

2023

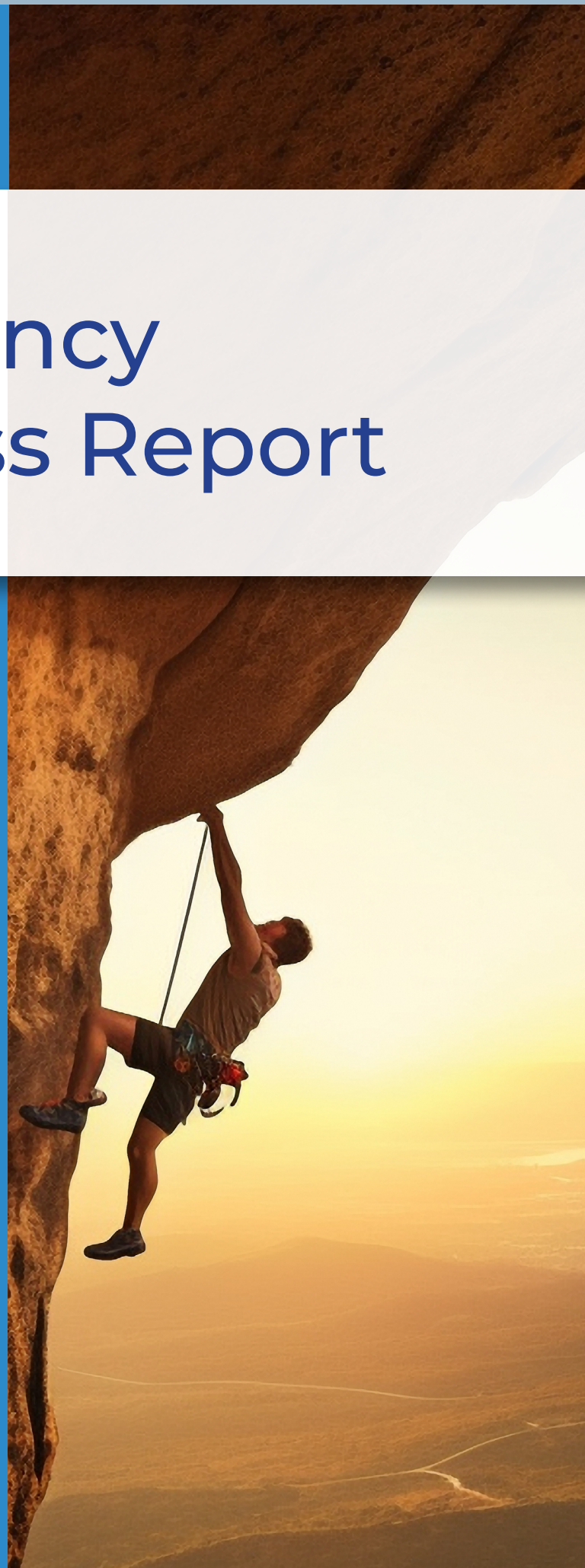
RSW/US Agency New Business Report

Perspective On The
Agency New Business
Environment,
2023 and Beyond

A Survey Of Agencies
Conducted By

RSW/US

New Business Solutions for Marketing Agencies





RSW/US Agency New Business Virtual Conference
New Year Outlook: 2024

February 5th-9th, 2024

12pm-1:30pm EST each day

Registration Coming Soon!
<https://conference.rswus.com>

New Year Outlook: 2024

We're excited to announce our 2024 Agency New Business Virtual Conference, from 2/5-2/9, 2024.

It will be another great event filled with Marketer, Agency, and RSW/US perspectives on the ways to help you win more in 2024!

Each day's agenda will include a short presentation followed by a panel featuring senior level marketers, agency principals, and our own expert new business directors.

We hope to see you and your team there!

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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 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, cont'd

About the Report

This is the RSW/US 2023 Agency New Business Report: Perspective On The Agency New Business Environment, 2023 and Beyond.

We've fielded it since 2010 and present comparable data that is available across all previous editions, providing insight on trends in key areas over the past ten years. This report is typically heavily downloaded because the answers come from our survey of your agency peers.

This year's survey and the resulting RSW/US 2023 Agency New Business Report see ad agencies, marketing services firms, and PR firms continuing to struggle with obtaining new business, however, 2023 has also brought challenges in the form of slowing referrals, decreased budgets, and longer sales cycles.

Over 3,000 Agency executives nationwide had the opportunity to participate, and in fielding the survey, we wanted to discern how the challenges and dynamics of agency new business efforts have evolved as we finish 2023 and head into 2024.

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 the remainder of 2023 and into 2024.

If you would like to reproduce any of our findings in any format whatsoever, please

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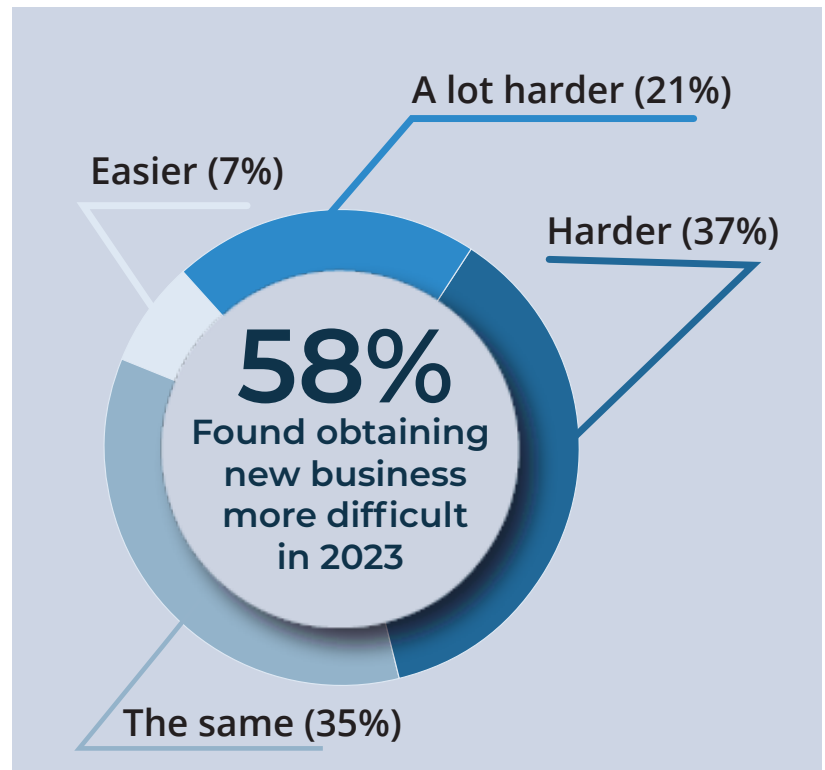
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Difficulty of Obtaining New Business

