

RSW/US
Agency-Client Relationship Experts

NEW BUSINESS REPORT 2017



RSW/US is the Nation's #1 outsourced lead generation/business development firm for marketing service firms.

INTRODUCTION

This survey was commissioned by RSW/US. RSW/US is the Nation's #1 outsourced agency new business firm. We work with over 50 agencies of various types/sizes, operating as their outsourced sales & marketing team. RSW/US was founded in 2005.

In 2010, RSW created RSW/AgencySearch. To-date, RSW/AgencySearch has managed over 30 searches for brands across a variety of industries.

Exposure to both the agency and marketer worlds presents unmatched perspective to RSW on the advertising and marketing industry. Insights in this survey report are enriched by the benefits of this unique perspective.

To learn more about RSW/US, visit www.rswus.com.

To learn more about RSW/AgencySearch, visit www.rswagencysearch.com.

This is the 5th annual Agency New Business Survey. This report presents comparable data that is available across all four previous surveys, providing insight on trends in key areas over the years in this survey.

Over 5,000 Agency executives nationwide had the opportunity to participate in this 2017 RSW/US Agency – Client survey. On the Marketer side, over 10,000 marketing decision makers were enlisted.

The market is obviously changing at a rather rapid pace. While the opportunities for new business continue to grow, it appears that agencies are having a harder time breaking through to marketers – in part because marketers have so little time, and in part because there are hundreds of other agencies, just like yours, trying to do the same thing every day.

Our hope is the key findings and implications of the study presented in this report provide value to you as you develop your plans for 2018.

If you would like to reproduce any of our findings in any format whatsoever, please contact either Mark Sneider or Lee McKnight Jr.:

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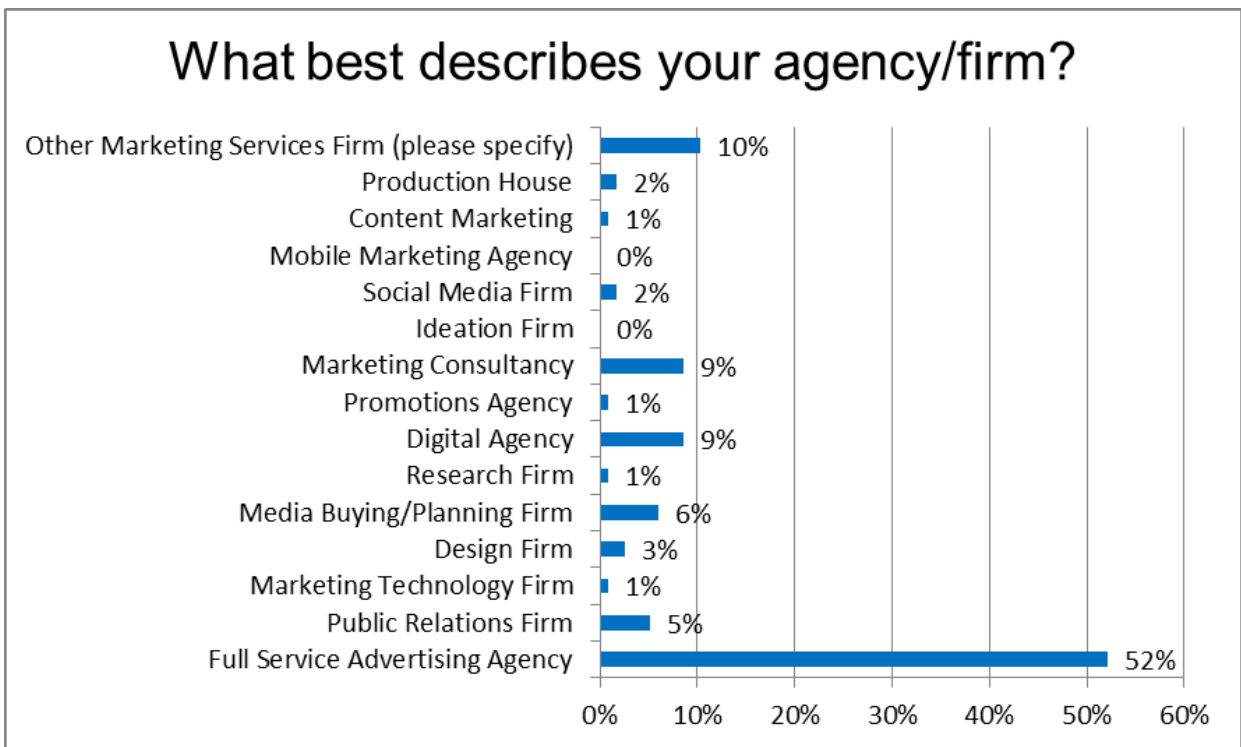
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AGENCY PROFILE

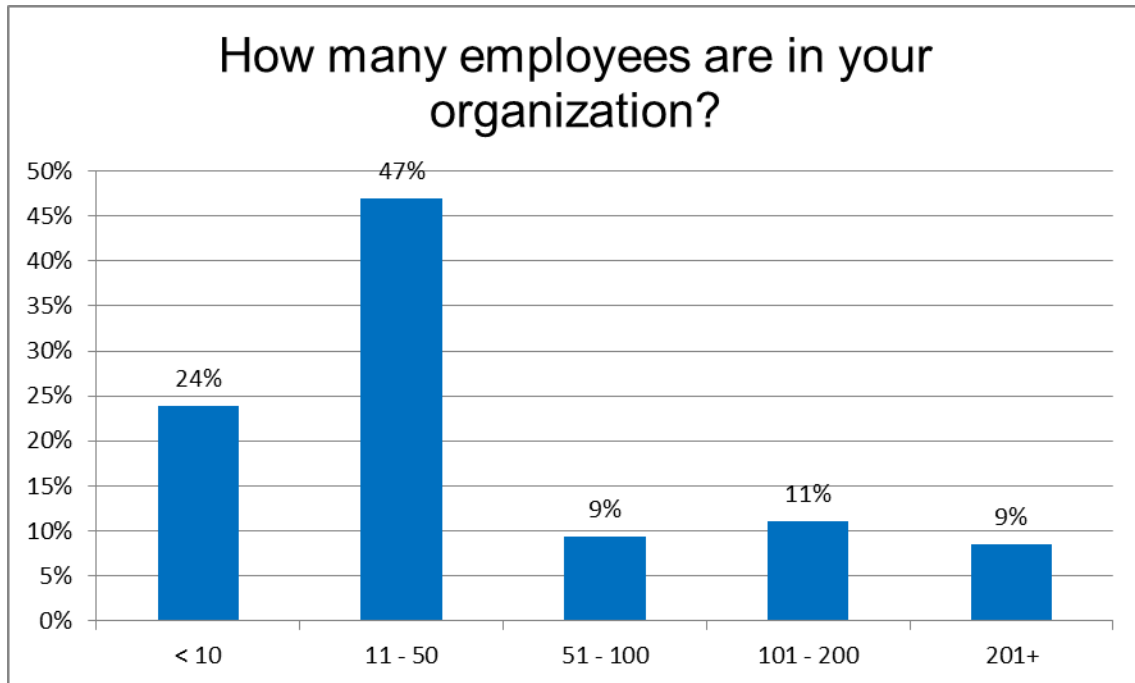
**AGENCIES ACROSS THE UNITED STATES RESPONDED TO THE SURVEY.
ALL TYPES AND SIZES OF AGENCIES PARTICIPATED:**

Primary area of agency expertise



"Other" included: branding/creative agency, shopper marketing, brand development

Agency size (# of employees)



In the first part of this report, we focus on New Business Directors – their challenges, opportunities, and tenure.

In the second section, we'll speak specifically about the business of new business and how it is becoming ever more challenging.

In the third section, we'll review the changing nature of new business and what this means for agencies as they look to the future.

In the fourth section, we'll review the world according to the marketer – and discuss what it all means for agencies.

In the fifth section, we'll let you know where you (as an agency community) stand in the eyes of the marketer.

In the sixth section, we'll take another look at Virtual Reality – a topic we visited with Adweek last year.

And finally, we'll present some interesting findings about Facebook, Twitter, and LinkedIn. If they were people, we'll tell you what agencies and marketers think they'd be like. Fun stuff!

NEW BUSINESS DIRECTORS

The first set of questions center on how agencies staff for new business development and the success of their current programs.

