experience suggests that the days of great referrals and networking is slowing down. As companies consolidate on the client side and as we see here, the number of agencies grows (and gets more aggressive), there will be an ever-increasing need to get more focused on business development.

The bottom line is the sooner agencies can become aggressive in acquiring new business with a differentiating and consistent approach, the quicker the agency will find itself in a better place.



## Executive Summary

- Overall, nearly all principals see their agency's business performing as well or better than the previous five years. Of the respondents, 84% state that the next five years will be better and an additional 11% stated their agency's business will be the same over the next five years. Specifically for 2008, 86% of agency principals felt their business would grow.
- According to respondents, 38% believe the type of agency that will be most successful in 2008 will be ad agencies with a specialized focus or service. 32% state full service ad agencies will be the next most successful with an additional 24% stating PR & Marketing Communications firms as the next most successful.

Implications: As the climate shifts and the next five years look favorable for all agency types, agencies will need to work to even better differentiate themselves to help prospect clearly recognize their value and potential for success. A specialized focus on a given process or category can help position agencies as experts and can elevate an agency from the pack. The key is unearthing the reason to believe that your agency is different and better and then consistently and aggressively marketing that value.

Reasons to believe can be born in the form of a process, a methodology, a source of insights, or expertise in a category or a marketing function. Any of these can be made compelling if positioned well and aggressively sustained in your outreach to prospects.

- Historically, 64% of the agencies surveyed have grown their business by increasing the number of clients, with the rest growing their business by increasing the volume of work done with current clients.
- Increasing the quantity of clients was noted as the key to success in 2008 for 65% of principals polled, followed closely by increasing the quality of service offered to clients (59%) and offering innovative, interactive & digital solutions (57%).



- 84% of all principals state their agency will be more aggressive than last year in how they approach winning new business in 2008 versus the previous year. 15% stated they would take the same approach in 2008, with only 1% stating they will be less aggressive.

Implications: While confidence is high that agency business will grow in 2008, and over the next 5 years, the industry is becoming more competitive as more agencies enter the landscape. Not only do we foresee more competitors, but as agencies take a more aggressive approach to win new business by targeting new prospects the challenge to secure new business will prove even tougher. Within such a competitive space, your average firm will need to be creative and relevant to break through.

Our experience and broad exposure to the industry indicates that most agencies are no longer relying on referrals and networking to build business- because it simply isn't as beneficial as it once was. More agencies are exploring either internal or external solutions to address the demands of a more aggressive business development program. After all, agencies aren't in the business of being experts at business development – they are in the business of being expert at creating ideas.

- Nearly two-thirds of agency principals believe the hottest mediums for 2008 will be interactive marketing, email, and online advertising. An additional 12% stated that viral marketing and word-of-mouth would be hot next year.

Implications: If you're not utilizing interactive as part of the mix you present to your clients, you had better get started. Don't just think in linear terms like web design, banner ads, etc. Think about interactive as a great way to create a multi-level communication program. If your agency doesn't have the experience in-house to develop these initiatives, there are plenty of independents on the outside that can assist.

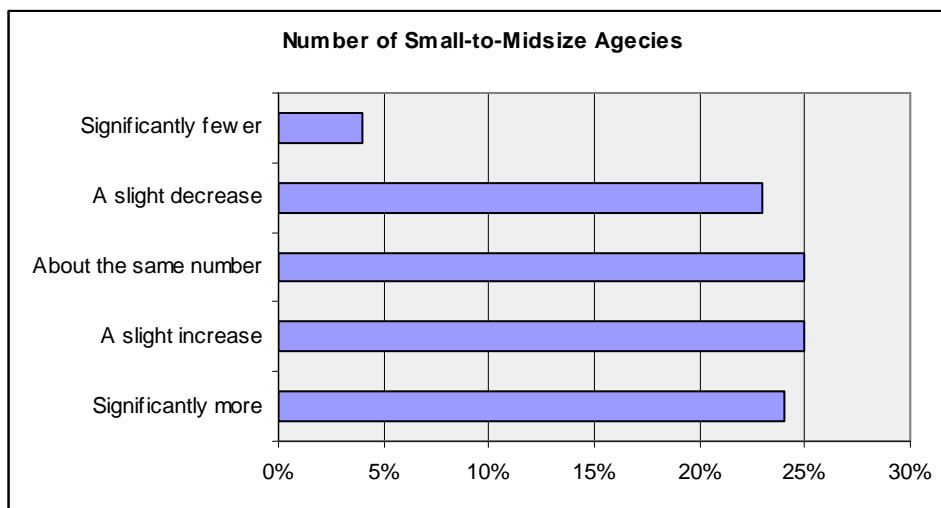
- 50% of principals stated that "lack of category experience" was the top reason why they didn't pursue and/or weren't successful at winning business.