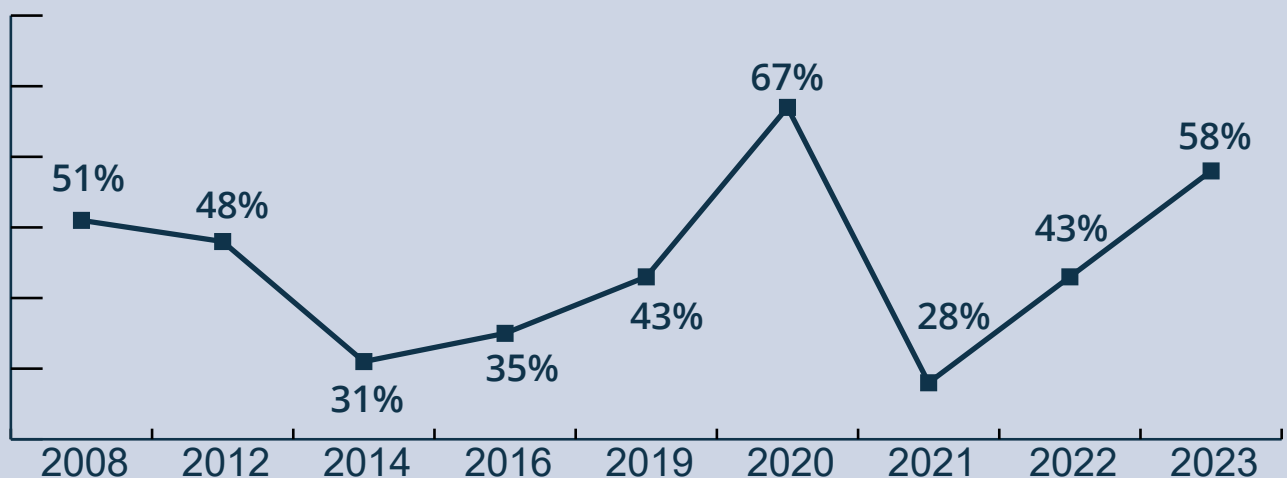
We Asked Agencies: How Difficult Is Obtaining New Business, Compared to Last Year?

This year (2023) 58% of agencies report obtaining new business has been harder, or a lot harder, compared to the previous year. As seen in our graph, that's creeping closer to 2020 levels at 67%, when we faced lockdowns, budget freezes, and overall extreme uncertainty.

Since then, we've seen a steady uptick from 28% in '21 to 43% in '22.



“Harder/Much Harder” Responses Over Time



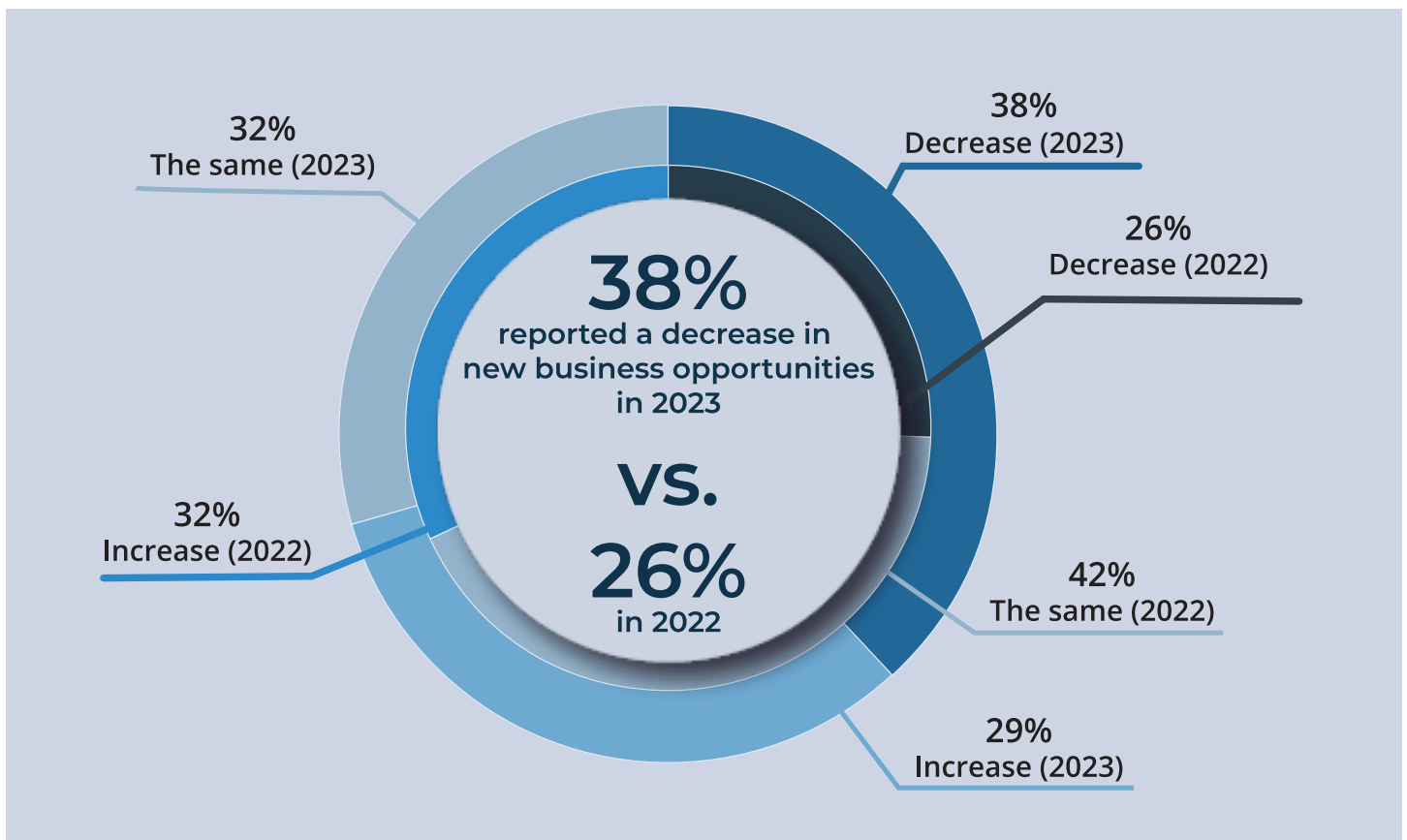
Difficulty of Obtaining New Business, cont'd

Implications

So with only 7% of agencies saying it's been easier or a lot easier to obtain new business in 2023, versus 17% in 2022 (and 38% in '21), what's behind the escalating trend?

The answers to our follow up question shed some light: "Relative to last year, have you seen the number of opportunities for new business decrease, increase, or remain the same?"

38% of agencies said the number of opportunities for new business decreased this year, versus 26% last year.



From a 4/23 Ad Age article, [The Agency Review Logjam Has Broken—How Experts See The Rest Of 2023](#), "most creative agencies reported a sluggishness in overall new business opportunities."

Difficulty of Obtaining New Business, cont'd

And in an Axios piece dated 8/23, [Signs Of Optimism Shine Through The Bleak Ad Market](#), Brian Wieser, a top advertising analyst, argues:

“much of the sentiment around the ad market slowdown failed to consider that the double-digit growth levels the industry saw during 2021 and early 2022 were not sustainable. You were always going to see some deceleration.”

Cold comfort perhaps, but at least begins to explain how and why agencies got here. We dug deeper with a question we've asked year over year: “Why Is It Harder To Obtain New Business?”.