MORE THAN HALF THE AGENCIES SURVEYED REPORT THEY HAVE NOT APPOINTED A NEW BUSINESS DIRECTOR TO THEIR STAFF FULL TIME:

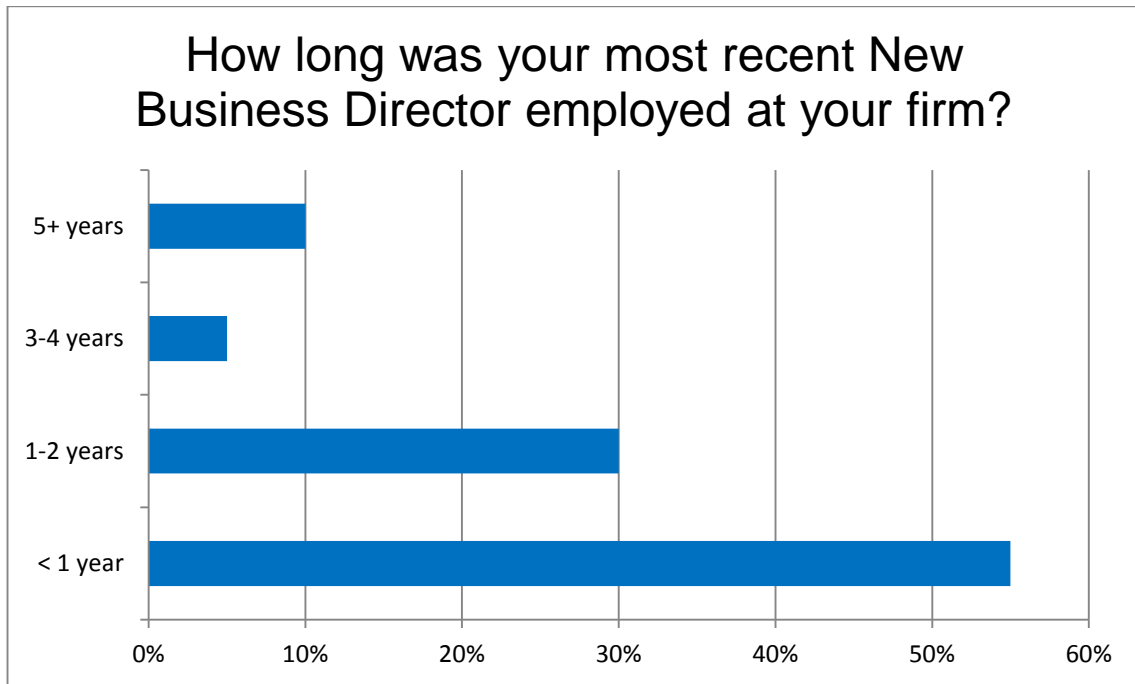


Of those agencies with a New Business Director on staff, only 20% state they have been “very successful”, with 40% stating they have either been unsuccessful or middle of the road in terms of their performance.

Turnover in this position is rapid – faster than their CMO counterparts (currently at 42 months). Among those agencies that have had a New Business Director on staff, 85% of the agencies responding state their New Business Director lasted less than 2 years.

In 2014, Adweek called the job of being a New Business Director “one of the most dangerous jobs at an agency”, basing their findings on the results from our survey in that same year.

NEW BUSINESS DIRECTOR TENURE

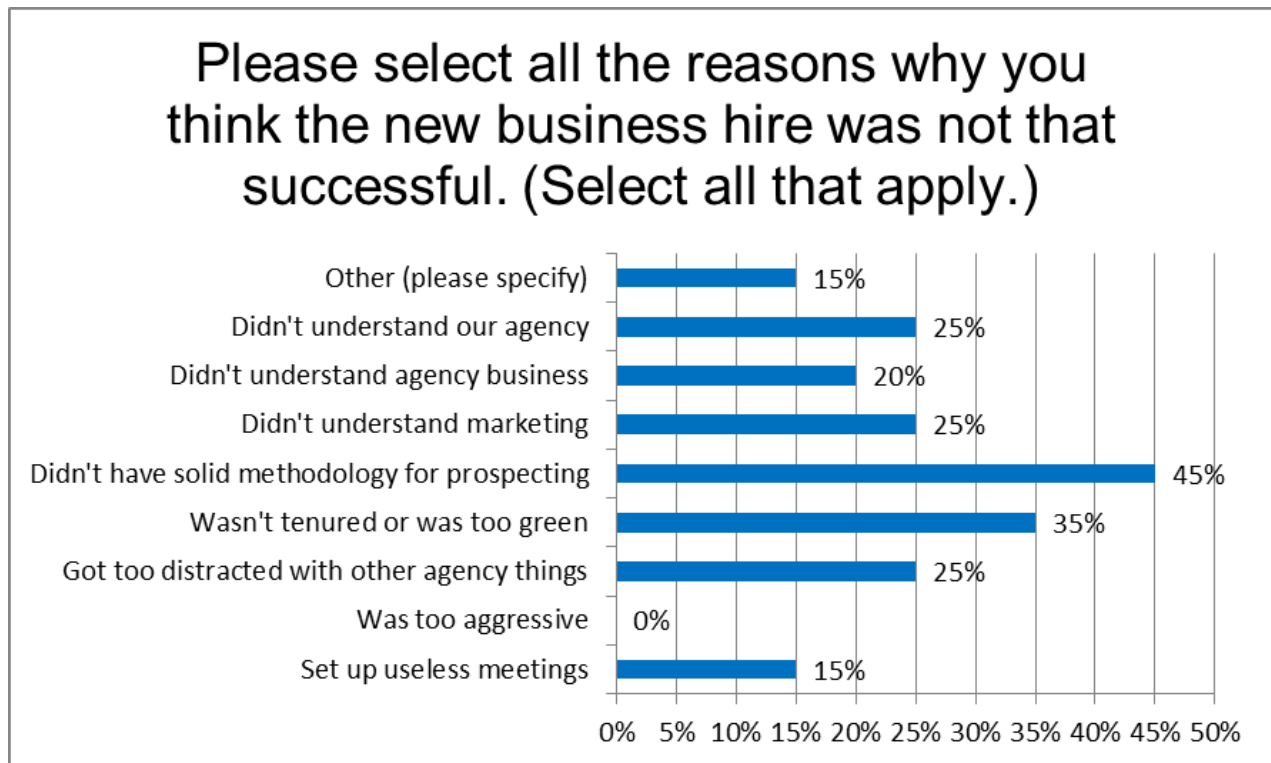


***85% OF THE AGENCIES RESPONDING STATE THEIR
NEW BUSINESS DIRECTOR LASTED LESS THAN 2 YEARS***

IMPLICATIONS

A big part of the problem...and we see this consistently, year-after-year, is unsuccessful New Business Directors failing primarily for the following reasons:

- 1) They don't have a well-organized methodology.
- 2) They are too green and not tenured enough.
- 3) They get easily distracted by all the other things going on in an agency.



Factors hindering success for New Business Directors 2010 through 2016

	<u>2010</u>	<u>2012</u>	<u>2014</u>	<u>2016</u>
Set up useless meetings	36%	33%	19%	20%
Was too aggressive	7%	11%	9%	4%
Got too distracted with other agency things	36%	44%	38%	28%
Wasn't tenured or was too green	n/a	n/a	22%	28%
Didn't have solid methodology for prospecting	43%	56%	66%	48%
Didn't understand marketing	29%	28%	16%	16%
Didn't understand agency business	36%	39%	19%	24%
Didn't understand our agency	71%	44%	25%	16%
Other (please specify)	43%	28%	28%	40%

IMPLICATIONS (CONT'D.)

Having a well-organized methodology is critical to the success of any new business program. In order to be successful, one has to be disciplined in their approach and have the tools and processes in place to deliver for their agency.

And too often, agencies bring in young kids that “have a lot of energy” that simply don’t pan out. They get distracted, they don’t know the business of marketing and they have a hard time selling the ethereal services of an agency. Energy and youthfulness are not a recipe for success.

At RSW/US we go through great pains to ensure that New Business Directors can answer tough questions about marketing and advertising. We make sure they can effectively write and think about how to translate an agency’s work into the act of selling a marketer. And we test them with Sales Assessment tests to insure their profile matches the profile of our most successful performers. And once they get started, they have the tools, the training, the support, and the disciplined environment to provide for the best possible chance for success.

