

New Year Outlook Report

2024





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 report was commissioned by RSW/US, an outsourced lead generation/ business development firm that works with marketing service firms (of all sizes and types) exclusively.

RSW/US was founded in 2005 and works with over 50 agencies across the U.S., operating as their outsourced sales and marketing team.

In 2010, RSW started RSW/AgencySearch. To-date, RSW/AgencySearch has managed over 50 searches for marketers across a range of different categories, helping them find better agencies.

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

To learn more about RSW/US, visit <https://www.rswus.com/business-development-strategy-for-advertising-agencies/>

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

About Our Report

The 2024 RSW/US New Year Outlook survey was completed by senior level Marketers and Marketing Agency executives during November 2023.

The purpose of the survey was to glean insights relative to marketer and agency perspectives as they each headed into 2024.

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 2024.

The agency sample came from the RSW/US database of over 7,000 marketing services, advertising and PR firms in the U.S. and Canada, ranging in size from under \$3M in capitalized billings to over \$75M.

The disciplines of each agency spanned full-service, digital, PR, and marketing consultancies, to name a few.

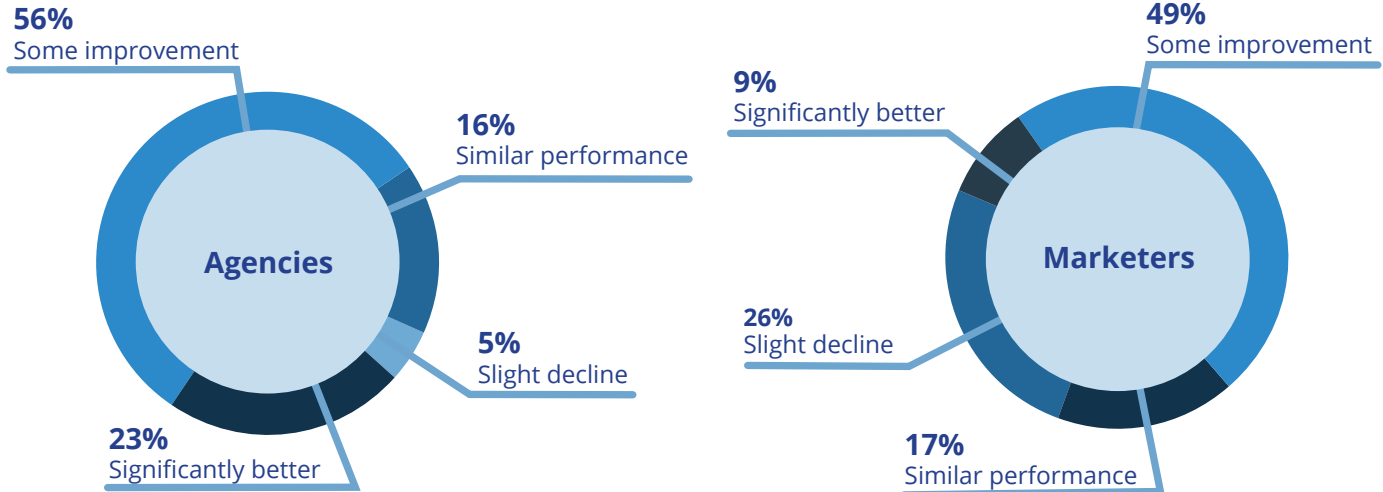
The marketer sample came from our RSW/AgencySearch database of 30,000 marketing decision maker contacts. Company size, location, and category varied.

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 or lee@rswus.com.

2024 Performance Expectations

Agencies & Marketers Eye Stronger 2024

What are your expectations for overall business performance looking ahead to 2024, versus 2023?



We first asked marketers and agencies, “what are your expectations for overall business performance looking ahead to 2024, versus 2023?”

79% of Agencies said they expect some to significantly better performance in 2024 and only 5% expect a slight decline in 2024 compared to 2023.

57% of Marketers said they expect some improvement/a significantly better performance in 2024, versus 2023, and only 26% of Marketers expect a slight decline in 2024 compared to 2023.

2024 Performance Expectations

Implications

We see two key points coming out of these predictions:

Agency Optimism: A significant 79% of agencies expect better performance in 2024, with only 5% anticipating a decline. This optimism could be fueled by the recent growth in the U.S. ad market and an all-time high in advertising employment in November of 2023, suggesting a robust industry environment.

