

New Year Outlook

2020 Survey Report



*Marketing trends and predictions based on
a survey of both marketers and agencies*

RSW/US
New Business Solutions for Marketing Agencies

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Introduction

ABOUT US

This study was commissioned by RSW/US. RSW/US is an outsourced lead generation/business development firm that exclusively services marketing service firms (of all sizes and types). RSW/US works with over 50 agencies across the U.S., operating as their outsourced sales and marketing team. RSW/US was founded in 2005.



In 2010, RSW started RSW/AgencySearch. To-date, RSW/AgencySearch has managed over 40 searches for marketers across a range of different categories, helping them find better agencies. The RSW/AgencySearch model is unique to the industry.

The exposure to the agency and the marketer world has armed RSW/US with perspective unmatched in the industry. This perspective is woven throughout this, and every survey report.

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

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

Introduction

ABOUT THE REPORT

The 2020 RSW/US New Year Outlook survey was completed by senior level Marketers and Marketing Agency executives during December, 2019.

The purpose of the survey was to glean insights relative to marketer and agency perspective as they each headed into 2020.

Topics explored included “biggest challenges facing marketing agencies” as seen through the eyes of marketers and agencies. Also probed were topics related to spending and investment expectations, the growth of specialty agencies, the growth of in-house agencies, and the ever increasing importance of data and analytics.

Our hope is the key findings and implications from this study are of value as you kick your marketing and sales planning into gear for 2020.

The agency sample came from the RSW/AgencySearch database of over 5,000 marketing service companies in the U.S. and Canada 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 PR, to marketing consultancies.

The marketer sample came from our RSW/US database of 50,000 marketing decision maker contacts. Company size, location, and category varied.

If you would like to reproduce any of our findings in any format whatsoever, please give either Mark Sneider or Lee McKnight a call (513-559-3101/3111) or email us at mark@rswus.com / lee@rswus.com.


Biggest Challenges Facing Marketing Agencies



A word cloud on a teal background. The most prominent words are 'agencies' (green), 'value' (green), 'digital' (orange), and 'technology' (orange). Other words include 'understanding' (orange), 'brand', 'marketing', 'audiences', 'relevant', 'become', 'client', 'know', 'keeping', and 'budgets'.

Marketers suggest that proving out agency value is one of the bigger challenges agencies will be facing as they roll into 2020.

Marketers also cite “technology”, “digital”, and a better “understanding” of their brand, as being central challenges agencies will face as they roll into 2020



A word cloud on a teal background. The most prominent words are 'clients' (green), 'digital' (orange), 'value' (orange), and 'change' (orange). Other words include 'new business' (orange), 'profitability' (orange), 'technology', 'analytics', 'work', 'agencies', 'keeping', and 'work'.

Agencies similarly feel that one of their biggest challenges in 2020 is proving out value to their marketing counterparts. Words like “profitability”, “new business”, “digital” and “change” are all words that seem to dominate the psyche of agency executives as it relates to their concerns rolling into 2020.

Implications for Agencies

The world we live in continues to change – at a rapid pace. Staying on top of technology and marketplace changes will be critical for agencies in order to maintain their relevance as they move into 2020 and beyond.

What will also be critical, is showcasing meaningfulness and relevance when reaching out to prospects. As we'll see later, the number of agencies used by marketers is shrinking. More marketers are looking for agencies that can support larger chunks of their business - not niche portions of it – so the absolute number of full-on agency relationship opportunities is going down, not going up. Not only is it important to develop and maintain an aggressive new business program, but it is equally, if not more important that you put yourself out there in a substantive way in order to be attractive to marketers.

Implications for Agencies, cont'd

This move to fewer agencies doesn't necessarily mean that specialty agencies are going away. In fact, they are alive and springing up anew every day. As we've seen in past surveys, marketers are more willing today to let their agency be a curator/contractor of specialty agency needs. We have seen more of our own specialty agency clients focus their targeting efforts directly at agencies, which aligns with what we're seeing in our surveys.

So while the day of a marketer having 5-6 firms is fading, particularly for mid-to-smaller spend marketers, this doesn't mean that the end is near. More marketers are using project work as a door opener – which inherently increases the number of opportunities to win business. But what it means is agencies simply need to work smarter and harder in 2020 to keep and win new business. We'll discuss this throughout the course of this report as we tackle each question.

Biggest Agency Challenges, Open-Ended Responses

Below are some of the comments **Marketers** offered when asked what they believe will prove to be the biggest challenge for marketing agencies in 2020. *(Note: all are written as posted by respondents)*

- “The decrease in budget available for outsourced services”
- “Looking to the future while still maintaining relationships with existing partners”
- “Creative ability in generating big ideas”
- “Differentiating brands and segmenting audiences”
- “Actually delivering the quality and on-going attention they proposed versus second rate”
- “Staying relevant and on top of the latest innovations, technologies, social platforms, etc.”
- “Thoroughly understanding the brand and keeping the brand strategy in mind”
- “Showing proof of strategic success”