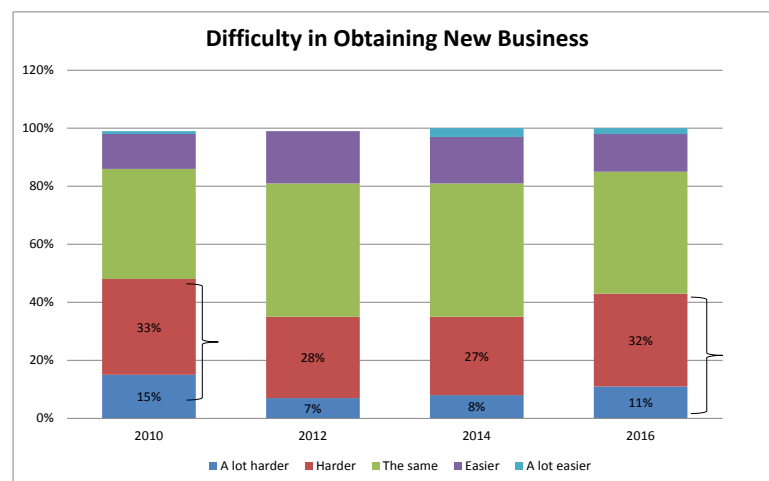
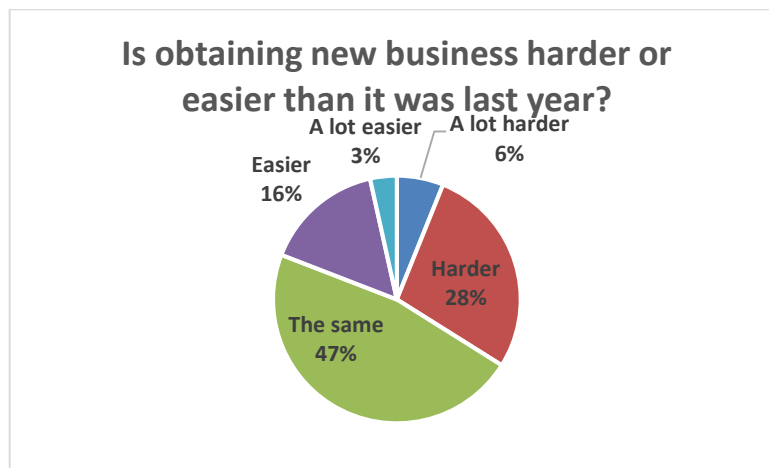
So while you don’t have to necessarily go to all the steps that we take, it is important as an agency, to make sure you’re doing your due diligence when hiring for this position.

***ENERGY AND YOUTHFULNESS ARE NOT RECIPES FOR NEW
BUSINESS DIRECTOR SUCCESS!***

NEW BUSINESS ENVIRONMENT TOUGHER?

Regardless of whether an agency has a New Business Director or not, only a small handful of agencies think the business of new business is getting easier (19%). 34% state that it's getting tougher to find new business and about half (47%) feel that it is about the same.

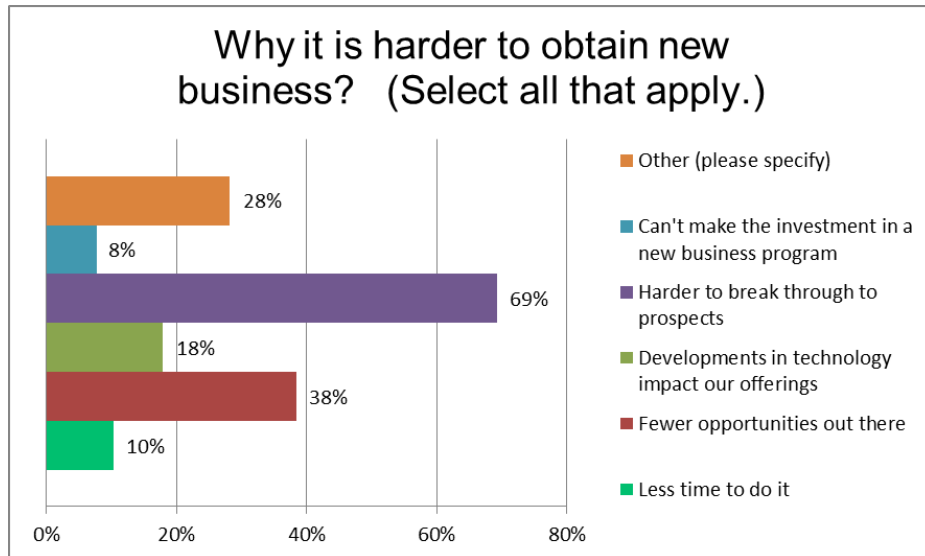
The good news is that while new business is still no easy task, it appears to not be quite as difficult as it has been in years past. Last year, 42% of agencies said it was "harder" or "a lot harder" to obtain new business. This year, that number was down to 34%.



**34% OF AGENCIES SAY FINDING
NEW BUSINESS IS GETTING TOUGHER!**

There are a whole host of reasons why the agency new business world is tough to operate in, the biggest of which is the difficulty agencies are having in trying to break through to marketers – as noted below, this isn't a problem that's going away...seems to only be getting worse. Factors influencing this include:

- Fewer marketers being worked too hard, so they don't have the time to meet with you
- Fewer companies, which means fewer marketers moving from company to company creating networking and referral opportunities
- Technology (anti-spam) filters blocking emails
- Abundance of platforms/ways to reach a marketer requires disciplined approaches
- Agencies not being properly prepared to manage an agency new business program
- New Business Directors not using effective processes, messaging, tools to bust through



"Other" included things like "work being brought in-house", "smaller budgets", "more players in the mix", "so many companies doing what we do".

	2014	2016
Less time	21%	15%
Fewer opportunities	45%	46%
Impact of Technology on Offerings	n/a	9%
Harder to break through	71%	63%
Can't invest in new business program	16%	17%
Other	11%	30%

**69% OF AGENCIES SAY IT'S TOUGHER TO
BREAK THROUGH TO PROSPECTS!**

We see the impact and effects of the changing landscape in the year-to-year results below. The old tried and true resources for new business are still tried and true, but the declines suggest that new ways of sourcing new business have to be part of the overall new business plan for an agency.

While still not significant in the absolute, we are seeing signs of more agencies trying more proactive prospecting techniques – like phone, email, research to help them find new opportunities.

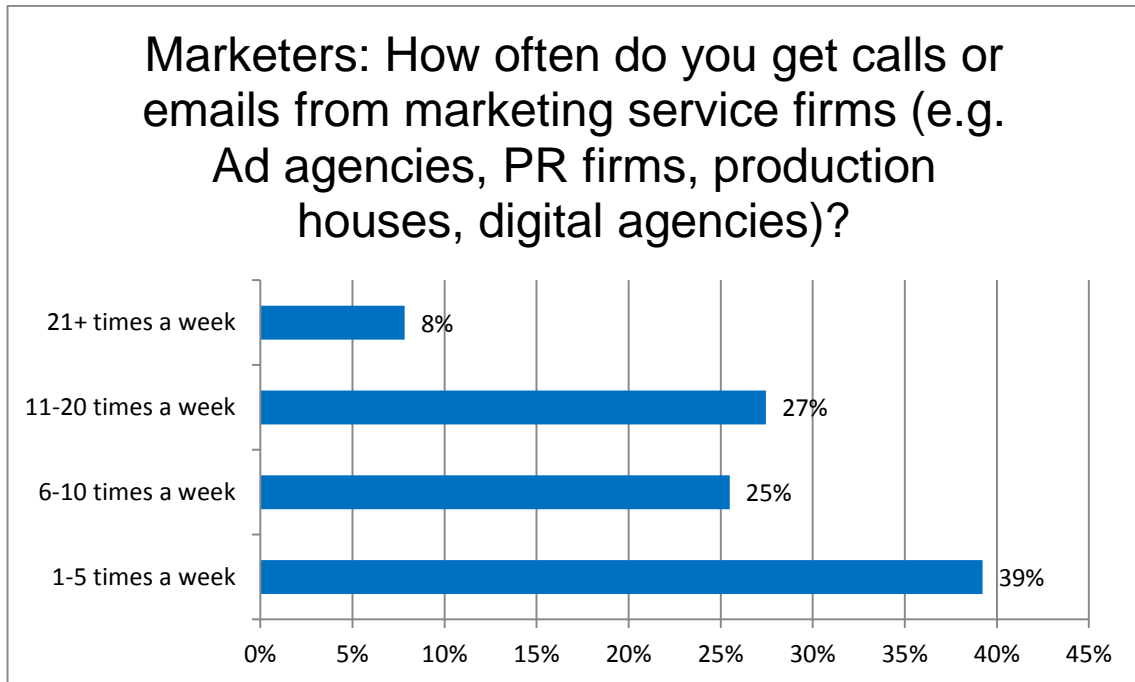
**WHAT 3 MARKETING TOOLS HAVE BEEN MOST EFFECTIVE AT GENERATING NEW BUSINESS?
(SELECT UP TO 3)**

	<u>2017</u>	<u>2016</u>
Emails	13%	9%
Presentations or speaking engagements	18%	14%
Business from existing clients	50%	60%
Conferences	12%	12%
Networking	56%	59%
Phone calls	12%	8%
Organic search	10%	12%
Paid search	7%	5%
Referrals	64%	74%
Social Media	9%	12%
Paid online marketing	2%	2%
Inbound marketing programs (like HubSpot or SharpSpring)	6%	8%
Publications (books, whitepapers, guest blogging, etc.)	4%	3%
Traditional mailings (letters, brochures, etc.)	2%	3%
Marketing intelligence resources (like Access Confidential or Daily Vista)	5%	1%
Other, please specify	10%	7%

***REFERRALS AS A SOURCE OF NEW BUSINESS DROPPED
10 PERCENTAGE POINTS YEAR-TO-YEAR!***

Another big reason why it's tougher for agencies to prospect for new business is because there are now so many of you doing it...and so many of you trying to bust down the same doors.