Implications: Numerous agencies want to play in the hot categories, but the simple fact is not all of them can. Agencies need to go beyond simply leveraging their categorical experience and find ways to make reach outs relevant and tie client issues back to issues they've solved for their clients.

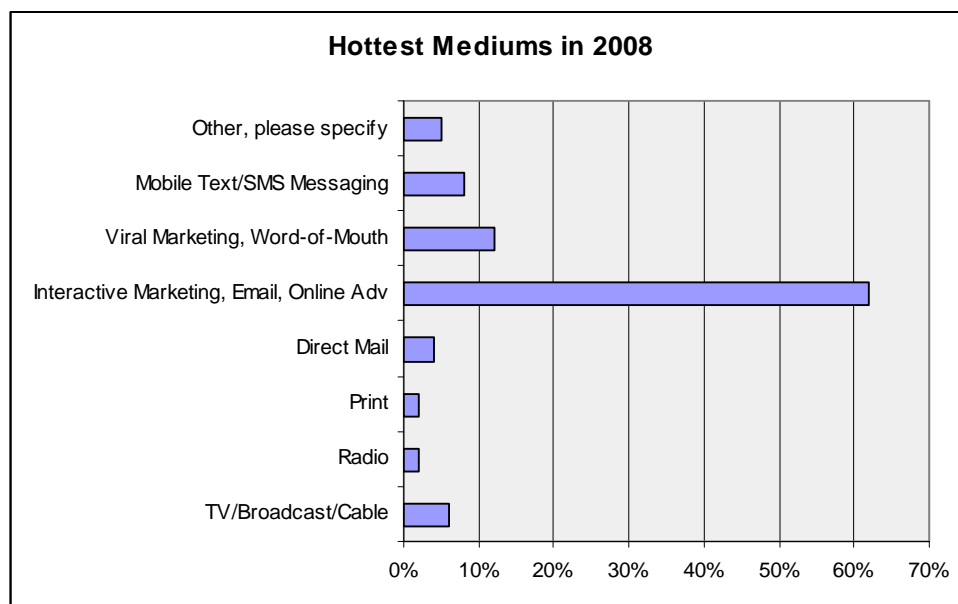
Think in terms of that can change the course of the discussion. Can you leverage similarities across demographics or types of issues facing your clients and the prospects? Can you utilize your methodologies or processes to showcase how you would solve the particular issue facing the prospect? While category experience is usually the first question asked, it doesn't have to be the only avenue to winning new business.