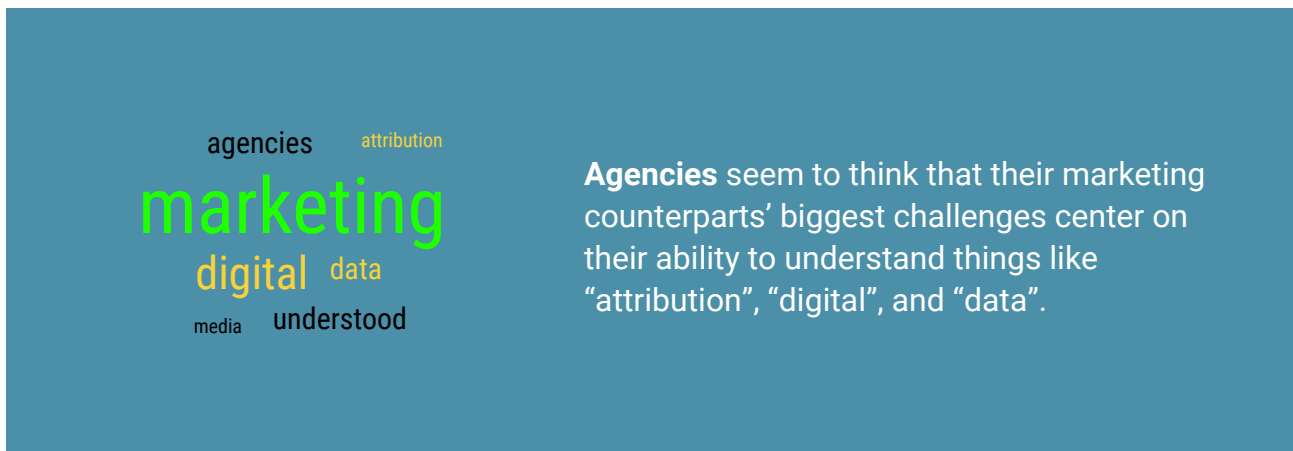
Below are some of the comments **Agencies** offered when asked what they believe will prove to be the biggest challenge they will face in 2020. *(Note: all are written as posted by respondents)*

- “GenX clients don't understand digital”
- “Profitability. Clients are demanding more work, less money”
- “Reduced relevance, reduced reachable audience, sloppy adtech”
- “Downward pressure on ad budgets”
- “Client/prospect complacency in strong economy”
- “The economy will begin to soften post-election and into 2021. Balancing the need to invest in digital and technology related support services while not taking your eye off the day-to-day core support services will be a big challenge”
- “Profitability in the digital area”

Biggest Challenges Facing Marketers



Marketers indicate that issues like having the right resources, ROI, data and budget are some of the key challenges they themselves face as they roll into the New Year.



Agencies seem to think that their marketing counterparts' biggest challenges center on their ability to understand things like "attribution", "digital", and "data".

Implications for Marketers

Marketers are struggling to do more with less. Fewer resources, less staff, smaller budgets. While many marketers are making the move to bring some services in-house, this alone isn't their answer.

Agencies need to show marketers why they are unique in the value they provide, as marketers will continue to look to agencies to bring them things they can't get from an in-house shop.

As we'll see later, marketers appear to place more value on strategic thinking and smart data and analytics, two things an internal team is going to have a hard time delivering. So as marketers look for new agencies, they're going to need to look deeper than just the beauty of a creative campaign and unearth what sits behind it, what thinking has gone into it, what insights has it been grounded in, and how does the agency think more broadly about the entirety of the client's business and not just the immediate task at hand.

Biggest Marketer Challenges, Open-Ended Responses

Below are some of the comments **Marketers** offered when asked what they believe will prove to be the biggest challenge for themselves in 2020. *(Note: all are written as posted by respondents)*

- “Delivering the right message, to the right buyer, in the most efficient way possible”
- “Keeping talent motivated, providing them with the right tools and life/work balance”
- “Optimization of advertising efforts”
- “More and more need for personalization leveraging/investing in technology”
- “Creating engaging content that will capture customers and outperform the competition”
- “Not having enough work force to manage everything that needs to be managed”
- “Showing proof of ROI”

Below are some of the comments **Agencies** offered when asked what they believe will prove to be the biggest challenge for marketers in 2020. *(Note: all are written as posted by respondents)*

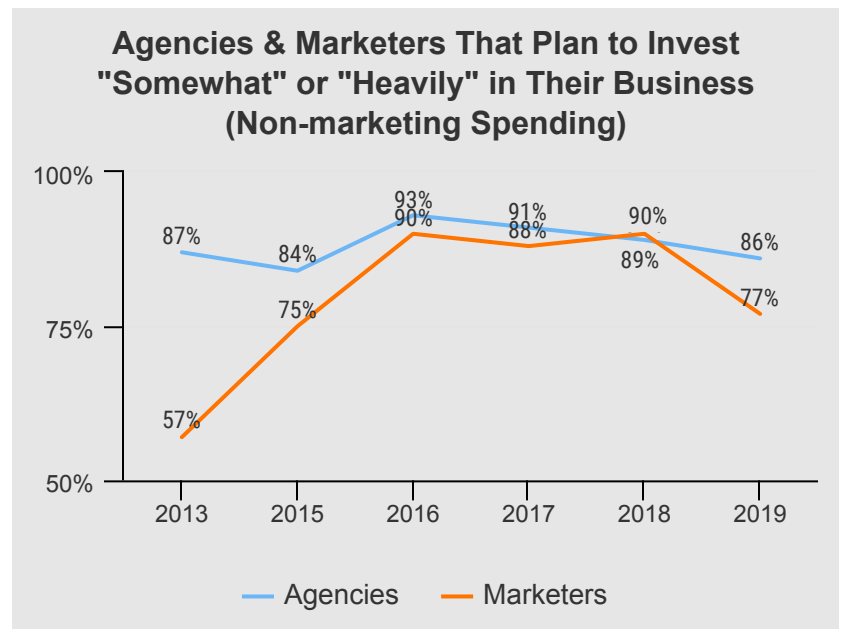
- “Living in the past”
- “Mastering digital”
- “Managing complexity”
- “Fear. Recession. Data Security. KPI.”
- “Media clutter”
- “Demonstrating ROI and attribution”
- “Balancing art and science of marketing. The pendulum has swung towards analytics.”
- “e-commerce replacing brick n’ mortar”
- “Inability to comprehend and manage the complexities of marketing”

2020 Spending Expectations

Investment In Non-marketing Activities

What we find extremely interesting here: significantly fewer marketers expect investment in their business (in general) to increase “somewhat” or “significantly” in 2020.