Marketers tell us they get calls from agencies at some pretty high numbers. 8% of marketers tell us they get over 21 calls from agencies a week! 60% of marketers are getting 6-10+ calls a week from agencies.



***60% OF MARKETERS ARE GETTING 6-10+
CALLS A WEEK FROM AGENCIES!***

IMPLICATIONS:

So what's an agency to do? In addition to the many things mentioned above related to new business program processes and agency New Business Director talents, it is also important for agencies to think about the messaging they are moving into market.

Over half of the agencies responding to this survey consider themselves full service agencies. It's certainly fine if you are (and frankly, the more an agency can offer fuller integration the better), but it is important that you effectively define who you are and why a marketer would want to see you.

Regardless of area(s) of expertise, it is critical that an agency defines itself and positions itself well and makes it clear to the marketer why they should sit down and talk with you.

When we kick off new programs with clients, we dig for the RTBs (reasons to believe) why a marketer should even pick up the phone and listen.

It isn't because you're smart and strategic and nice to work with. It's not because you have long-standing clients or your principals used to work for a big agency and got tired of the politics. Pick an agency and they can make the same claim.

IT'S ABOUT OWNING SOMETHING (A CATEGORY, AN APPROACH, A TECHNICAL EXPERTISE) AND LETTING MARKETING PROSPECTS KNOW THAT THIS IS WHAT YOU'RE GREAT AT.

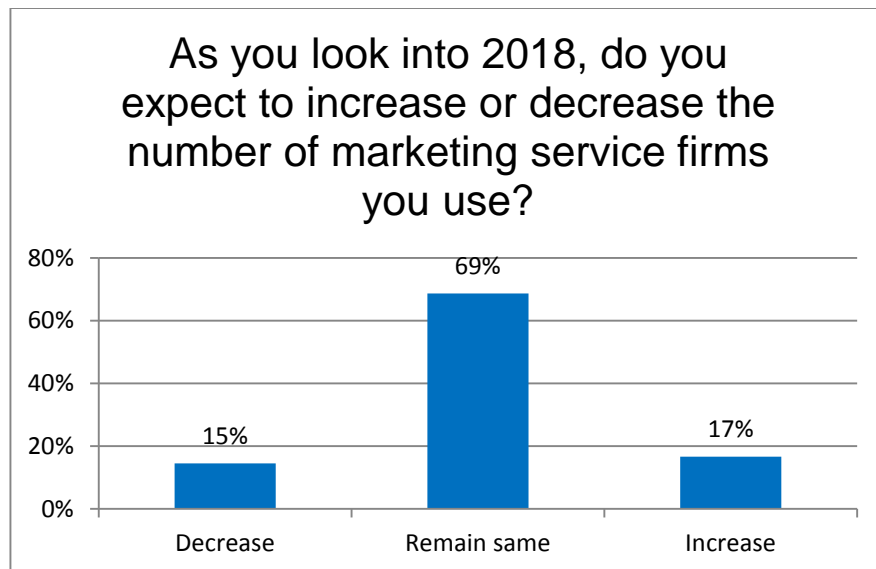
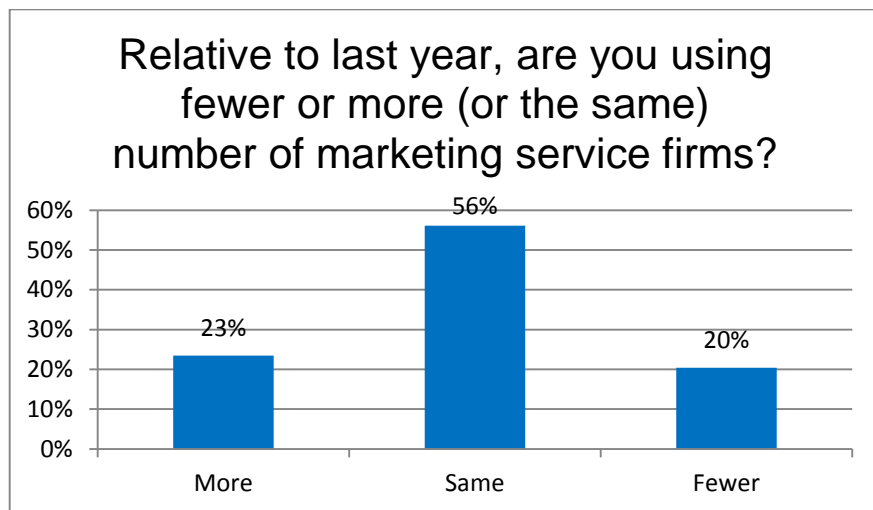
NEW BUSINESS ENVIRONMENT CHANGING?



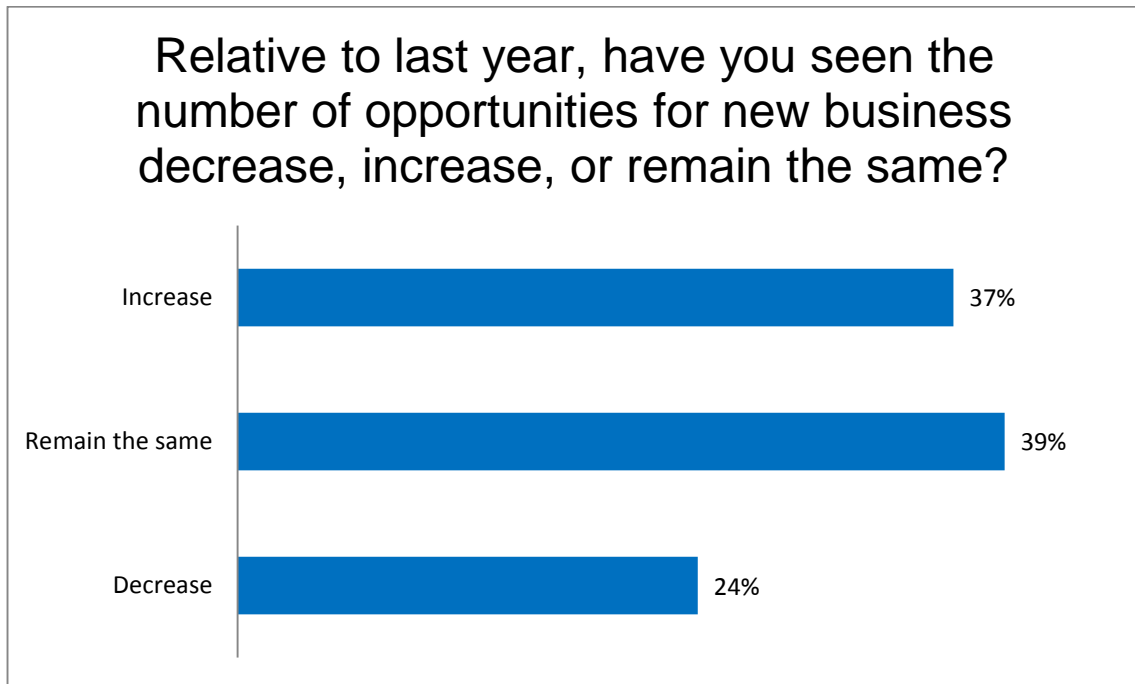
One thing that doesn't appear to be changing is the number of marketing service firms that marketers expect to use.

While we'll see in a minute that project parsing continues to be a growing practice among marketers, the absolute number of agencies in a marketers stable isn't changing.

So if you get that project opportunity because a marketer wants to "sample" your firm, it means you're going to have to doubly impress if you're going to have any shot of knocking out one of the AORs or one of the firms that is on the continuous project wheel with that marketer. Marketers apparently have their limits relative to how many firms they'll use.