1. Looking out over the next 5 years how many small-to-midsize agencies do you think there will be:

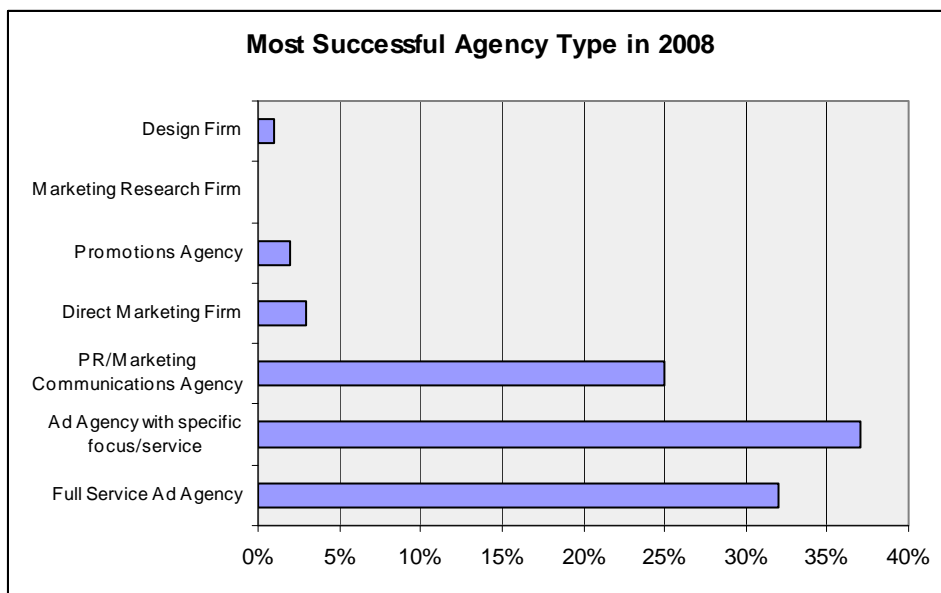


2. Which medium do you think will be hottest in 2008?

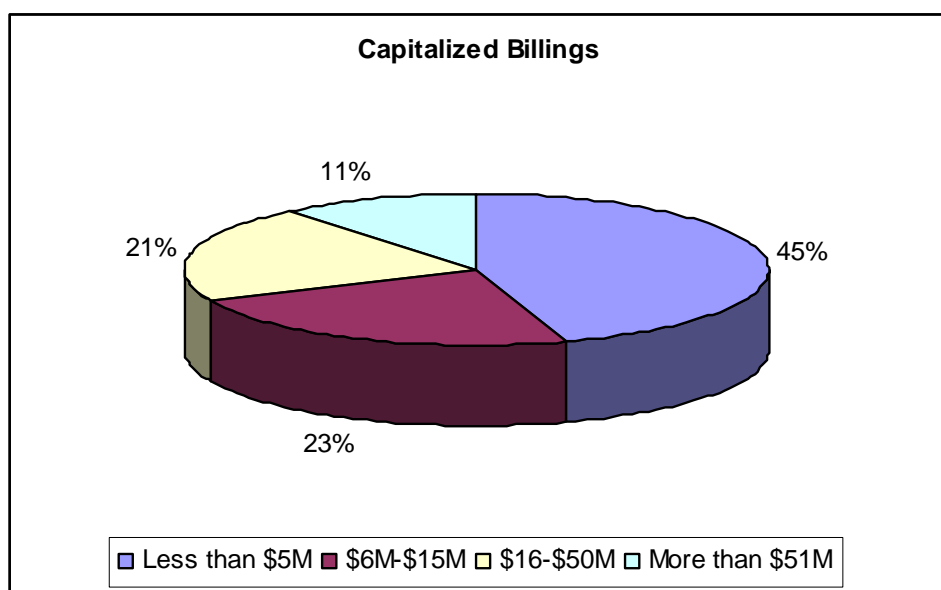




3. What kinds of agencies do you feel will be most successful in 2008?

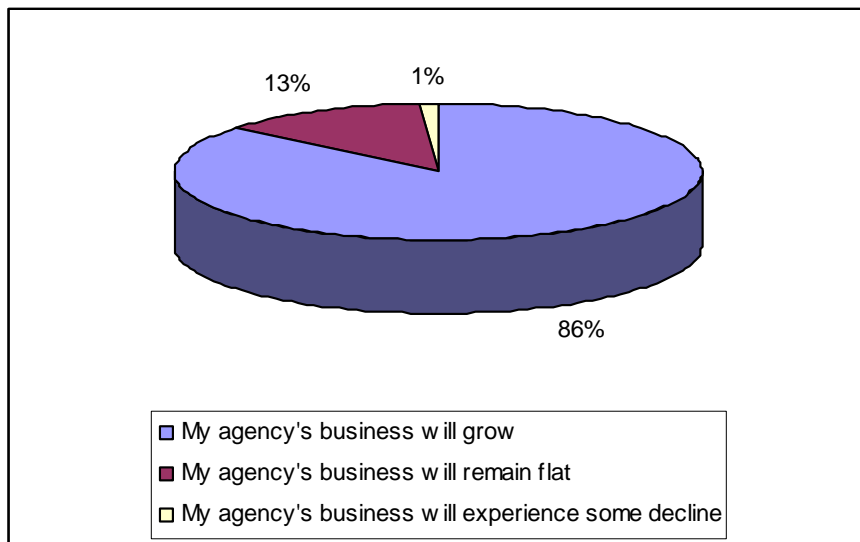


4. (optional) Please select one of the following that best describes your agency relative to capitalized billings:

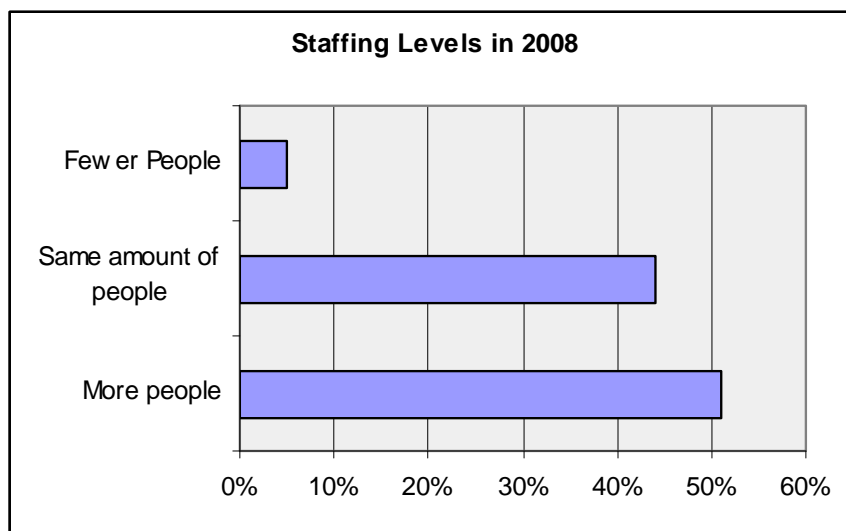




5. In general, how are you feeling about your agency's business for the upcoming year?

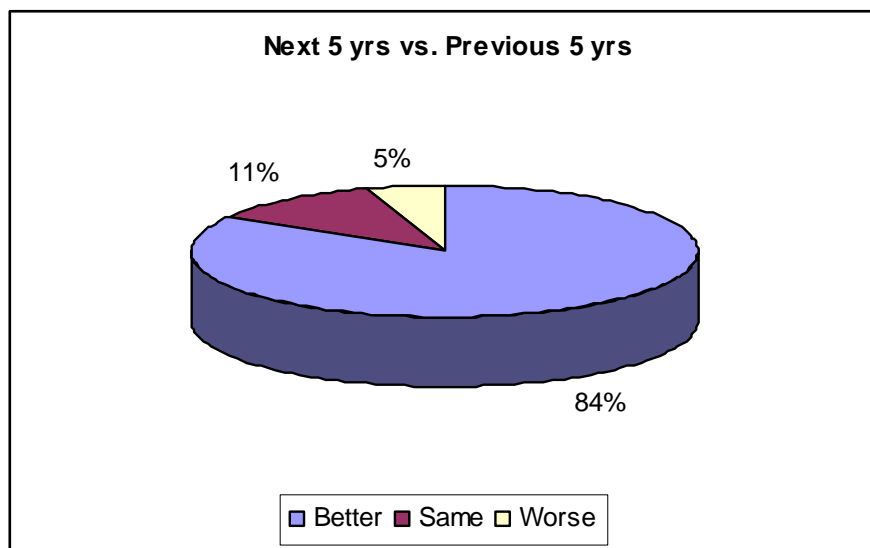


6. In terms of personnel, how do you see your staffing levels changing in 2008 versus the previous year?

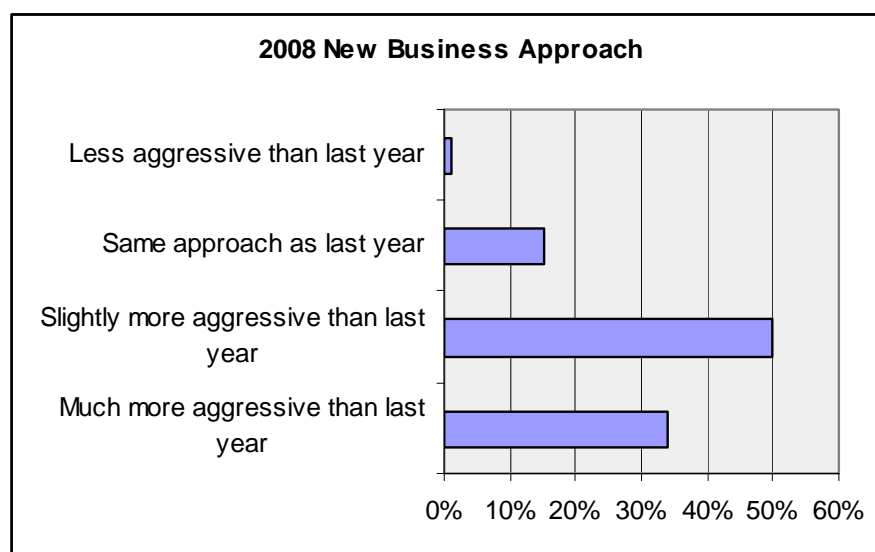




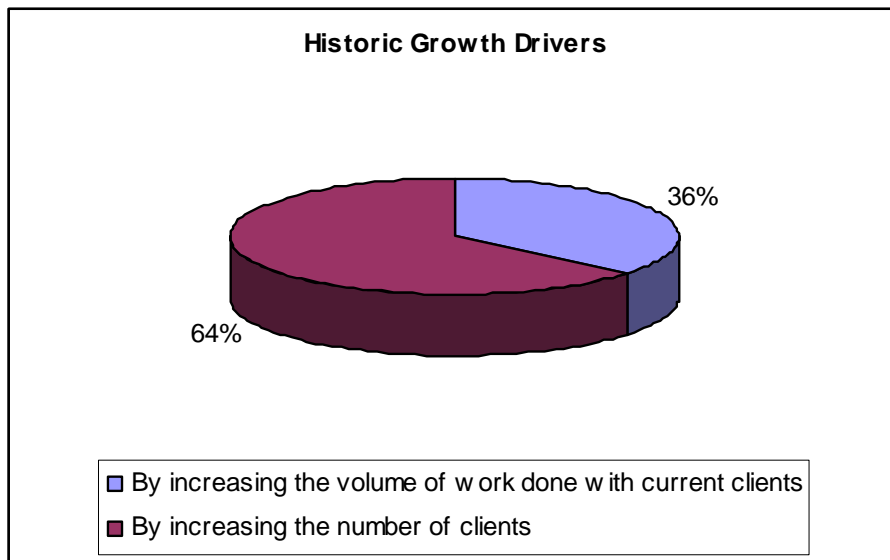
7. As it relates to your agency's business, how do you see the next five years as compared to the last five years?