Marketers' Cautious Optimism: With 57% of marketers expecting improvement in 2024, there is a sense of optimism, albeit more cautious compared to agencies. The 26% expecting a decline might be factoring in market uncertainties or budget constraints.

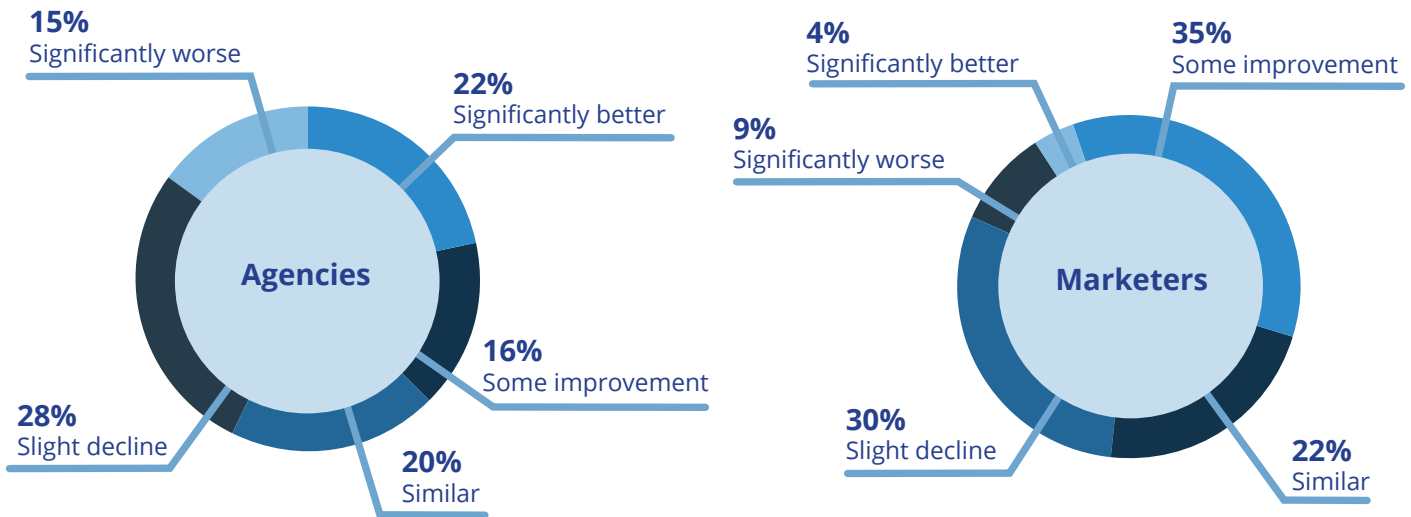
Bottom Line

Agencies need to strike a balance between optimism and strategic caution as they navigate 2024. Now is the time to nail down your business development strategy by making sure your positioning is clearly defined, you're targeting the right prospects, and you have a mix of outbound, referrals, and client retention within that strategy.

Overall Business Performance (22 vs 23)

Reflecting on 2023: Agencies and Marketers Grapple with Uneven Performance

How would you qualify your overall business performance in 2023 vs 2022?



Close to 50% of agencies and almost 40% of marketers said their overall business performance in 2023 showed a slight decline or was significantly worse than in 2022.

We see two significant points for agencies and marketers:

Agencies' Overall Business Performance in 2023 vs. 2022:

- 1 Mixed Performance:** The data indicates a mixed picture, with an almost even split between improvement and declines in business. This suggests a polarized impact, certainly influenced by market dynamics, client spending patterns, and internal agency strategies.
- 2 Stability for Some:** 20% of agencies reported that their business performance in 2023 was similar to that of 2022, indicating a segment of the industry that managed to maintain stability amidst varying market conditions, albeit without posting growth either.

Overall Business Performance (22 vs 23)

Marketers' Overall Business Performance in 2023 vs. 2022:

- 1 Equally Split Outcomes:** The situation among marketers mirrors that of the agencies, with an even split (39% each) between those who saw improvement and those who experienced a decline in their business performance. This balance indicates, unsurprisingly, that the economic and market factors affecting agencies are similarly impacting marketers.
- 2 Consistent Performance for Some:** 22% of marketers stated that their business performance in 2023 was similar to 2022, suggesting either a level of resilience and consistent market positioning or a continuation of inertia from '22.