The positive change is that the opportunities appear to be there, and seem to be growing in number. The absolute value of each new opportunity might not be as robust as they once were (given the increased use of project work as engagement starters), but they are there nonetheless. A recent Adweek article talked about this very issue: [Account Wins Shrink by 38%](#)

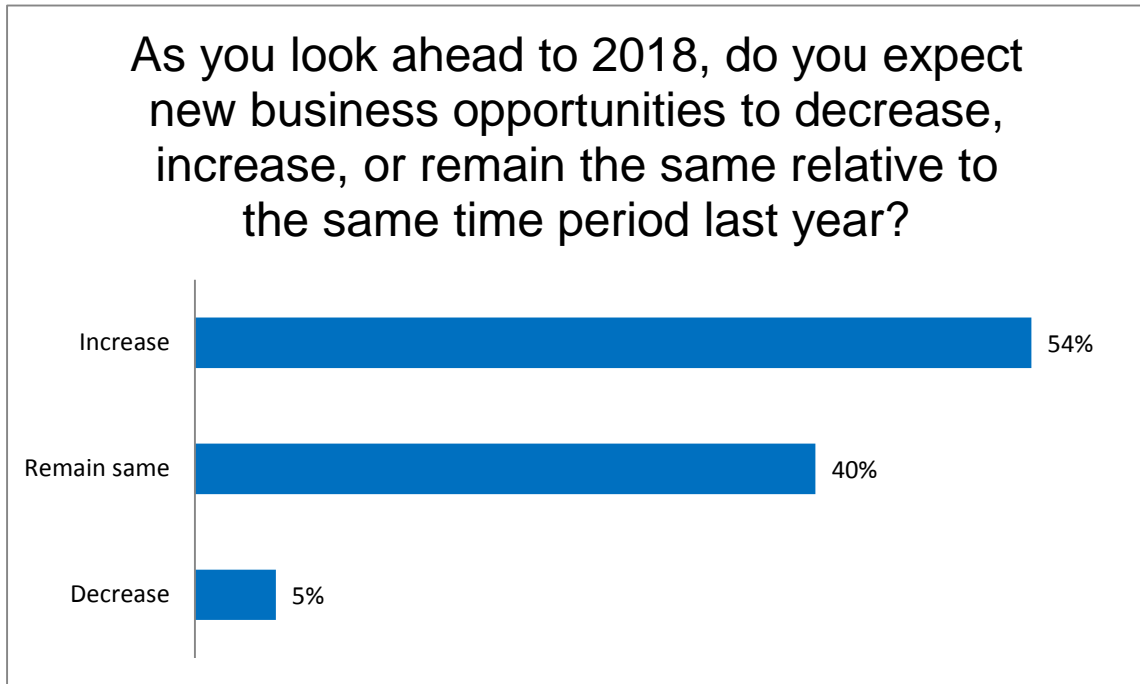


As we look back over a couple of our past reports, we see a more positive attitude about the potential for new business among agencies shaping up as we roll out of this year – as compared to years past.

	<u>2014</u>	<u>2016</u>
Increase	19%	31%
Remain the Same	35%	39%
Decrease	46%	30%

***AGENCIES ARE MORE OPTIMISTIC THAN IN YEAR'S PAST
ABOUT THE VOLUME OF NEW BUSINESS OPPORTUNITIES!***

As we look to '18, the feeling among agencies remains strong, with 53% of agencies feeling that next year will bring more opportunities than they did this year.



While this outlook is considerably more optimistic than it was in 2014, it is a slight decline relative to 2016's euphoric 60% level. The slight dip could reflect some decline in certainty relative to the economy or growing concerns about the continued move by marketers to shift some of their work in-house.

	<u>2014</u>	<u>2016</u>
Increase	42%	60%
Remain the Same	44%	31%
Decrease	14%	8%

IMPLICATIONS:

The bottom line in all of this is that if an agency is to survive, they are going to have to look at opportunities as they might look at a financial investment. You need to ask yourself if the project is the path to bigger and better things long-term. Are there multiple brands or divisions? How much visibility will this initial project get you? Do you have an opportunity to make a meaningful impact on the client's business? Not suggesting that you have to lose money on an initial project. It is just a matter of changing the way you look at the potential of a client engagement. Marketers are changing the way they look at you. You need to do the same with them.

A CHANGING MARKETER WORLD – ITS IMPACT

This is the first year we have asked marketers about their use of in-house agencies. In the past we've only asked agencies about the degree to which they have had to collaborate with in-house firms. Last year, 61% of agencies stated they had to collaborate with a marketer's in-house firm. This year, that number increased only slightly to 63%.

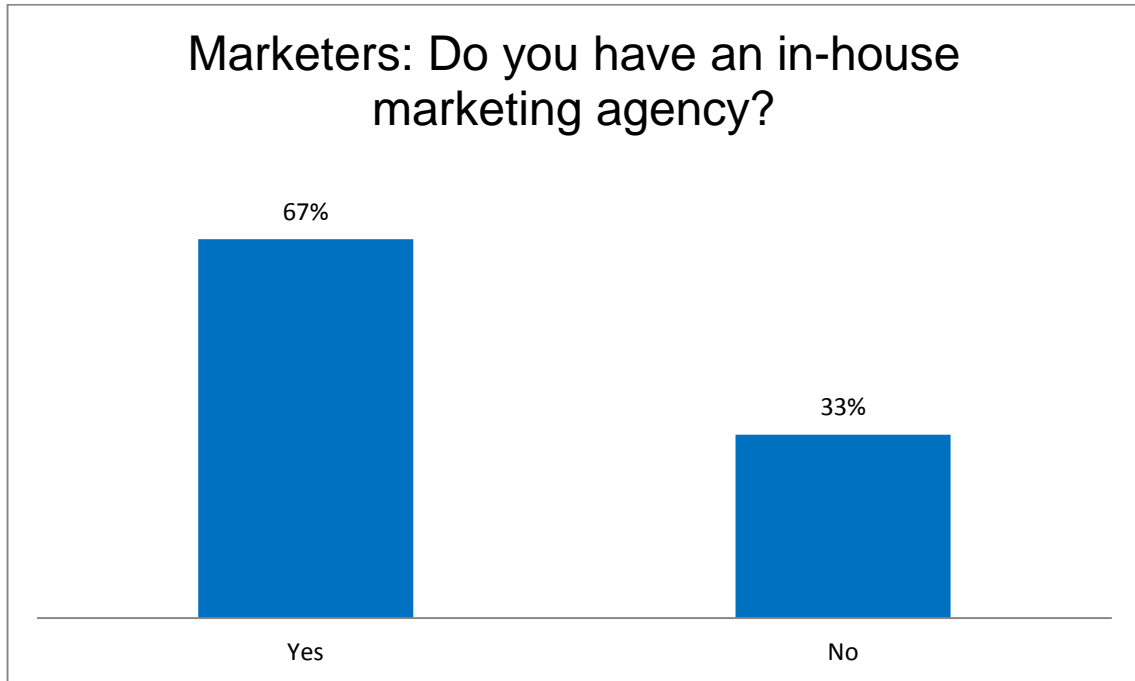
So it's not surprising that 67% of marketers state they have an in-house agency supporting their business.

Agencies indicated that collaboration with in-house agencies was in general, a positive experience:

- "We welcome that."
- "...We are still winning our share of AOR accounts, but often when that's not the case we collaborate (quite successfully) with other agencies."
- "Sometimes it does, but often the internal staff just coordinates projects and assists the agency in formation gathering and approvals."