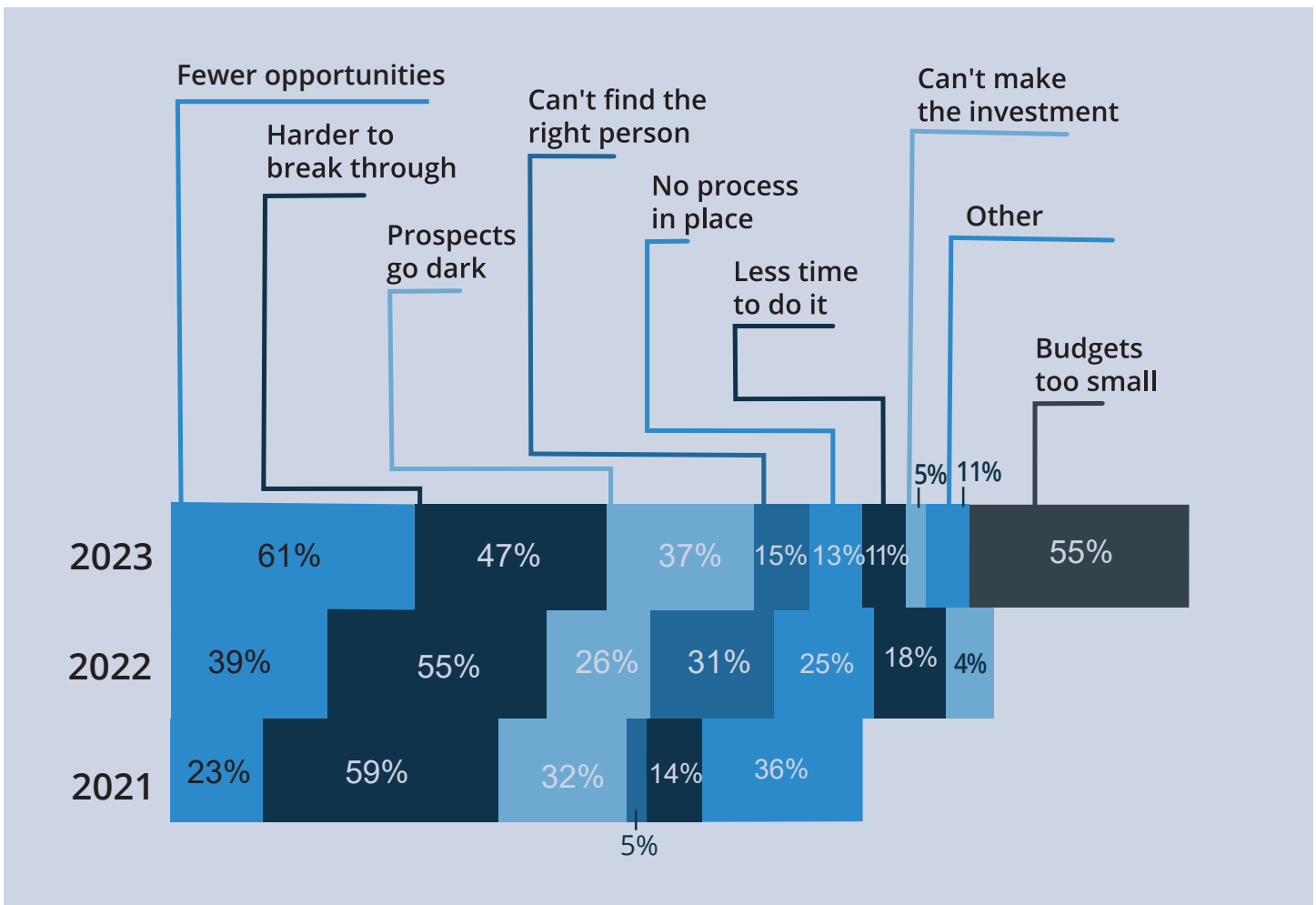


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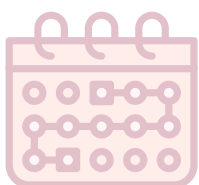
Difficulty of Obtaining New Business, cont'd

We Asked Agencies: Why Is It Harder To Obtain New Business?

In previous surveys, agencies have unilaterally given “breaking through to prospects” as the main reason why it’s harder to obtain new business. This year, for the first time ever, it comes in third.

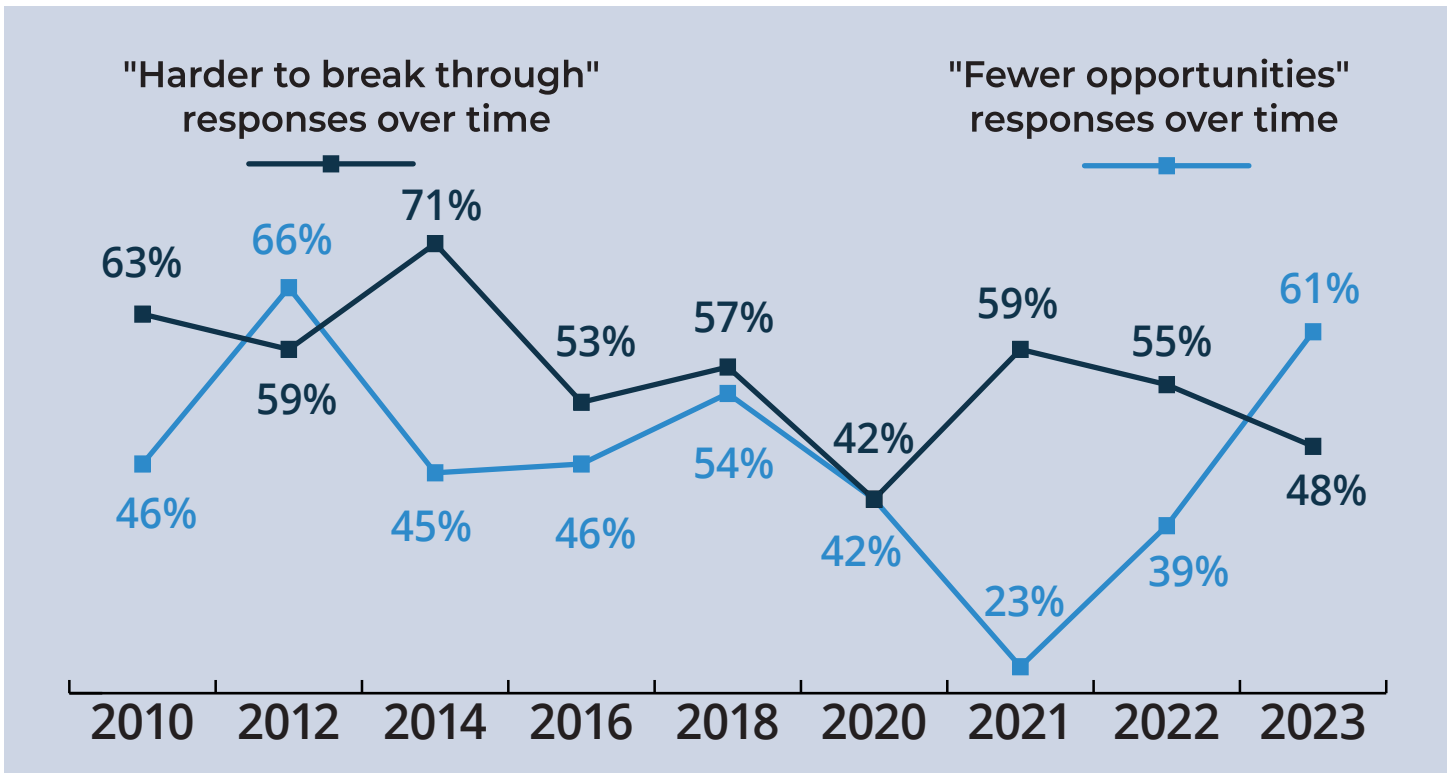


You can see the breakdown over the last 3 years in the graphs above and on the next page, and here’s the top 3 in 2023:



- Fewer opportunities out there 61%
- Prospect budgets too small 55%
- Harder to break through to prospects 47%

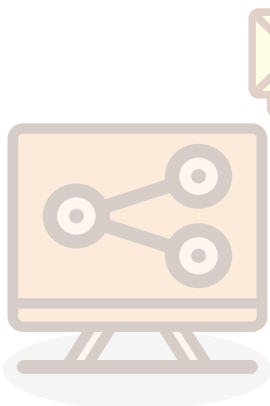
Difficulty of Obtaining New Business, cont'd



"Fewer opportunities out there", at 61% is quite a jump from 39% last year, and "prospect budgets too small" at 55% is a new add to the question this year.