Implications

As a backdrop to the data above, and to our next question, it's worth noting a few key agency business development stats from our 2023 Agency New Business Report:

58% of agencies found it harder to obtain new business in 2023,

and

38% of ad agencies reported a decrease in new business opportunities in 2023, up from 26% in 2022.

Agencies and marketers have always had to navigate a market where performance outcomes are highly varied. Strategies focused on differentiating services, demonstrating value, and adapting to changing market needs should be in every playbook.

Agencies experiencing difficulties in acquiring new business need to reevaluate their new business strategies, focusing on targeted outreach, strengthening their value proposition, and leveraging new platforms (more on that later in our report).

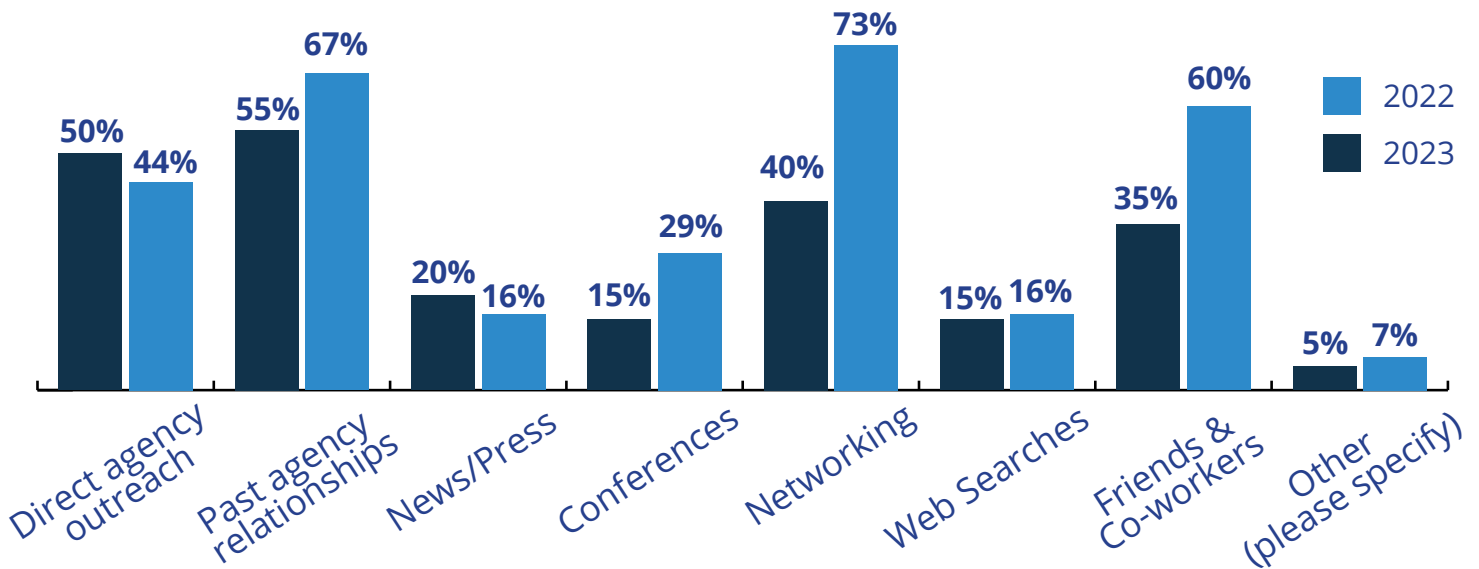
And with 23's predominantly challenging new business environment, agencies should place greater emphasis on retaining existing clients and diversifying their client portfolio to mitigate risks.

Moving along from the past, we asked agencies and marketers to look ahead in our next question.

How Do Prospects Discover Your Firm?

Marketers Reported Notable Changes In How They Find New Agencies - How Marketers Discover Agencies

How do you most often learn about new agencies?



Next, to provide business development guideposts for agencies in 2024, we asked marketers how they discover new firms to partner with.