77% is a solid number, but it’s a dramatic reversal from what we’ve seen over the past three years, where 90% of all marketers believed investment in their business would be substantial. This reversal could be the result of economic slowdown fears, resulting in companies being a bit more cautious when it comes to investment. 22% of marketers stated that their companies would be cutting back spending “somewhat” or “significantly” in 2020, compared to only 13% of agencies.



Implications

While numbers on the marketing side saw a dramatic decline, agencies don’t appear to be showing any sign of letting up in terms of business investment. 86% of agencies state they’ll invest “somewhat” or “significantly” in their business in 2020. Agencies’ intentions are understandable, given the need to stay on top of technology and invest in human resources, a central tenet of agency success.

Investments that help agencies set themselves apart from other firms, or from the more mundane tasks that a marketer’s in-house shop might do, will only help an agency’s ability to win in the market.

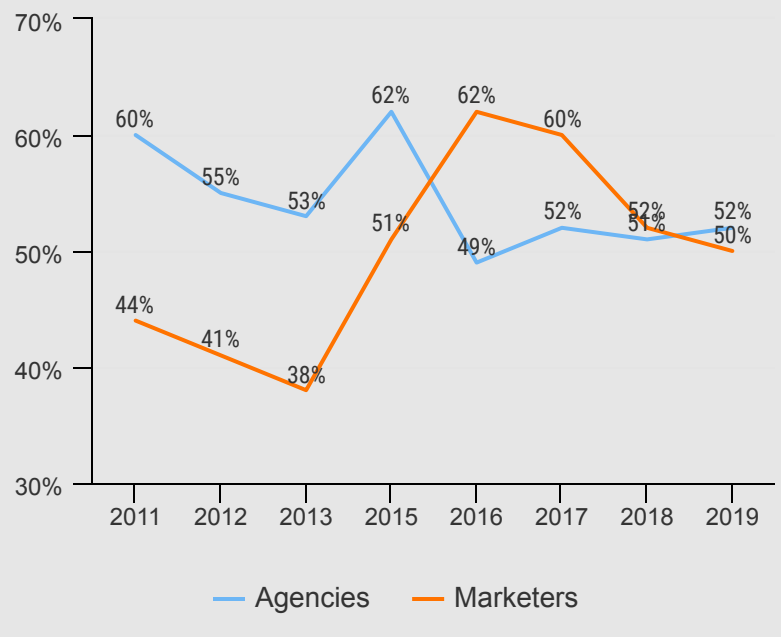
We personally believe the expected business investment levels on both sides spell good news for agencies. If the numbers of agencies invest at the levels they suggest in this survey (and marketers are more conservative in their investments) it will potentially give agencies an edge, and make them a more value-added part of the marketer’s world. More investment could help better position an agency as a smart, forward-looking provider of strategic, grounded, analytical creative services – and help separate them from an in-house shop.

Expected Marketing Spend

There is caution in the air. Over the past four years we've seen a general downtrend in the number of marketers who say their spending is likely to increase in the upcoming year.

In 2016, 62% of marketers believed their spending on marketing activities would increase "somewhat" or "significantly" in the following year. This dropped to 60% in 2017, 52% in 2018, and 50% in this year's survey. So while agencies may not see dramatic shifts in spending year-to-year in 2020, agencies should keep themselves "new business aggressive" in the event more than 32% of marketers who suggested their spending will decline ("somewhat" or "significantly") in 2020, increases significantly.

Agencies & Marketers That Report Marketing Spend Will Increase "Somewhat" or "Significantly" Next Year



Implications

If more marketers are expecting to spend less, it means more agencies need to get creative in how they service their marketing clients and how they prove out real value to their clients. Focusing too heavily on creative and less on business intelligence, effective use of analytics, and data might not be the best way of showcasing how your agency can be a real difference-maker.

While I'm not advocating for cutbacks, this concerning trend among marketers might also suggest to agencies that keeping all services in-house isn't the best strategy. Trimming staff and giving your agency more flexibility to adjust to spending shifts and differing client needs might prove a better way to manage through uncertain times ahead.