One other stat of note: the percentage of agencies who say they have no process in place dropped from 25% last year to 13% this year.

Within this question was an "other" option, with the opportunity to provide open-ended responses. Given the variety of responses, we wanted to give you a sample from your agency peers as to why it was harder for them to obtain new business:



- Referrals are way down.
- We are pickier about new clients. Less inbound as well.
- Economic concerns.
- More competition from bigger agencies "playing down."
- Sales cycle taking much longer to close business.
- Market downturn.
- Not successfully closing the sales.

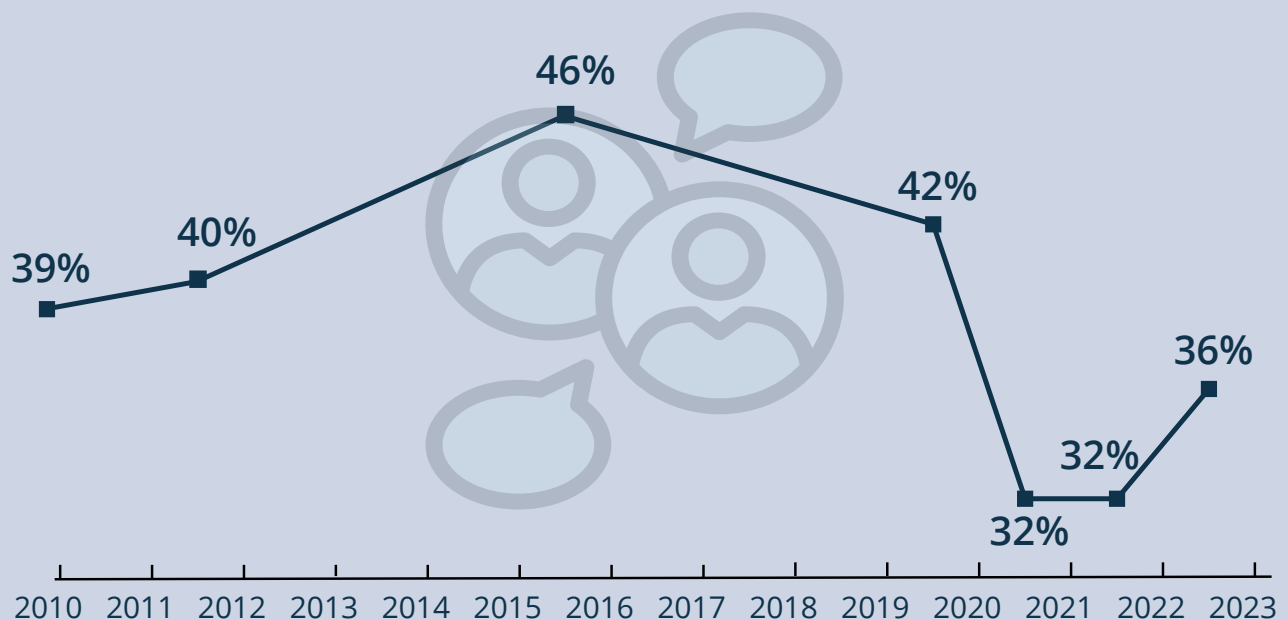
Success And Tenure Of New Business Directors

We Asked Agencies: Have you hired a full-time new business hunter/director/manager (as part of your staff) to prospect for leads for your agency in the past three years?

One of the keys to driving new business is of course the individual, or individuals, leading the charge. Hiring a new business director is one way to go, and this is a question we ask yearly of agencies.

In the last two years of our survey ('21 & '22), hiring for the new business director position at an agency fell to its lowest level since we started this survey in 2010, with just 32% of agencies hiring a new business director in the past 3 years. We're seeing that trend reverse in 2023, although not by much, with 36% of agencies hiring an internal new business director. To add a further layer to the discussion we also asked agencies, "How difficult or easy has it been for you to hire quality employees for your agency/firm?" 51% of agencies said it was very to somewhat difficult and 39% said neither easy or difficult.

Agencies that hired a full-time new business hunter/director/manager to prospect for leads over time.



Success And Tenure Of New Business Directors, Cont'd

Implications

An interesting stat from a July, 2023 piece in eMarketer, [Us Ad Agency Employment Marks An All-Time High](#), "June saw a significant boost in employment across advertising, public relations, and related services, rising by 2,200 jobs, per new Bureau of Labor Statistics data cited in Ad Age. With this uptick, employment in these sectors has reached its highest since 2001."

However, in regard to the business development position specifically, it's an ongoing saga agency owners must contend with: 85% of Agency New Business Directors last less than 2 years. Of course, the last three years have had their fair share of unique struggles coming out of the pandemic with an uncertain economy and hiring difficulties.

Beyond these struggles—and those struggles are certainly real—agencies often just don't know what to look for when trying to hire for the development position. The process is not easy, but we see some key mistakes up front in the hiring process:

- 1 They hire a person's network.** If this candidate's main method of prospecting has been networking events, local happy hours, etc., you need to dig deeper and ask questions around their inside sales experience.
- 2 They hire green.** At RSW, we hire new business directors that have 10-15 years of sales and marketing experience. It makes the process longer and tougher, but it's the expectation we set. Agencies will hire green and then think they can train up.
- 3 They don't dig deep enough** on the individual's planned process. Always ask for a top-line version of the process and plan your new business director will carry out.
- 4 Define the new business position clearly up front.** Is this person responsible for all facets of new business, from top of the funnel all the way through to pitching and RFP responses? Is that person purchasing prospecting lists, or expected to build those out?

Success And Tenure Of New Business Directors, Cont'd

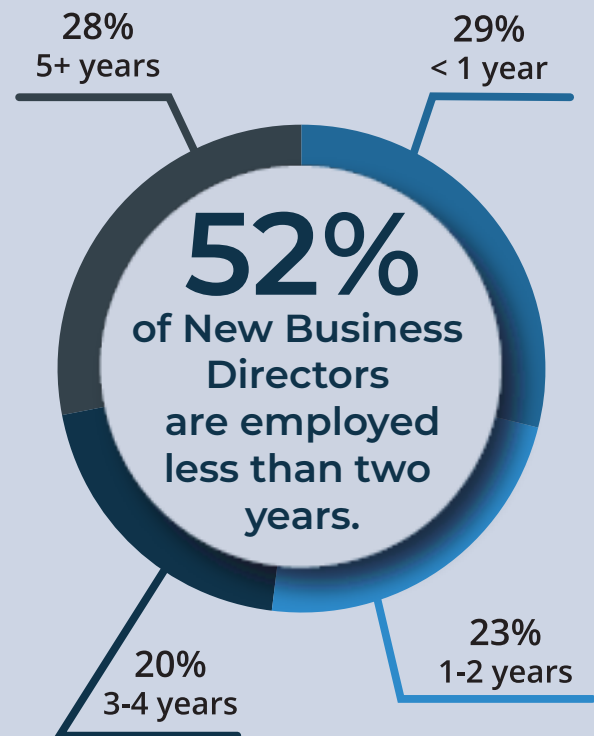
We Asked Agencies: How successful would you say your last new business hire was/is?