For initial comparison purposes, here are the top 4 ways marketers found new agencies:

2022:

- Networking 73%
- Past agency relationships 67%
- Friends/co-workers 60%
- Direct agency outreach 44%

2023:

- Past agency relationships 55%
- Direct agency outreach 50%
- Networking 40%
- Friends/co-workers 35%

To provide a backdrop for this comparison, from our 2023 Agency New Business Survey:

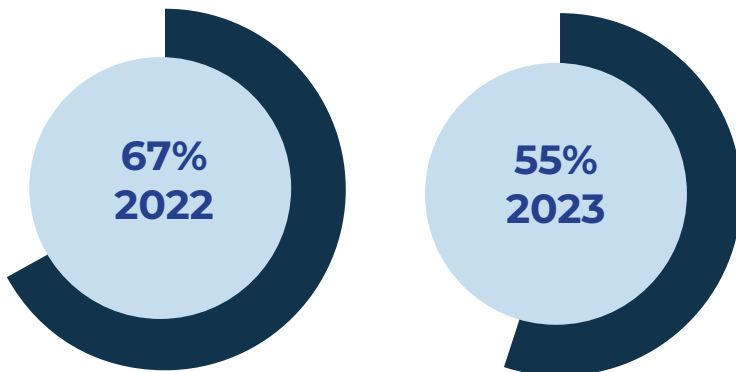
Only 44% of ad agencies said they are satisfied with their new business program. In '22 it was 49%, and in '21 it was 52%.

How Do Prospects Discover Your Firm?

Implications

Let's look at a breakdown of the top 4 ways marketers found new agencies in 2023, and what it means for business development in 2024:

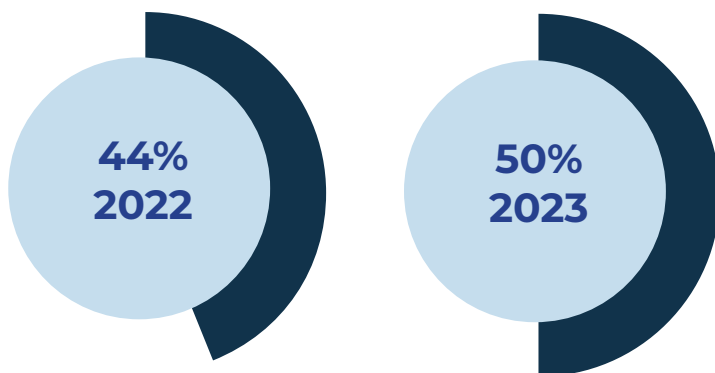
Past Agency Relationships



Analysis: Remains a strong factor but has seen a sizeable decline. This suggests that while past relationships are important, marketers are a) increasingly open to new connections, or b) (and most likely) agencies are not doing the work to stick with and pursue past clients, especially as they move to new companies.

This is one of several strategies we employ at RSW/US. While we have a team dedicated to building lists of new companies/contacts, we also mine past relationships (where appropriate). It's continually surprising how often agencies don't incorporate this into their business development strategy.

Direct Agency Outreach

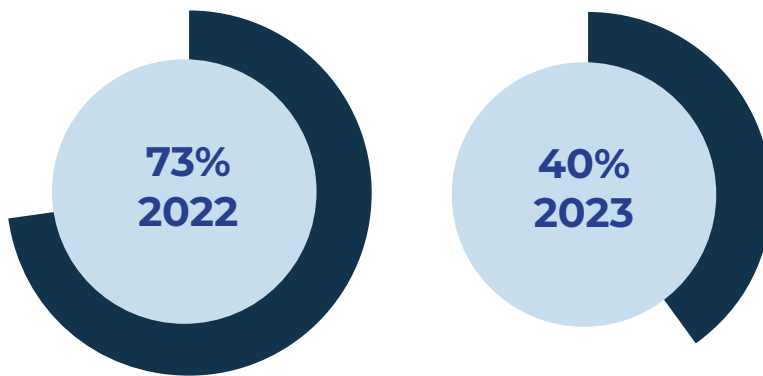


Analysis: An increase in effectiveness, indicating a growing openness to direct communication from agencies. Certainly, it's as difficult as ever to break through to prospects. And to be clear, your prospects typically don't want to be sold to. The inundation of ineffective sales emails, to give one example, is not helping those agencies that are reaching out with relevance.