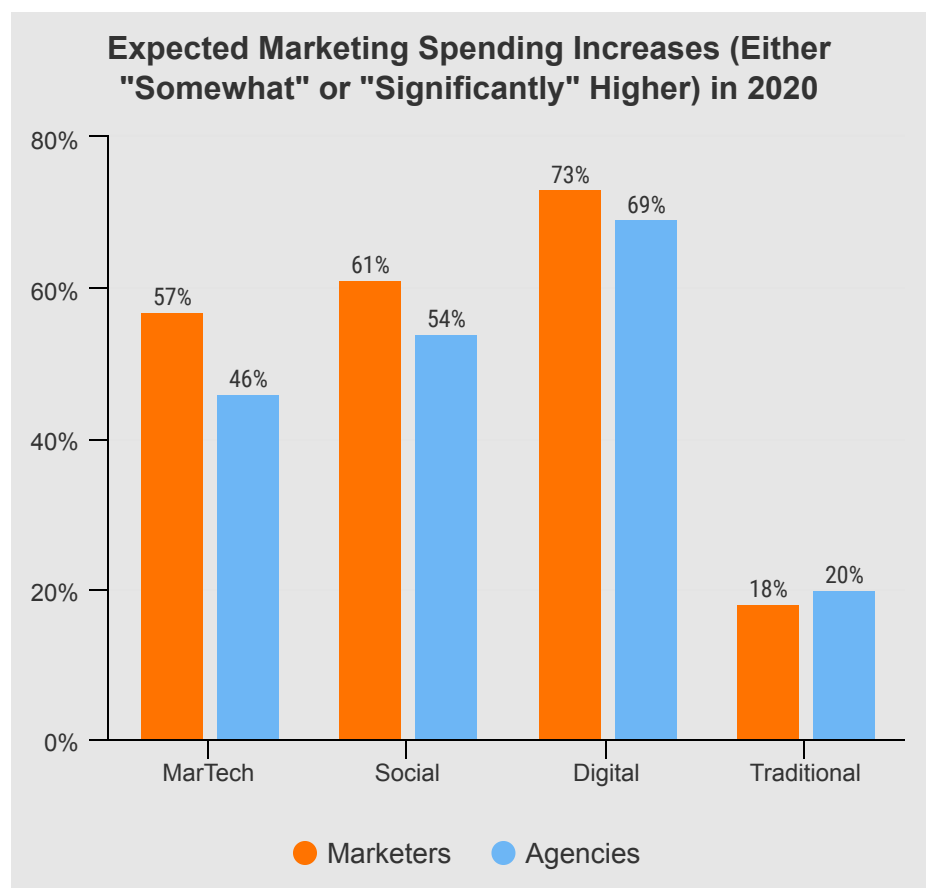
Expected Marketing Spend

Implications, Cont'd

And if marketers parse out more projects to new agencies, versus full-on AOR relationships (at least at the start of an engagement), then agencies should strongly consider using a portion of their business investment to attract more projects. It will better their chances of one or more of those project wins turning into a longer-term engagement.

Not surprisingly and similar to years past, we're not seeing a lot of divergence in the responses between marketers and agencies relative to where dollars will be spent.

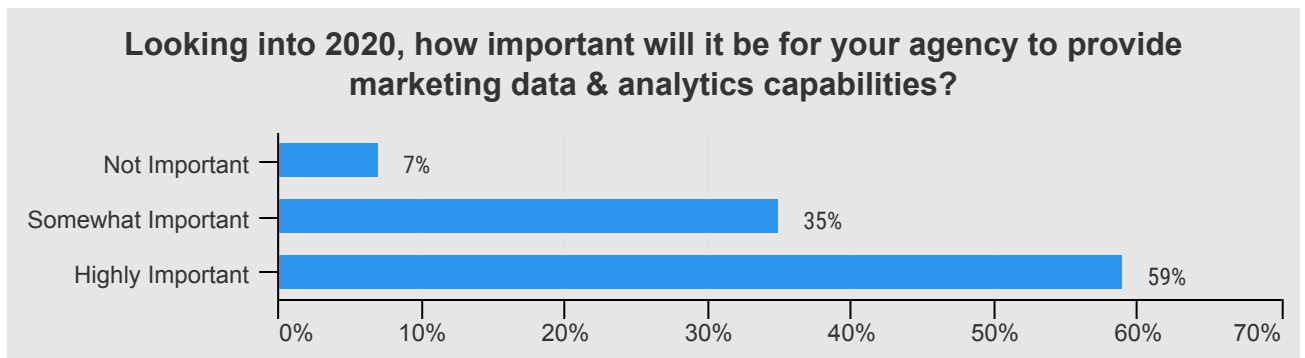
Both marketers and agencies see spending moving into the areas we'd expect: digital, social, marketing technology – and fewer dollars used to support more traditional media platforms like print and TV to support a client's business.



Data & Analytics

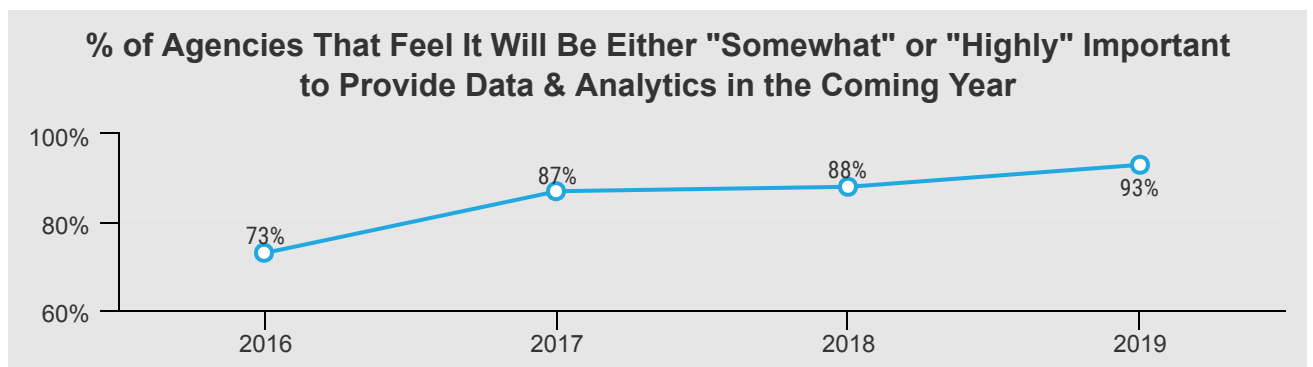
Growing Importance of Data & Analytics Capabilities

It's not getting any easier for marketing agencies – or for their marketer counterparts. Demands on marketers to justify spending and measure performance of virtually every dollar they're spending are only increasing, not easing up.