In regards to how successful, 44% of agencies report their last new business hire was unsuccessful. And a precipitous drop continues in agencies reporting how long their most recent new business hire was employed at the agency: This year, 23% reported 1-2 years. In 2022 it was 34%, and in 2021 it was 52%. So we're seeing a downward trend here around new business hires in 2023.

How successful or unsuccessful would you say your last new business hire was/is?



How long has/was your most recent New Business Director employed at your firm?



Success And Tenure Of New Business Directors, Cont'd

Implications

Solid new business directors are not unicorns, they do exist, but they are still somewhat rare. The worst thing you can do as an agency owner is settle or make a rushed decision. If your goal is to hire for the position internally, it will take time. And so you need to have a plan in place to garner new business. Make it simple and make it manageable. A manageable effort will put you ahead of 75% of your competition.

There are 4 areas your new business plan should cover:

- 1 Organic growth**—As Drew McLellan at AMI posits: 65-70% of your net new revenue should come from existing clients. Looking at you, AEs!
- 2 Referrals**—As we'll see, they're the number one driver of new business for agencies
- 3 Inbound/content**—There's no excuse for your firm not to have a manageable content engine. That could be 2-3 posts a week on LinkedIn, for example. And remember, ChatGPT is your friend. (More on that later).
- 4 Outbound**—The hardest of the four, but done correctly/well, is as viable as any of the four.

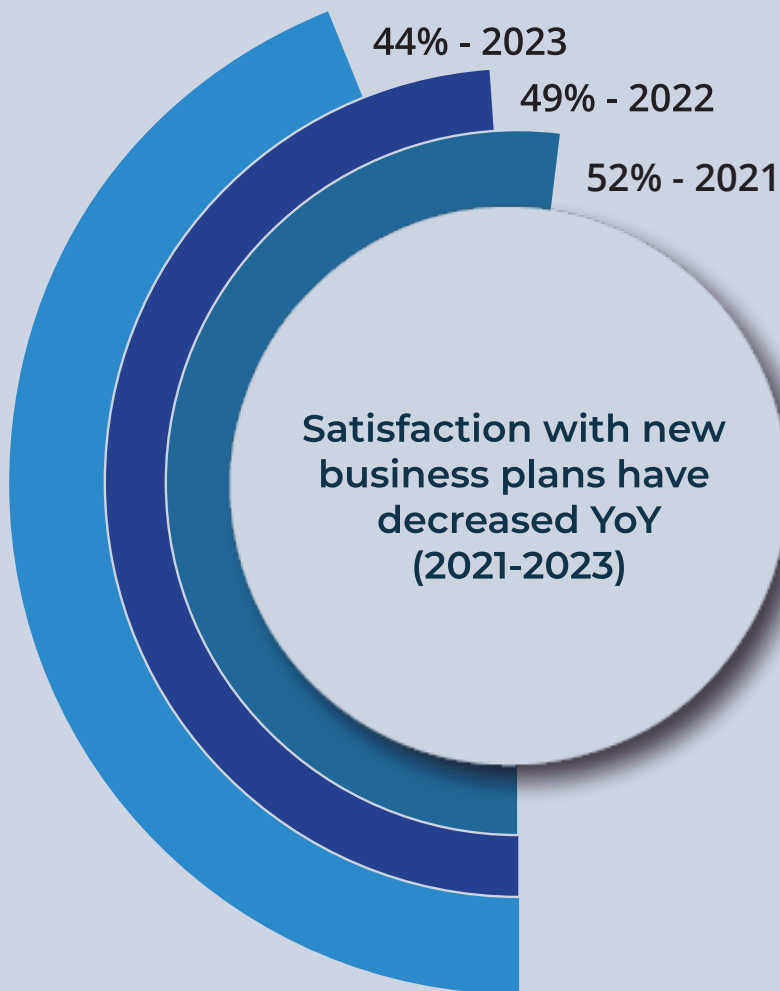
Finally, there must be realistic expectations around the whole process, and especially around closing business-

Satisfaction With New Business Program

We Asked Agencies: Are you satisfied with the success of your new business plan/program?

We've asked this question often in our survey, and traditionally its fairly close to an even split across yes or no. This year that's changed, with 56% reporting no and 44% reporting yes. Our RSW agency clients are predominantly small and mid-sized agencies (as were predominantly the takers of this survey), and as the stats have reflected so far in our report, it's incredibly hard to find an individual to drive new business. Which means that process, if there is one, falls to a partner, principal, or owner.

% of agencies who said yes YOY



For small and mid-sized firms, there often is no plan for new business.

Visit our ebook page for ways to make your list building, thought leadership, website, and case studies stronger and more effective, with specific and actionable instructions on each.

<https://www.rswus.com/ebooks/>

Satisfaction With New Business Program, cont'd

One new addition this year was the opportunity to provide open-ended responses as to why a “no” answer was given. Here are some of those responses from your agency peers:

- Not getting in front of enough qualified leads.
- Feels way more reactive than proactive.
- We are better doing lead gen for our clients than we are for ourselves.
- Continue to find it difficult to find any strategy or content that is getting through in our current environment.
- It's just not bringing in signed contracts.
- We are chasing too many of the wrong opportunities .
- Need more leads, need to get better at prospecting at hunting for leads, need to find larger opportunities with bigger brands/budgets.
- It was historically based on referrals which have mostly dried up and we've struggled to create an outbound program due to lack of experience and time.
- We used COVID to focus on our target verticals and while that's a good idea, it's taking a while to get traction. Also, our two biggest clients (30% of annual revenue) left us at the end of 2022 and we've not recovered that revenue as yet.
- It's me running it and budgets have shrunk.
- Our agency isn't currently structured for clients to only “order off the dollar menu”. We need to find a way to make margins with extremely small invoices related to social / digital.
- We lost focus on target.
- Not connecting with the right people or decision makers.
- I wouldn't say we have much of one.
- Prospects taking a long time to convert or pausing their decisions.
- It is difficult to motivate employees to do consistent follow up with prospects.
- Smaller opportunities, lower win rate.
- There is no plan here. Principals are too busy with overwhelming existing work and may not fully understand the value of constant new biz efforts.

Satisfaction With New Business Program, cont'd

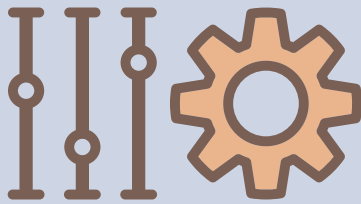
Implications

Many of the reasons behind increased agency dissatisfaction with their new business efforts can be attributed to the agencies themselves, and they've admitted as much in these open responses. If there is no real plan created or acted upon, then yes, you will be dissatisfied.

However, other factors are much harder to control, like shrinking referrals, diminished budgets, and the extended length of time it's taking to close opportunities.

Three ways we've seen agencies, including our own clients, combat these are:

- 1 As mentioned previously, ensuring organic growth is a priority.
- 2 Making new business an agency-wide endeavor, ensuring every employee knows they have a hand in driving it.
- 3 Being open to smaller opportunities in the short term, that are, critically, still within your wheelhouse, in order to land and expand.



"It was historically based on referrals which have mostly dried up and we've struggled to create an outbound program due to lack of experience and time."

- Open ended response from agency owner

Dollar Volumes Of New Business in 2023

We Asked Agencies: Relative to last year, have you seen the dollar volume of new business opportunities increase, decrease, or remain the same?

Per the graph, 41% said decrease, 31% said remained the same, and 27% reported an increase. For reference, last year 37% of agencies reported an increase.