The key to effective outreach is to show that prospect how you can help solve their business challenges. To be effective, agencies must alternate and make use of multiple avenues of outreach. For example, at RSW, we use phone, email, social, and physical mail, coupled with our tech stack to make the process more efficient.

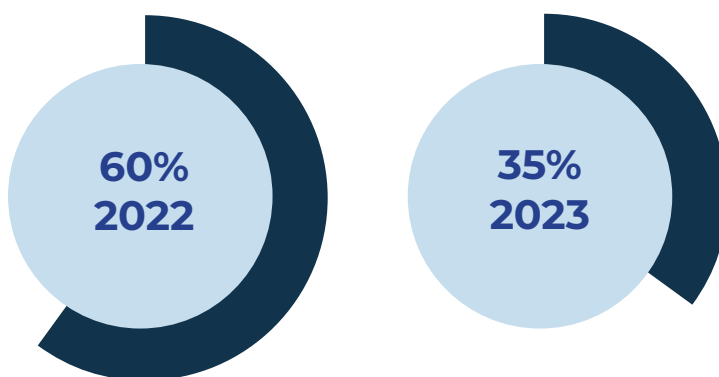
How Do Prospects Discover Your Firm?

Networking



Analysis: There's a significant decrease in the use of networking to find new agencies. Post-Covid, we've seen a return to more in-person networking and events, but we saw conference attendance for marketers drop 14 points, from 29% to 15%. While networking will always be important, agencies should take advantage of this trend and maintain ongoing outreach to fill the gap.

Friends & Coworkers



Analysis: Another notable drop, implying that personal recommendations are becoming less influential compared to other methods, yet somewhat odd, as comparatively, this can be seen as an easier way to find new agencies. Bu again, agencies should take advantage of this trend.

How Do Prospects Discover Your Firm?

Bottom Line

6 ways agencies can capitalize on these trends in 2024:

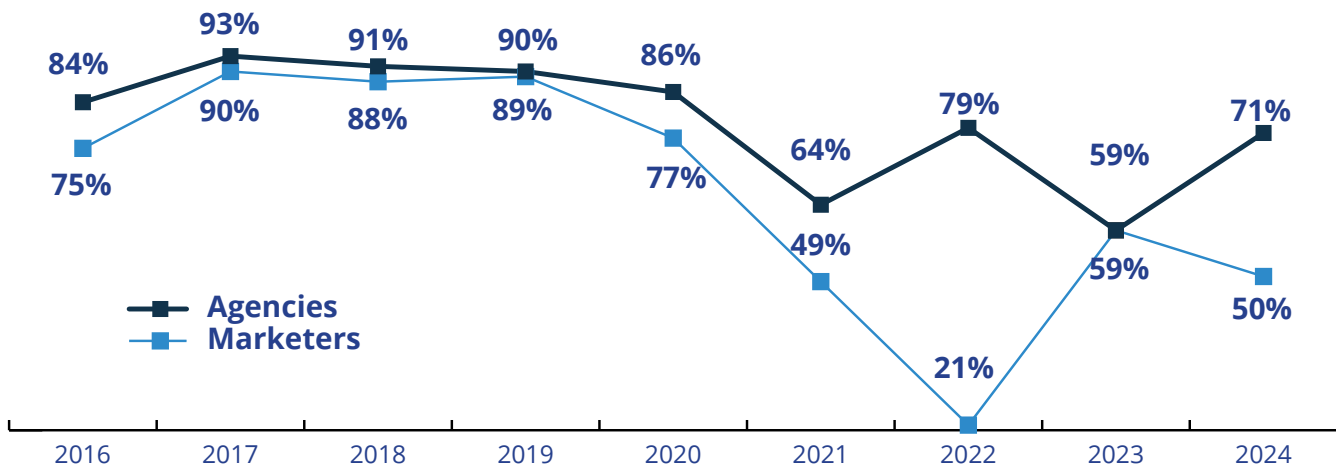
- 1 Formulate a manageable plan for direct outreach
- 2 Diversify that outreach over multiple platforms
- 3 Make sure that outreach is targeted to right-fit prospects
- 4 You only get one chance—don't waste your messaging by injecting fluffy taglines, or using language that doesn't speak directly to your prospects
- 5 Build and Maintain A Steady Online Presence
- 6 Mine your past client relationships—Use your 1st level LinkedIn connections, for example. (As previously mentioned, that's one piece of our RSW client programs.)