Agencies that don't provide solid marketing data and analytics capabilities are, and will continue to be, limiting for marketers. We see it every time a marketer comes to us on the RSW/AgencySearch side of our business looking for a new agency, feeling like they should be getting more for their spending and something better out of their agency.

If an agency can't dig deep and create plans that effectively keep their marketing clients in front of their customers in a way that pays dividends, more than likely this lack of performance will catch up with that agency.



Fortunately, the majority of agencies surveyed recognize that it will be extremely important to deliver at these levels – which ideally will translate into providing marketing data analysis and analytics capabilities as they roll into 2020.

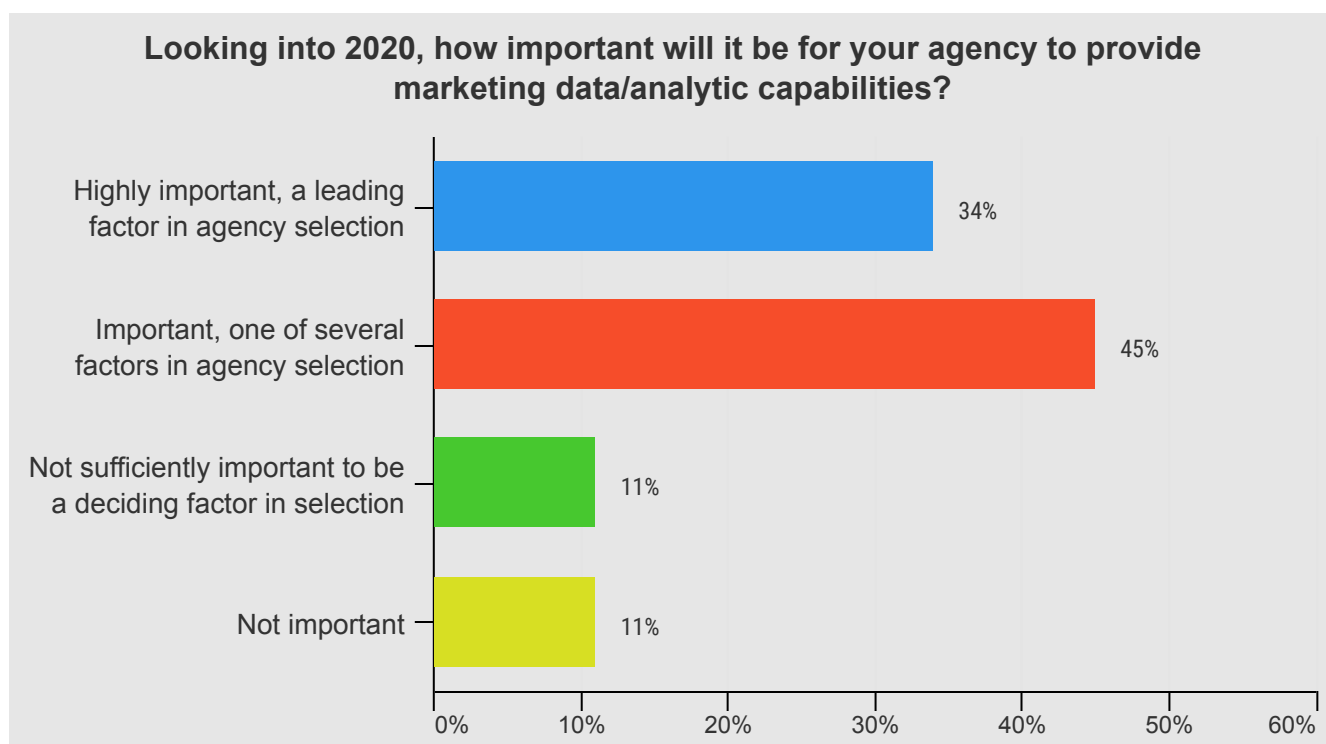
Growing Importance of Data & Analytics Capabilities, cont'd

Implications

Certainly agencies need to bring this smart thinking to the table with current clients, but they also need to showcase this way of thinking and operating as they try and win the hearts and pocket books of new clients.

79% of marketers state that analytic capabilities are an “important” or “highly important” determinant of agency selection and retention.

As we talk and engage with firms, many talk about an over-emphasis on data and analytics and the loss of the “human” spirit in the work that agencies do (and the work marketers seem to be demanding). We agree there needs to be more of a balance, but agencies can't ignore the client need for data and analytics. Marketers want it and in order to stay meaningful and relevant, agencies need to deliver it.