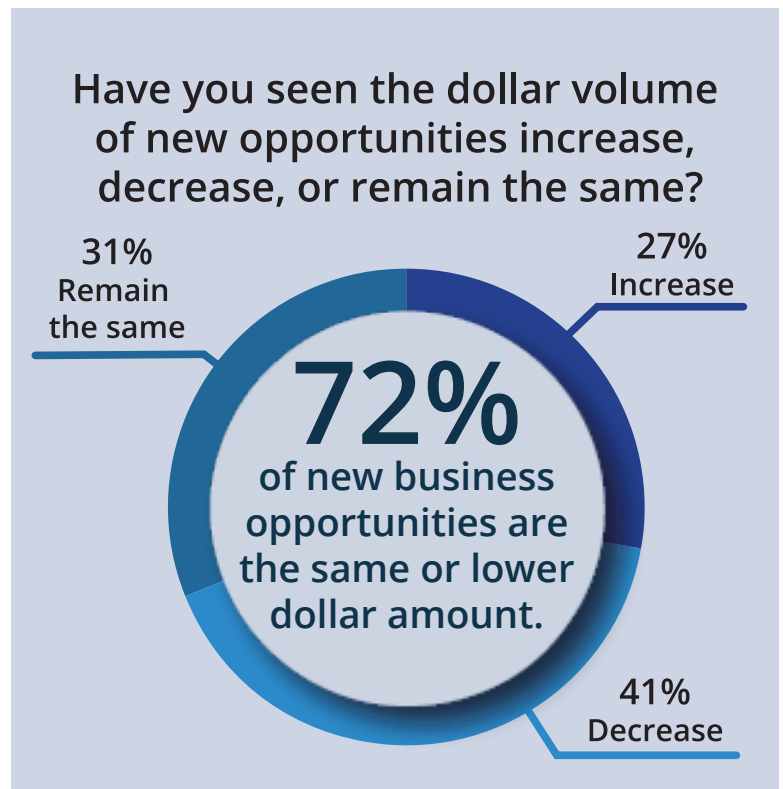
Implications

With 70% of agencies saying the overall number of new business opportunities stayed the same or decreased (per pg. 6), and 72% of agencies saying new business dollar volume stayed the same or decreased, it's more important than ever that agencies ensure they're going after the right prospects. Per one of the open-ended responses from an agency above, "we are chasing too many of the wrong opportunities".

Leading into 2024, now is the time to look at your current client base:

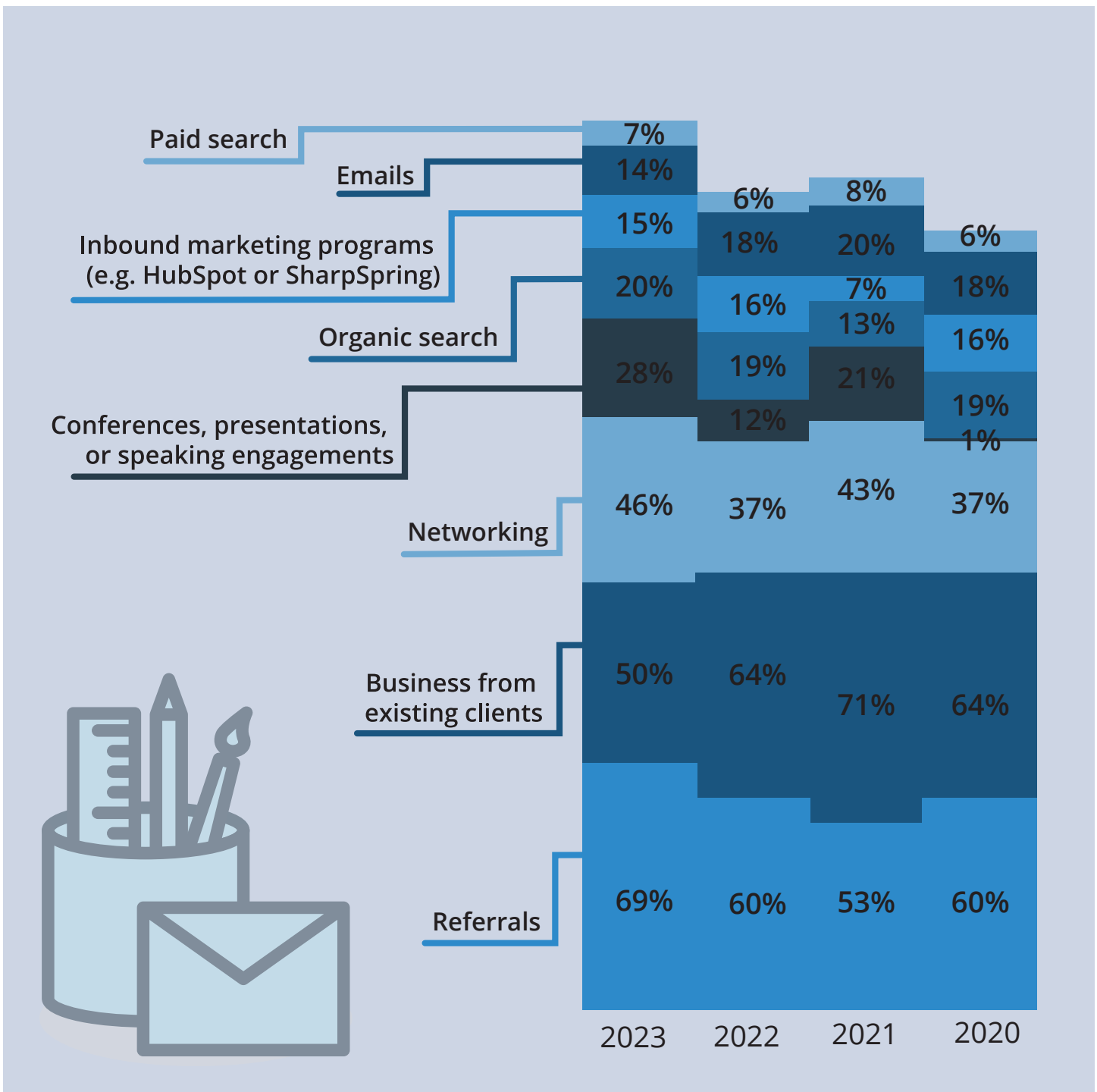
- 1 Are you holding on to clients who don't pay you enough, or in a timely manner?
- 2 Are you targeting right-size prospects, in terms of revenue?
- 3 And lastly, are you charging enough?

These can all be tough questions to answer, and tough to act upon as well in the current climate, but you have to start somewhere, and the first place is the current prospects you're pursuing.



Most Effective Tools At Generating New Business

In very unsurprising news, continuing the trends from 2021 and 2022, new business to-date in 2023 has come from referrals and existing clients. Both of these sources should be part of your business development program, but more than in previous years, we're seeing agencies report these as less reliable in 2023.



Most Effective Tools At Generating New Business

Implications

Referrals came in as the number one new business generator at 69%, with Business from existing clients at 50%, and Networking at 46%. For reference, in 2022, Referrals come in at 64%, Business from existing clients at 59%, and Networking at 46%.

So the actual percentage on referrals is higher this year by 5 points, which is interesting, given what agencies have already reported more than once, some version of referrals starting to dry up in 2023 versus past years.

And as far as existing business, quotes like the following from a previous question should raise some concern: "It is difficult to motivate employees to do consistent follow up with prospects." Quotes like these, to be fair, are not widespread, but if you find yourself in this situation, it needs to be addressed, and treating new business as agency-wide is the first step.