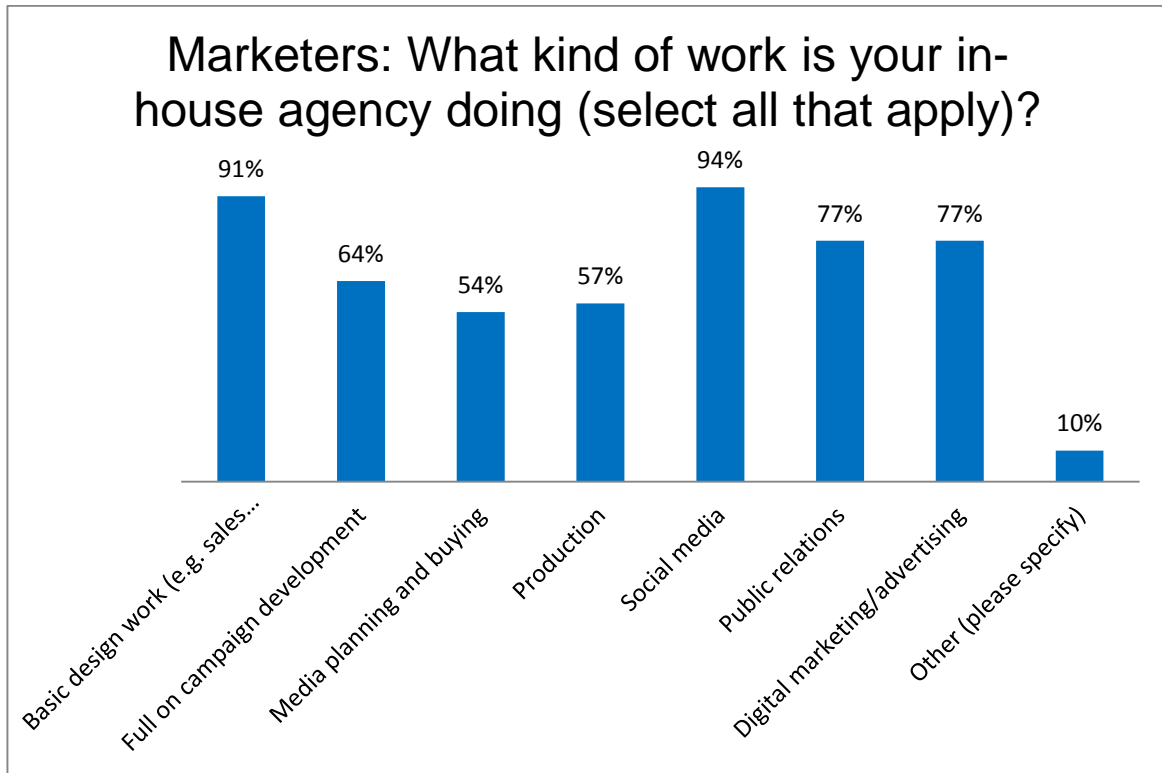
What's important for agencies to keep in mind is the importance of continuously adding value to your client. Being "outside" your clients' organization gives you an opportunity to study things about their firm and their industry and gather observations that can be unique only from an outside vantage point.

The other important thing to remember is when you can, avoid just being the creative vendor. Be the strategic steward of your client's business. Commit yourself and your firm to be more than students of your clients' businesses; commit to be experts in their industries. This extra effort brings benefit and value to your client and to your firm.



67% OF MARKETERS HAVE AN IN-HOUSE AGENCY!

The type of work marketers are having their in-house teams execute varies widely. Most are using in-house teams to do basic design work and social media. But there are also many who have used internal teams to manage full-on campaign development and support.

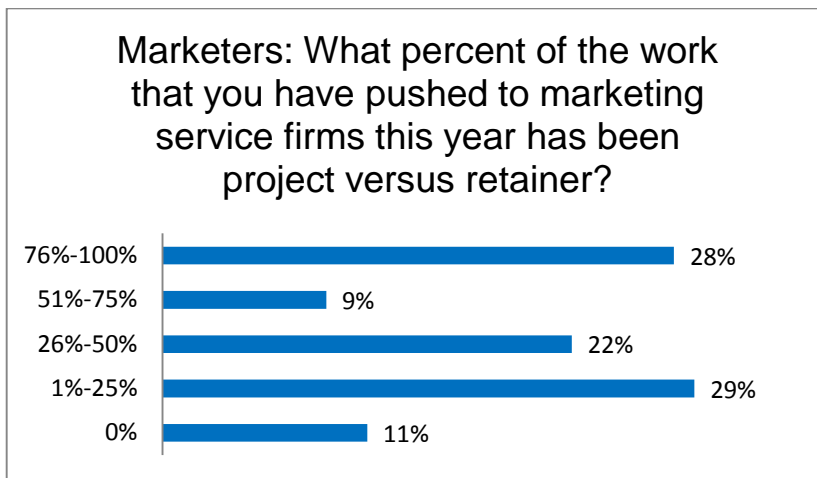
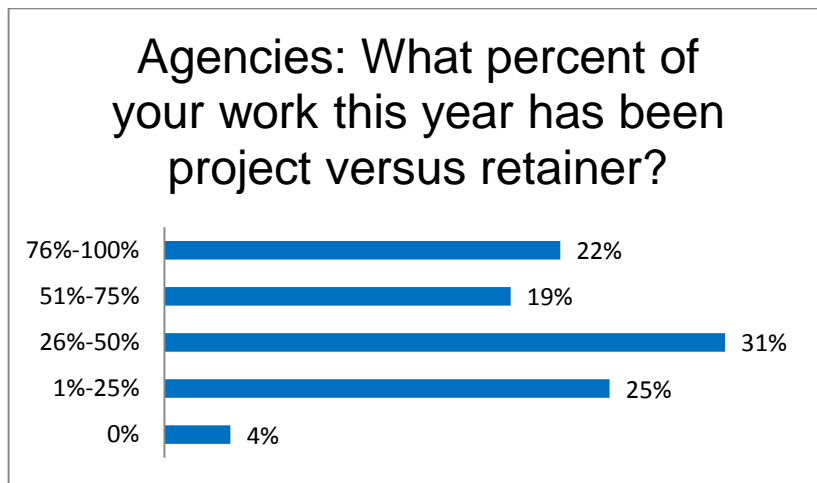


***THE TYPE OF WORK IN-HOUSE
TEAMS ARE DOING VARIES WIDELY!***

Marketers continue to parse out project work as a means of “sampling” agencies. Last year, 40% of agencies stated that 51%+ of the work they received from marketers was in the form of project work (versus retained). This year, that number increased slightly to 41%.

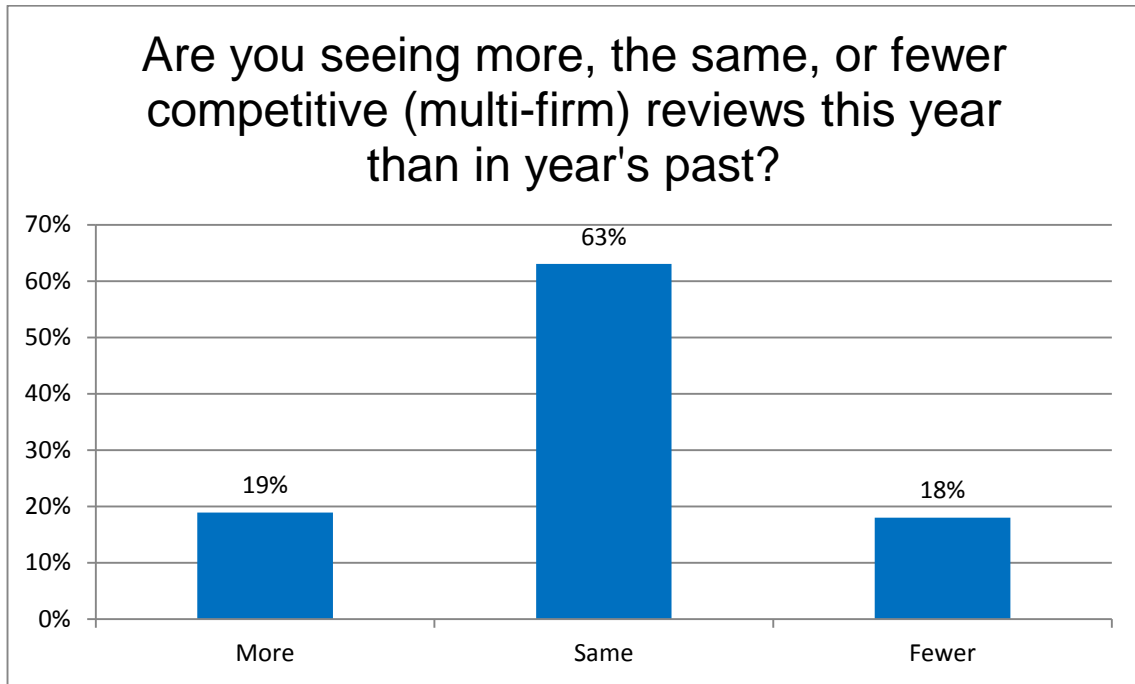
Marketers lined up fairly consistently, with 37% of them stating they pushed out 51%+ of their work in the form of projects.

This inherently isn’t a bad thing. It gives more agencies more opportunities to win business. It does run the risk of commoditizing an agency’s offering – if they let it.



***MARKETERS CONTINUE TO USE
PROJECT WORK TO “SAMPLE” AGENCIES!***

The growth in projects (versus retainers) is likely the reason why agencies aren't seeing marked increases in the number of competitive (multi-firm) reviews relative to years past.



IMPLICATIONS

Flexibility and nimbleness is key. And so is the willingness to work with an internal team and the willingness to have to work your way to larger and more consistent assignments with marketers.