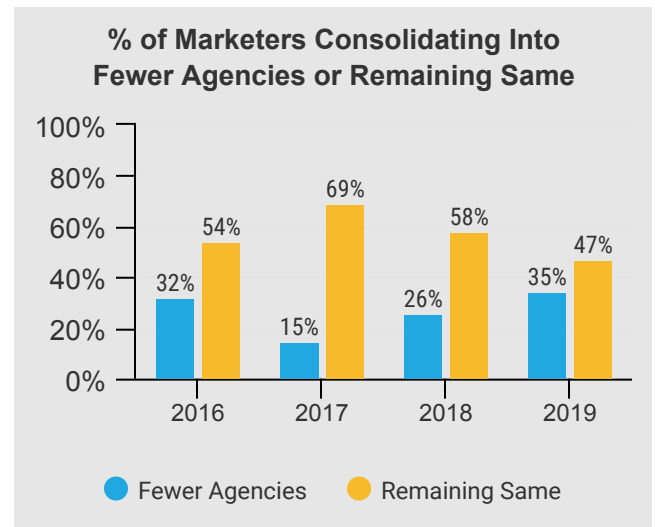
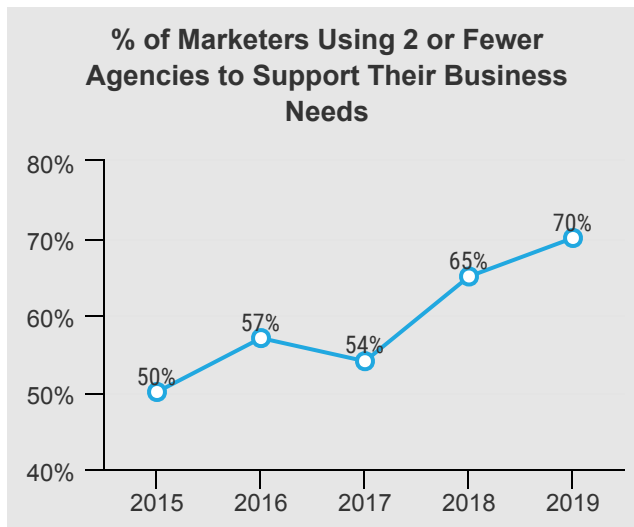


The Look of Agencies in 2020 and Beyond

Shrinking Numbers of Agencies Being Used by Marketers

Clear historical trends indicate a movement to consolidate the number of agencies a marketer uses (on a regular basis) versus what we experienced pre-2017, which was more of an expansion of the roster.

Today we see a marketing community interested in simplifying, consolidating, and integrating efforts. We just completed a search for a CPG company that carried 5-6 agencies and found it too difficult to manage. All these agencies were vying for the “pole position”, making it a bumpy ride for the marketer. This company had to make sure all the agencies played nice together, as well as keep half an eye on the integrity of their brand and the efficiency of all the agencies in supporting the business. Having a smaller handful of firms makes this exercise simpler.



Implications

With marketers consolidating rosters, this means agencies must do two things: 1) be more aggressive in opening doors for your agency. With marketer ranks thinning and fewer long-term engagement opportunities available, networking and referral opportunities won't be as plentiful; and 2) constantly bring value to your current clients. I like to say that you need to “treat every day like it's the first day of the relationship”. It was [Burnett's message when he left his shop in 1967](#) and it should be your mantra today.

Competing in a 2020 Environment

While being more aggressive on the new business front is vital to your survival long-term, simply being more aggressive (without being thoughtful about it) isn't good enough.

71% of agencies say it's going to be more important to come to meetings with insights about the prospect's industry or company.

60% say it's going to be more important to push out value-added, thought leadership content.

69% say it's going to be more important to own a unique positioning for their agency.

And 80% state it's going to be more important to bring new ideas to clients.

Implications

With close to 80% of agencies saying it's more important to actively pursue new business for their agency, 2020 is sure to end up being another competitive year (perhaps more than previous years if that's possible).

Agencies recognize that all the market factors putting pressure on their success will continue to exist in 2020 (e.g. shrinking budgets, increased

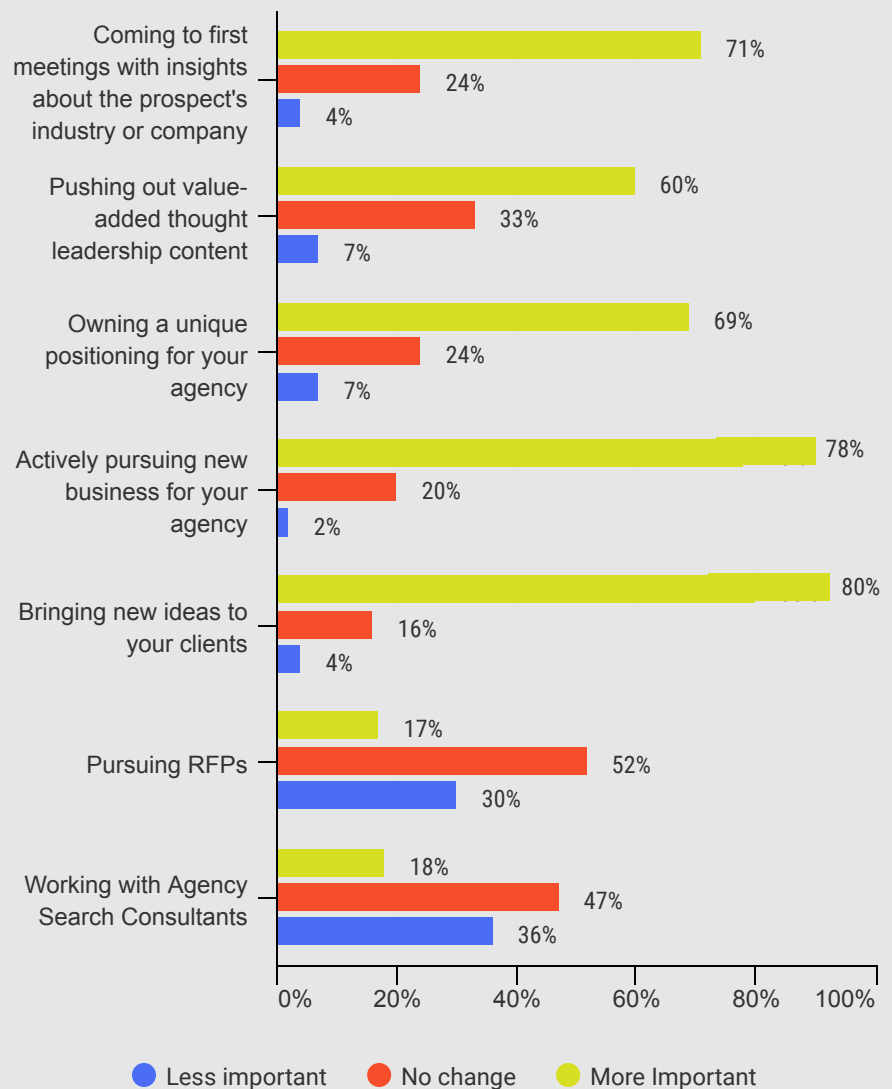
project work, in-house agencies, shrinking referrals & networking opportunities due to shrinking marketing staffs), and also recognize that passively pursuing new business isn't the key to success.