50% of marketers find new agencies through direct agency outreach.

Marketer/Agency Investment In Non-Marketing Spending

Agencies Plan Substantive Increase in Non-Marketing Spend

Agencies & Marketers That Plan to Invest "Somewhat" or "Heavily" in Their Business (Non-Marketing Spending)



In our first survey question, we asked marketers and agencies their expected business investment plans (non-marketing spending) for 2024. Analyzing and comparing the data from our 2023 New Year Outlook Report with the new survey data for 2024, several key insights emerge, particularly for ad agencies:

- 1 Increased Investment by Agencies:** There's an evident uptrend in investment intentions among agencies.
In 2023, 59% of agencies indicated their intention to invest in non-marketing aspects of their business. This number has grown to 71% in 2024.
This 12-point increase suggests growing confidence and a recognition of the need to invest in areas like new hires, technology, and R&D. After 2023, agencies plan to respond to changing market dynamics to stay ahead, both in terms of their competition and to meet the needs of their clients.
- 2 Marketers' Investment Trends:** On the marketer side, we see a decrease in investment intentions, from 59% in 2023 to 50% in 2024. This 9-point drop might indicate a shift in strategic focus or a reassessment of budget allocations. However, 50% is still a significant percentage, showing that half of the marketers surveyed are keen on investing in non-marketing areas, which typically include technology and talent acquisition.
- 3 Stability Among Some Marketers:** The fact that 21% of marketers anticipate no change in their investment level is noteworthy. It suggests a segment of the market that is either satisfied with their current level of investment or cautious about making new investments, possibly due to economic uncertainties or satisfaction with current business operations.

Marketer/Agency Investment In Non-Marketing Spending

Implications

- 1** Implications for Agencies: This landscape presents potential opportunities for ad agencies. Their increased investment indicates a push towards enhancing capabilities, anticipating a stronger 2024 economically, and responding to marketers' evolving needs in kind. Agencies should focus on how their investments can align with the expectations and changing dynamics of their clients.
- 2** Navigating the Shift: Agencies need to be cognizant of the slight decline in marketer investment and use it to their advantage. It's a prime opportunity to communicate their increased investment to their clients. This requires a strategic approach to ensure that their services and offerings are aligned, but it's a prime opportunity to fill in any gaps clients may have.
- 3** Long-Term Growth and Client Retention: 2023 was rough for many firms—now is the time to grab the reins. Agencies should view their investments as a part of a long-term growth and client retention strategy. The need to stay on top of industry trends and understand the factors driving marketers to start new reviews is crucial. This means that while managing the bottom line, agencies must balance prudent investment in non-marketing areas to enhance their value proposition to clients.

Bottom Line

Both agencies and marketers plan to actively invest in non-marketing areas in 2024. Agencies need to take advantage of their plans to increase investment while taking advantage of any slight decreases on the marketer/client side.

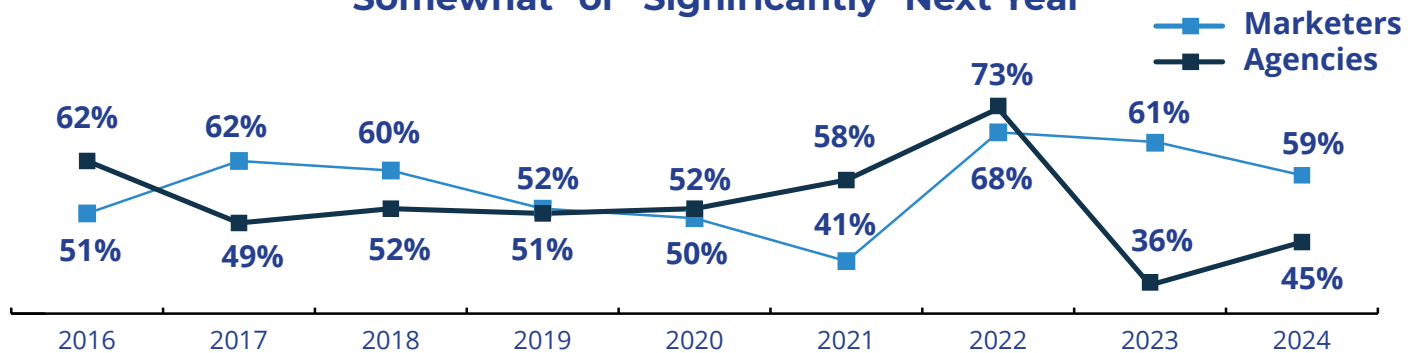
Agencies

Communicate clearly how your non-marketing investments benefit your clients. Reinforce the value you bring.