The growth Agencies are experiencing in project work versus AOR assignments is something we see with our clients at RSW/US. Although it should be obvious, the increase in project work in fact does present opportunity. Several of our clients have initiated relationships with Marketers we introduce them to on a project basis, and have built the relationships into AOR appointments.

Although it can take as much effort to obtain new business through a project as it does to secure appointment as AOR, give consideration to project work as opportunities with further potential, often proving to be significant.

All the reasons given for greater difficulty in obtaining new business reflect the rapidly expanding media channels and technology and the vetting for expertise in them. It all makes for more competition. Gear your team up for it in agency new business!

WHERE YOU STAND

Marketers and agencies mostly see eye-to-eye when it comes to the ranking of different “deliverables” expected in a solid agency-client relationship.

Differences lie primarily in the relative importance of key deliverables, like “strategy,” “innovative ideas,” “experience,” and “marketing efficiency.”

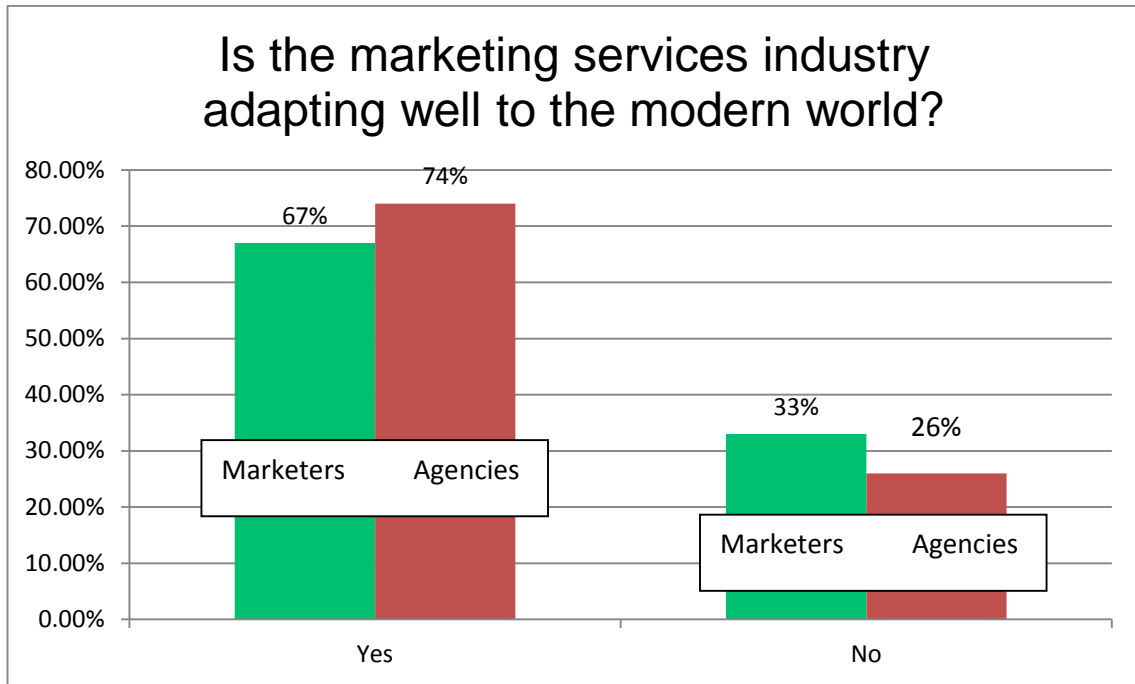
WHAT ARE THE PRIMARY BENEFITS A GOOD MARKETING SERVICES FIRM BRINGS TO ITS CLIENTS? (SELECT ALL THAT APPLY.)

	% Selecting		Ranking	
	<u>Agencies</u>	<u>Marketers</u>	<u>Agencies</u>	<u>Marketers</u>
Strategy	93%	74%	1	3
Creative expertise	79%	78%	2	2
Innovative ideas	73%	83%	3	1
Experience	69%	59%	4	6
Digital insight	60%	69%	5	4
Consumer insight	55%	58%	6	7
Marketing efficiency	49%	67%	7	5
Production capabilities	43%	40%	8	8
Cost control	22%	37%	9	9
Cultural disruption	19%	23%	10	10

MARKETERS AND AGENCIES ARE ALIGNED ON THE RELATIVE IMPORTANCE OF AN AGENCY’S BENEFITS TO A CLIENT!

We asked marketers and agencies about the marketing services industry as a whole – and whether or not each group felt the industry was adapting well to the modern world.

Fortunately the numbers were high among marketers...and fortunately, both sides agreed.

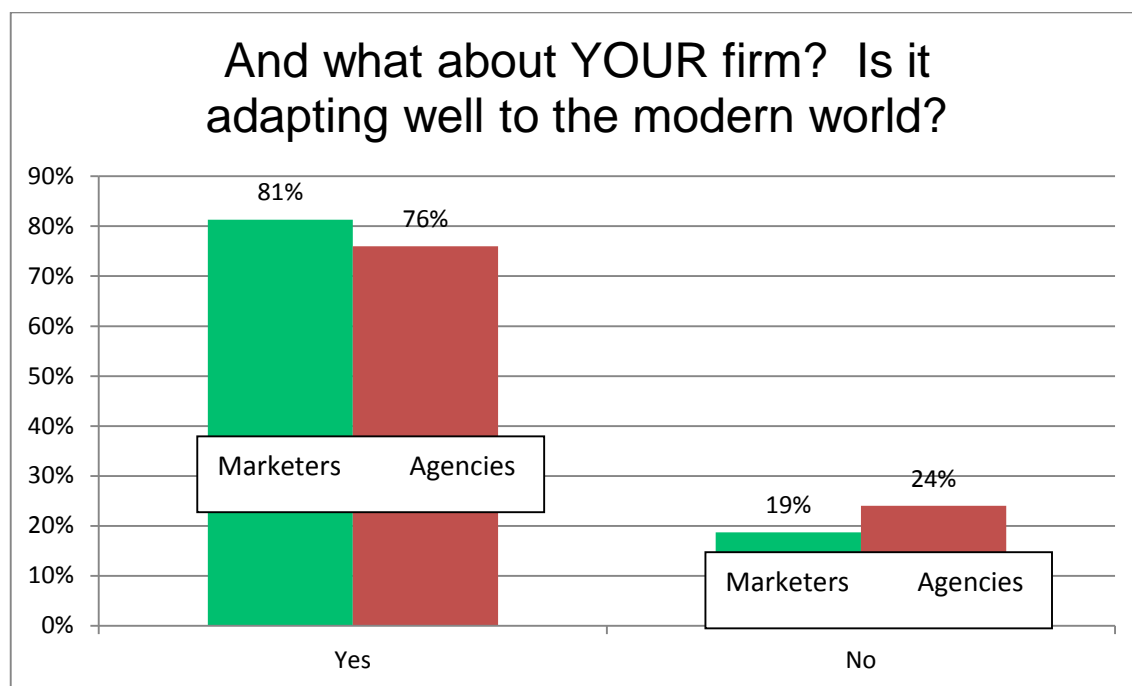


***LOOKS LIKE AGENCIES ARE DOING A GOOD JOB
KEEPING UP WITH THE MODERN WORLD!***

We also asked both sides about their specific agency/agencies. We wanted to know... “ok, so you think agencies on the whole rate ‘x’, what about your agency?”

Good news is there are more marketers thinking their agency/agencies are adapting well to the modern world than they believe agencies are on the whole. So you are in good shape with your clients! Keep it up!

Agencies are a bit tougher on themselves, with virtually the same number of agencies feeling they themselves are keeping up with the modern world as they do their counterparts in general.