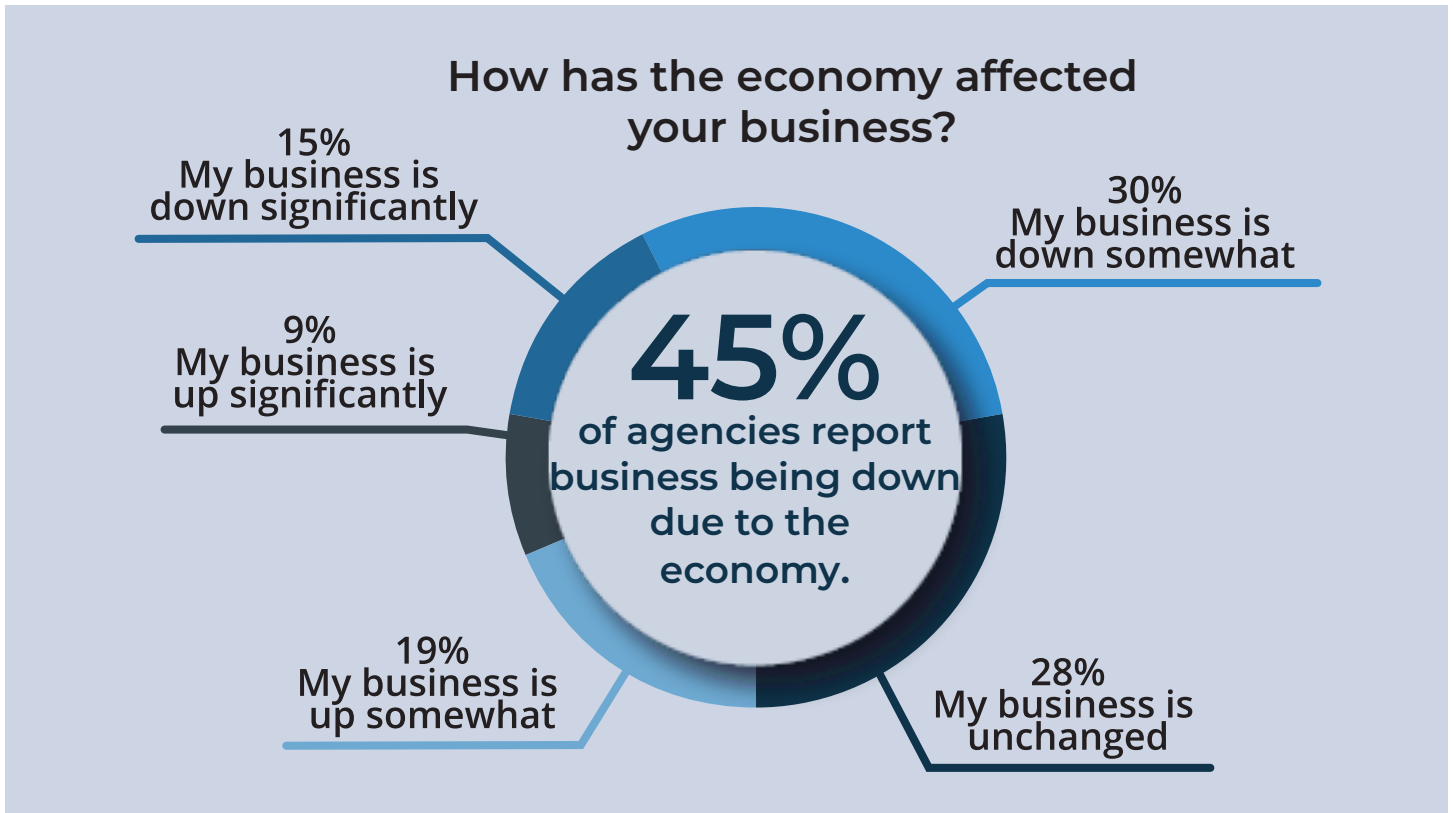
When it comes to tools, focus is all-important. Your firm doesn't need all the tools, and especially for small and mid-sized firms, there's not enough time to use them all. Typically you have a great majority of the core tools already in place: phone, email, social, for example. Beyond that, an email delivery tool, some form of tracking for those emails (and ideally on your site) and then potentially a CRM, which you ultimately will need for any serious business development effort. Tools like ChatGPT, which we'll discuss later in this report, should certainly be on your radar, for your agency and your clients, and could be very helpful to your overall effort.

And as a side note, the majority of numbers in this question stayed relatively the same compared to last year's report with one exception: conferences as a tool to drive new business came in at 15% in 2022, versus this year at 28%-quite a jump! Anecdotally, we can convey conversations with agencies, client and non-client, who report finding conferences coming back post-covid in a meaningful way. The key is zeroing in on a tight group, and having a plan in place pre-conference, and most importantly, post-conference for prospecting.

Impact Of The Economy

We Asked Agencies: How has the economy affected your business?

45% of agencies said business is down somewhat to significantly, and 28% said the business is unchanged to this point. The reality of 2023 from a business development standpoint for many agencies, especially those trying to handle new business internally: prospects have been harder to break through to and slower to respond, and are dragging their feet once it's time to start the work. On top of that, it's been tougher to fill the pipeline.



While you can attribute this to the current state of the economy, another contributing factor in equal measure is the lack of an ongoing business development engine. That engine will not solve the time it takes to start the work, to be fair, but it will ensure you have a plan and structure in place to consistently stay in front of your prospects in a meaningful way.

And potentially good news, the economy is showing some signs of becoming healthier, but not overheated, in terms of employment and inflation. We can only wait that out, but agencies have been here before and have seen the cyclical side of this industry.

Average Time Between First Meeting To Close

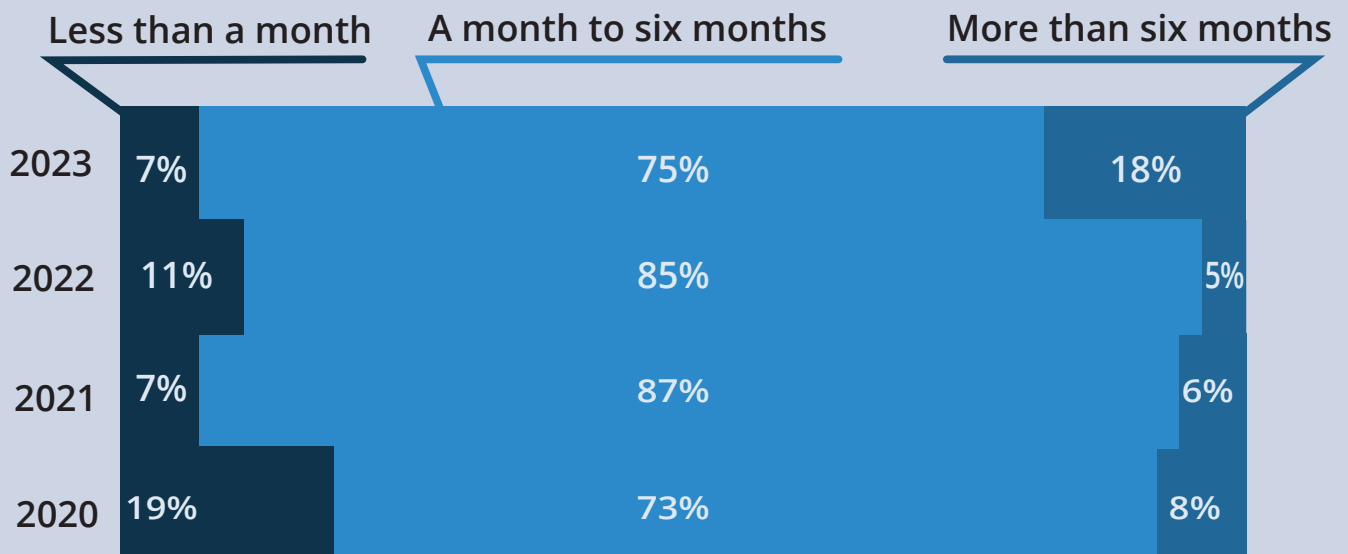
We Asked Agencies: How long does it take (on average) to move from a 1st meeting to closing a piece of business?