Agencies have to come to first meetings with insights and value or they'll look like everyone else.

They have to own or be expert in something – even if it's multiple categories – so long as they speak specifically to prospects in each of those categories in meaningful ways.

And they have to bring new ideas to clients – not only when pursuing new business, but every day of the client relationship.

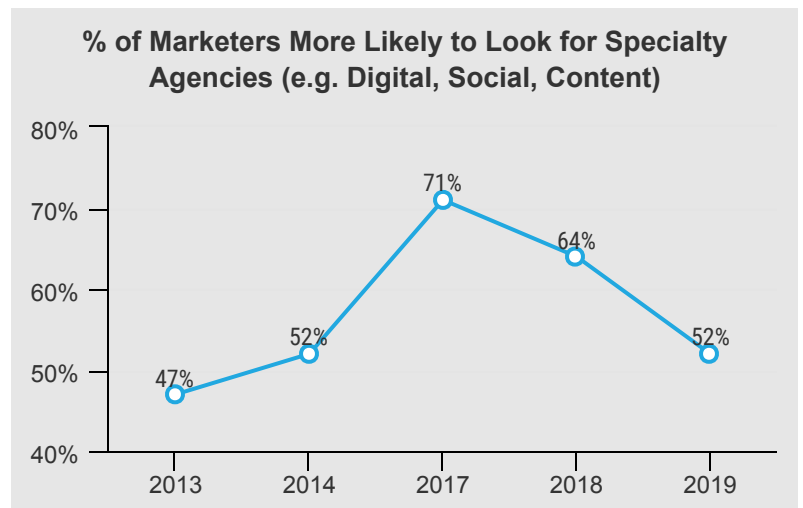
Looking ahead to 2020, how do you expect the importance of each of the following to change compared to 2019?



Waning Importance of Specialty Agencies

This agency world we live in is so cyclical. One day, specialist agencies are all the rage and marketers are carrying a laundry list of firms on their roster. The next day, agency consolidation is the norm. Appears that we're on the latter train as we roll into 2020. As we saw earlier, consolidation of the agency roster is where marketers are tending these days. And we see the same phenomena in the data below. In 2013 and 2014, roughly 50% of marketers said they were "more likely" looking for a specialty agency relative to the 3-5 years prior. In 2017, we revisited the question and saw numbers spike to 71%. Since then, we have seen a consistent decline in the enthusiasm for specialty firms – with this year's numbers dropping back into the low 50% level.

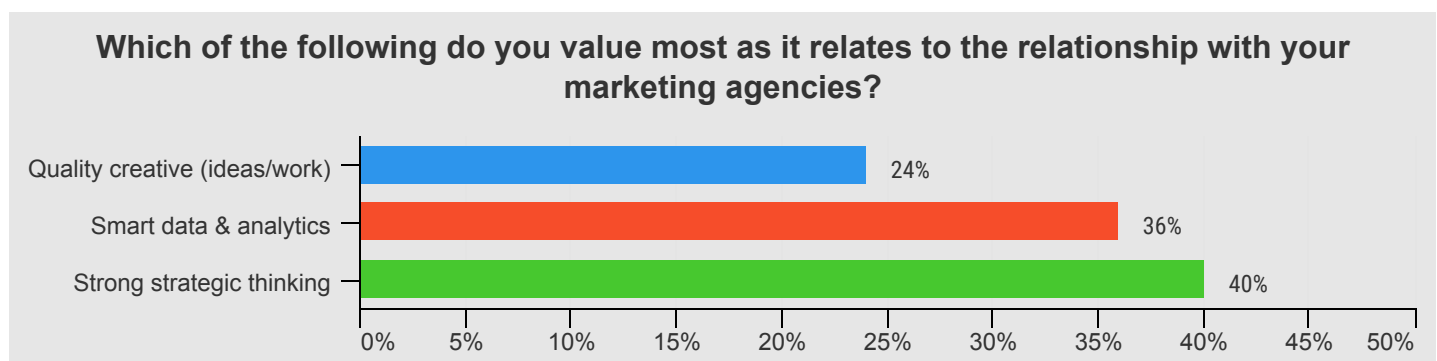
Based on what we're seeing in the market, and among our clients, specialty agencies are alive and thriving, just in a different way. Specialty agencies might not be an on-going part of a client's roster, but are brought in for the occasional one-off. Or, we're seeing specialty agencies establishing profitable and productive relationships with more full-on agencies, operating as a contractor to help deliver holistically on the needs of their marketing clients.