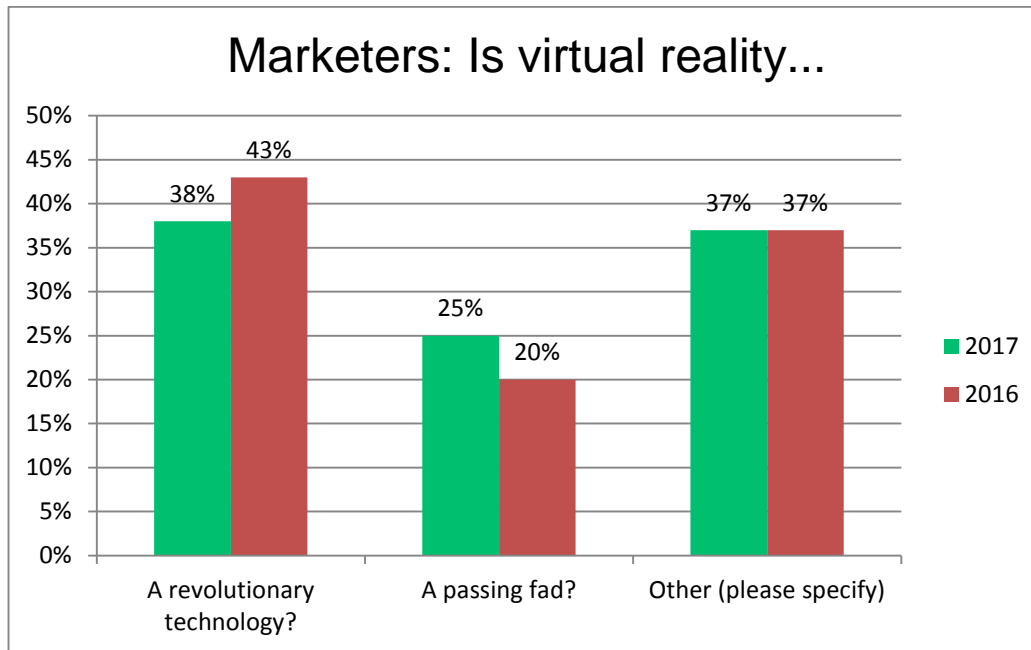
IMPLICATIONS:

We stress the importance of agencies being good strategic business partners and not just good creative suppliers. We recognize that your marketing partners may/may not place that much importance on that quality/virtue, but we still think it’s important to push it. With so many agencies offering so many of the same things, being able to speak to smart strategy and “experience” can set your firm apart from others that , on the surface, look very much alike.

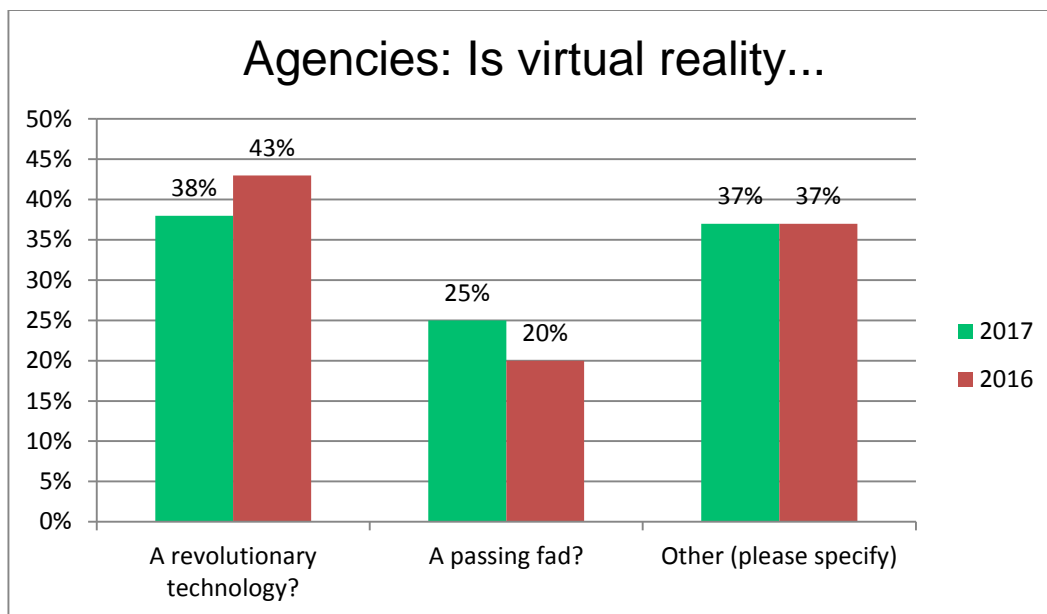
Annually in our surveys we ask about reasons why marketers look for new agencies – and without hesitation, two of the reasons relate to innovation/bringing new ideas to the table and keeping the client ahead of the technology curve. Both of these elements play out as relatively more important to more marketers than on the agency side. So bring new ideas. Keep your marketer ahead of the technology curve. Do these things and you’ll be on the road to a long-term, positive relationship.

RANDOM STUFF - VIRTUAL REALITY

Last year was our first year asking this question. And Marketers sure were all over the new shiny object called "virtual reality". This year, the enthusiasm seems to have tempered some.



Agencies kept their enthusiasm in check...both last year and this year for virtual reality.



Agencies and now Marketers, seem to be looking at Virtual Reality from a “wait-and-see” position.

Comments:

Agencies	Marketers
Overhyped.	Not sure yet.
Who knows. Currently a curiosity (sic)	A new technology to add to marketing.
Neither revolutionary or a fad. A reality.	Depends on the application for it.
An opportunity for the future.	Who has time for that!
Wouldn't bet on an outcome.	An interesting opportunity if used effectively.
TBD – will prove out useful for certain objectives.	Somewhere in between.

IMPLICATIONS:

Don't get too excited about the latest shiny object. We have seen marketers complain about agencies getting too wrapped up in stuff that really has little business value. So before you bring it to your client, make sure it is meaningful, simple to execute, and can drive your client's business forward.

RANDOM STUFF - SOCIAL MEDIA PERSONALITIES

Given all the craziness in the social media world these days (Russians, Donald, Microsoft), we thought it might prove interesting and helpful to take the pulse of three of the more visible social platforms and see what marketers and agencies thought about them. Ultimately could be a cool exercise to engage consumers with.

We asked marketers and agencies to rate Facebook, Twitter, and LinkedIn on a number of different personality traits.



HERE'S A TOPLINE ON THE FINDINGS:

Marketers

Facebook is "old", Twitter is "young"

Twitter is "pointless"

Facebook is "friendly", **Twitter is "hostile"**

LinkedIn is "humorless" and "boring"

Facebook is "convenient"

Agencies

Facebook and LinkedIn are "growing", **Twitter is "declining"**

Twitter is "pointless", Facebook and LinkedIn are "useful"

Facebook is "friendly" and **Twitter is "hostile"**

LinkedIn is "boring"

Facebook and LinkedIn are "convenient"

Detailed findings are posted on the next page.

TWITTER HAS SOME SERIOUS IMAGE PROBLEMS!

Agencies: Which of the following words would you used to describe these social networks? (Select all that apply.)

	Facebook	Twitter	LinkedIn
Growing	62%	31%	73%
Declining	35%	69%	4%
Stagnant	38%	47%	38%
Old	64%	23%	45%
Young	29%	83%	13%
Pointless	36%	72%	12%
Useful	65%	38%	87%
Friendly	77%	17%	36%
Hostile	32%	86%	5%
Humorous	69%	63%	0%
Boring	22%	32%	70%
Convenient	82%	40%	65%

Marketers: Which of the following words would you used to describe these social networks? (Select all that apply.)

	Facebook	Twitter	LinkedIn
Growing	56%	52%	56%
Declining	44%	56%	18%
Stagnant	43%	35%	63%
Old	66%	34%	51%
Young	25%	75%	25%
Pointless	8%	88%	13%
Useful	65%	37%	68%
Friendly	84%	27%	45%
Hostile	35%	71%	3%
Humorous	67%	56%	3%
Boring	14%	36%	71%
Convenient	88%	39%	47%

IN CLOSING

So...another year coming to a close. Hard to believe. They seem to go faster and faster every year.

We've been in this business of being an outsourced lead generation/business development team for marketing agencies for 12 years now.

And this year, like all the rest, has been full of twists and turns.

But unlike years past, the twists and turns are different – they're putting some real pressure on agencies (of all sizes) to manage their business differently.

With fewer marketers in play and marketers having less time to manage their increasing responsibilities, agencies are seeing networking and referral opportunities slow down. And as they look to new marketers for opportunities, it's getting harder and harder to break through.

So as you approach the New Year, think about doing the following 10 things to better your chances of growing your agency's business:

1. Arm your new business director with the tools they need to succeed (list, technology, collateral) as it's getting harder and harder for them to break through.
2. Be persistent in your efforts to find new business. 6 months does not make a new business program.
3. Use multiple platforms when trying to break through. Email and phone are great vehicles, but they are what everybody else is using. Branch out...be creative.
4. Don't hope that referrals and networking opportunities are going to get more robust for you. They will continue to shrink as marketers' numbers decline and companies consolidate.
5. Find your space and own it!
6. Learn to work with in-house firms.
7. Look at project opportunities as a long-term investment, not as a short-term inconvenience.
8. Keep ahead of the technology and marketing curve as marketers think you're doing a good job of it, so keep it up!
9. That said, don't just chase the shiny objects. Bring ideas to your client often, but make sure they have a meaningful business reason for being.
10. Be a smart strategic partner, not just a creative provider.

HERE'S TO A PROSPEROUS 2018!