Now in our fourth year of asking this question, it's a critical touchstone in setting expectations for yourself and your agency's new business program. 75% of agencies tell us the average time it takes to move from a first meeting to close to-date in 2023 is 1-6 months. That's down 10 points from last year. And "more than 6 months" has risen from 5% to 18%.

Implications

To provide full perspective, year over year numbers look like this:

How long has it taken so far in 2023 (on average) to move from a first meeting to closing a piece of business?



Average Time Between First Meeting To Close

So at first glance, 1-6 months dropped from 85% to 75%, which looks like an improvement, but the other timeframes show it getting harder for agencies. “Less than a month” dropped from 11% to 7% and “More than 6 months rose from 5% to 18%”.

Dovetailing from the previous question, the process from first meeting to close, and closing business overall, is simply taking longer for a lot of the firms out there. Apart from considering your long-term financials, in regard to planning, we’ve laid out what agencies should be doing from a business development standpoint. But one aspect we haven’t touched on are expectations.

However you’re handling business development, you must recognize that it’s a process. That’s nothing new, but now it’s taking longer to get there, and it will pass, but it means you need to be prepared for it and not be swayed by your own conceptions of how long it should be taking, or by the countless sales emails you get promising/guaranteeing lots of prospect meetings per week with quick closes right behind those meetings. Those guarantees can’t be legitimately made because you can’t force a prospect to give you work if it’s not there.

Which is why a cadence of 8-12 touches over 3-6 months is so critical, as is follow up. Agencies tend give up when the process goes beyond 2-3 touches or takes more time than they had allotted in their head.



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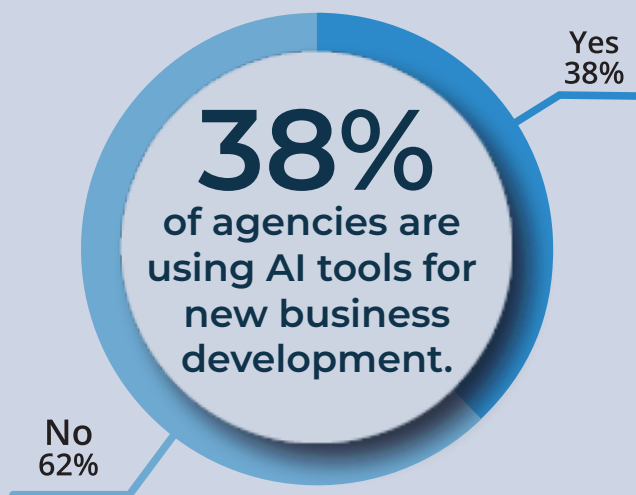
The Impact of AI and AI Tools

We Asked Agencies: Are you incorporating ChatGPT and other AI tools into your business development efforts?

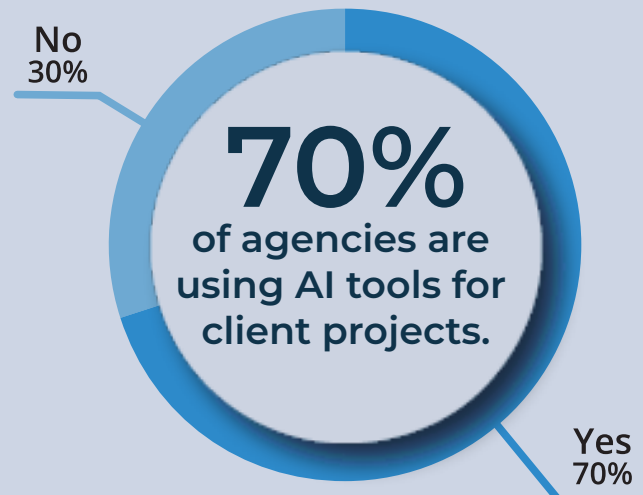
In a series of new questions, we wanted to explore what impact AI has had on business development and on client work. We first asked, "Are you incorporating ChatGPT and other AI tools into your business development efforts?" Per the graph below, 62% are not and 38% are, so, very much in the exploratory phase so far in 2023. Interestingly, in our follow up question, "Are you incorporating ChatGPT and other AI tools into your tool set for client work?", 70% said yes, and 30% said no. (As an aside, a May 2023 piece from Pew pointed out, only 14% of US adults have tried ChatGPT!)

Are you incorporating ChatGPT and other AI tools into...

your new business efforts?



your toolset for client work?



The Impact of AI and AI Tools

Implications

Good to see agencies exploring these tools. While it's still early days in many respects, clients look to your firm to be more than order takers. However, staying on top of trends is critical, but certainly it can tip the other way and get into "chasing shiny object" territory. Critically, rather than be nervous about AI and its impact on individuals in the industry, you really have no choice but to explore how to harness it to make your processes more efficient.

To provide some context to the business development side, we provided an open-ended option to those firms incorporating AI into their business development efforts. Here are several of those:

- Dirty drafts of content
- Research prospect companies, summarize content for outreach
- Content development
- To analyze call transcripts, improve case studies for clarity/brevity, synthetic research in pitches
- Research, initial drafting and suggestions of outreach and follow-up emails, etc...
- Email copy
- Using ChatGPT to help develop ideas for content marketing, for new business emails/cold outreach, and for writing parts of proposals/responses to RFPs.
- summarizing blog posts and podcasts for social posts
- Thought starters on RFI questions and AI voice on voiceovers for case study videos

From the responses, it's good to see agencies using AI for research, content conception, and thought starters. In our own experience, AI is very helpful in those areas, and we're using these tools in the same way for our own agency clients,

Where AI can help you the most from a business development perspective, is creating weekly content to post on your blog and LinkedIn. It's one of the hardest things to do, and we've found tools like ChatGPT or Bard, for example, can create a solid blog post framework. In our opinion, it's not ready yet to use as-is (although many do). While it gets better daily, obviously you want that content to be in your own voice.

Conclusion

Unfortunately, not a lot to be excited about for agencies in this report. We're on part of the rollercoaster where you realize you're feeling a little ill. But if nothing else, this report should serve as a reminder of the areas you need to strengthen within your firm. And as of this writing, Adweek had an interesting piece we thought was worth quoting (The US Ad Industry Will Grow 5% in 2023, According to a New Forecast)

"The good news is we are not in a recession, and advertisers should stop acting like we are, argues longtime industry analyst Brian Wieser in his new U.S. ad spend forecast. Spending should grow by 5% in 2023, and between 4% and 5% after that, the analyst predicts. The big takeaway: This is not bad news. Consider it a return to normal."

Wieser, considered an authority on advertising economics, managed GroupM's ad spend forecasts before launching his independent consultancy, Madison and Wall.

"One thing that became clear, especially in the last 18 months, was you had too many people incorrectly talking about the state of the advertising market," he told [Adweek](#).

Whether Wieser ends up being correct is pure conjecture at this point, but you need to be prepared for it to be factual. Shore up or redefine those areas in your business development process, your team, and your culture that need attention.