Implications

So the million dollar question is, "if I'm not a specialist, then what am I"? Simply being an agency that does it all, isn't a great way to go, but being an agency that does it all doesn't mean you can't be expert in specific categories, or know how to best attract your client's consumers, or show marketers how you use technology and analytics to make sound decisions. Marketers today are looking for smart agencies that think strategically about their business, bring them a forward-leaning perspective, and do it in a way that will show meaningful return.

They're looking for business partners who curate and contract services that best meet their needs, who ultimately simplify their lives and complement creative resources they have inside their four walls.



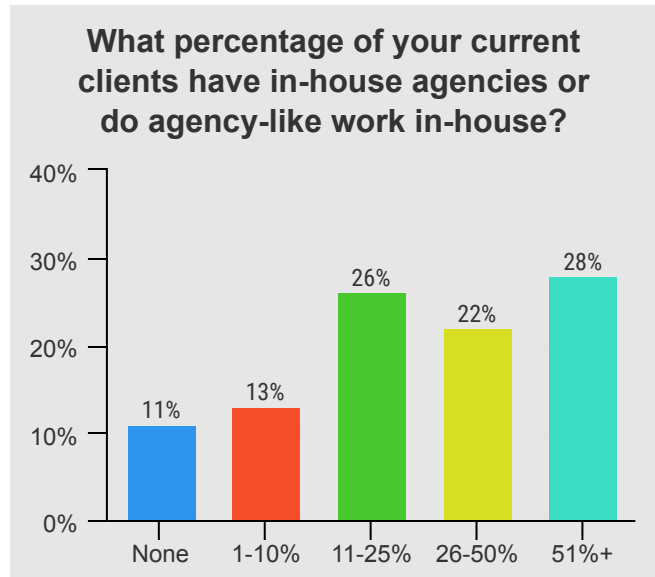
The Move In-House: Sustainable? Meaningful? A Threat?

While it's clear that marketers are moving marketing work in-house, the overall trends aren't so ominous that agencies should start packing it up and calling it a day.

While 50% of agencies state that 26% or more of their clients are managing some form of marketing work in-house, 50% state that fewer than 25% of their clients manage marketing activities inside. And only 13% of agencies expect the amount of work clients manage in-house to increase significantly.

In 2016, when we first really focused on the in-house phenomena in our surveys, only 16% of marketers said they expected to see significant increases over the next few years relative to the amount of work they managed in-house.

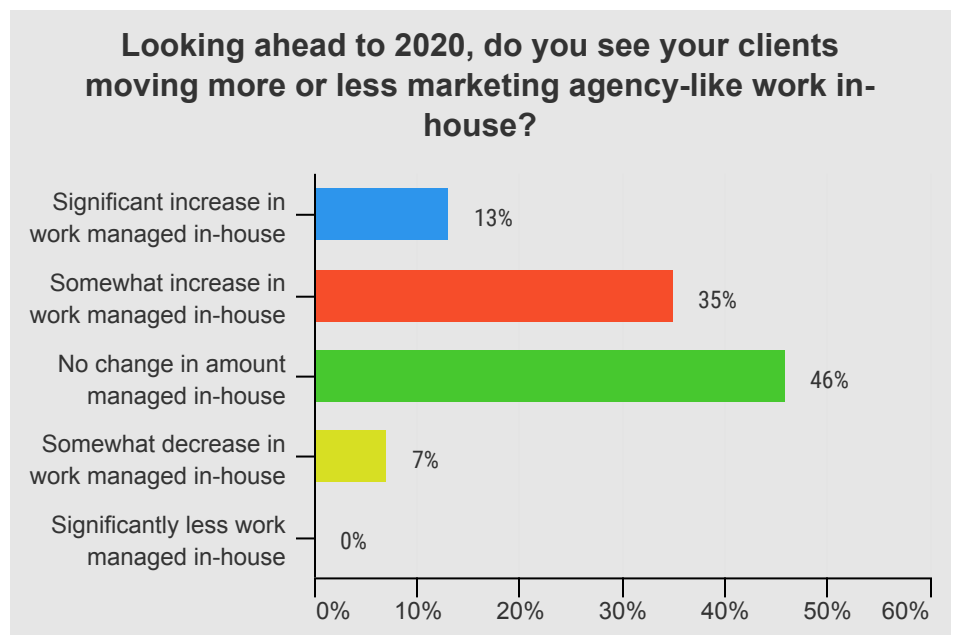
This year, the number is only 19%. And while 42% see it increasing "somewhat", it's not a dramatic increase over those that see a "moderate" increase when asked in 2016 (30%). So while the "movement" is still afoot, it's not a tidal wave overthrowing the agency industry.



Implications

We've talked this topic in past posts on our blog, and what we said then holds true today: agencies must learn to work alongside internal firms. They aren't going away.

If Marketers haven't already, they'll recognize there's only so far they can go with the development of an internal team. They didn't get into the business of being a marketing services firm and they'll recognize this limitation eventually.



As an agency, you have to show your marketing counterparts the value you offer by delivering smart, strategic thinking. And you have to do this every day, not just when they come to you looking for help.

Conclusion

SO WHAT'S NEXT?

This year will be no different than years past. New business will be challenging, the market will be ever changing, and in-house and project work will be a part of the conversation.

One thing, however, is for certain: the agency world is not going away. For all those poor agencies that slipped into oblivion during the recession, there have been twice as many new ones to emerge. Not to suggest that just because there are more, they're here to stay, but as long as marketers are hiring agencies (which they are) and as long as the need for smart, strategic, creative partnerships exist, agencies will continue to be part of the conversation.



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