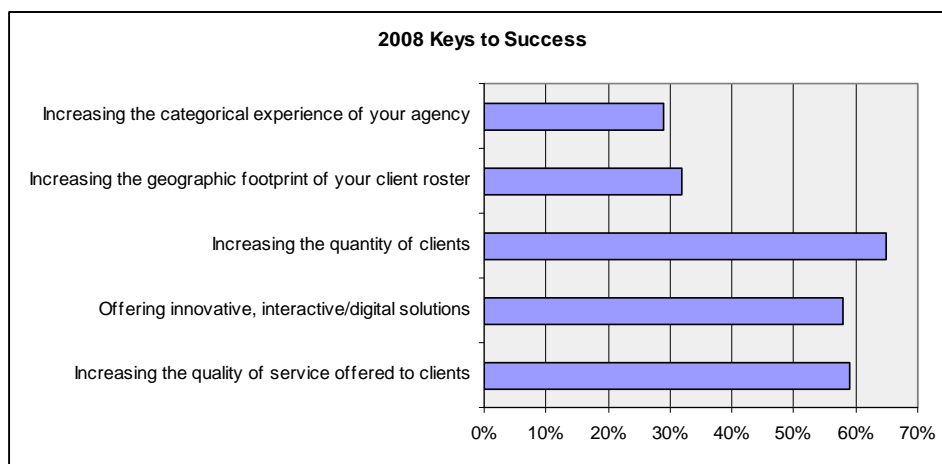
8. Describe how aggressive your agency will approach winning new business in 2008 versus the previous year.



9. Historically, how have you grown your business?



10. Please select the potential keys to success for your agency in 2008. Select all that apply.





11. What industry do you think will be hottest for small-mid-size agencies in 2008?