Expected Marketing Spending

Anticipated Spending Increases From Marketers And Agencies

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



45% of Agencies expect their clients' marketing spend will increase "Somewhat" or "Significantly" in 2024, and 59% of marketers report marketing spend will increase "Somewhat" or "Significantly" in 2024. Two factors stand out here:

- 1** Increased agency optimism: While only 36% of agencies believed in an increase in marketing spending by their clients in 2023, this number has risen to 45% in 2024. This increase suggests agencies are more optimistic, yet still realistic, about their clients' spending intentions, influenced by market trends or direct client feedback.
- 2** Marketers' Cautious Confidence: While 61% expected an increase in 2023, this figure slightly declined to 59% for 2024. This indicates sustained, though slightly cautious, optimism among marketers about increasing their marketing budgets. They're watching the economy of course, and as we'll see in the Implications section below, the timing of our survey preceded two good pieces of news leading into '24.

Expected Marketing Spending

Implications

We see five key points from the survey data:

- 1 The Gap Narrows Between Agencies and Marketers:** Always interesting to see agencies' views on marketing spend shifting closer to marketers' perspectives. In 2023, there was a significant 25-point gap between the two (61% of marketers vs. 36% of agencies), but in 2024, this gap has reduced to 14 points (59% of marketers vs. 45% of agencies), indicating a better alignment in expectations.
- 2 Economic Factors and Market Dynamics:** The cautious yet optimistic outlook for 2024 on both sides is a response to lingering economic uncertainty. Agencies and marketers must factor in perceived economic indicators, consumer behavior changes, and market trends while planning their budgets, however, both took our survey in the first 3 weeks of November 2023, and as mentioned above, we need to factor in data from two late November/early December 2023 articles: [Ad Market Expands For Fourth Consecutive, October Climbs 3.2%](#), and [Brian Wieser Boosts Ad Outlooks Nearly A Percentage Point](#).
- 3 Market Resurgence:** The US saw four consecutive months of growth in the U.S. ad market, showcasing a resilient industry. Agencies should celebrate this resurgence as a testament to their adaptability and strategic prowess.
- 4 Upward Projections by Brian Wieser:** Brian Wieser's upgraded outlook for 2024 indicates a promising trajectory for the industry. His attribution of the positive revisions to better-than-anticipated growth in the third quarter adds further "oomph" to the narrative.
- 5 Positive Momentum Acknowledged:** Wieser's recognition of a significant degree of positive momentum in the U.S. advertising industry aligns with the tangible expansion observed in the market, and this collective optimism is a promising foundation for agencies preparing for '24.

Bottom Line

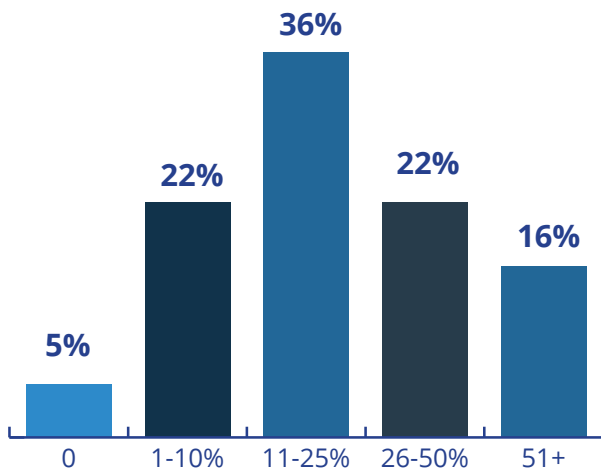
As we step into 2024, the advertising landscape presents a blend of optimism and challenges, but it does every year.

The data suggests a need for agencies to remain agile and adaptable. Agencies should maintain a degree of caution and have contingency plans. This includes having a robust new business plan to combat potential slowdowns in client work, as observed in the latter half of 2022.

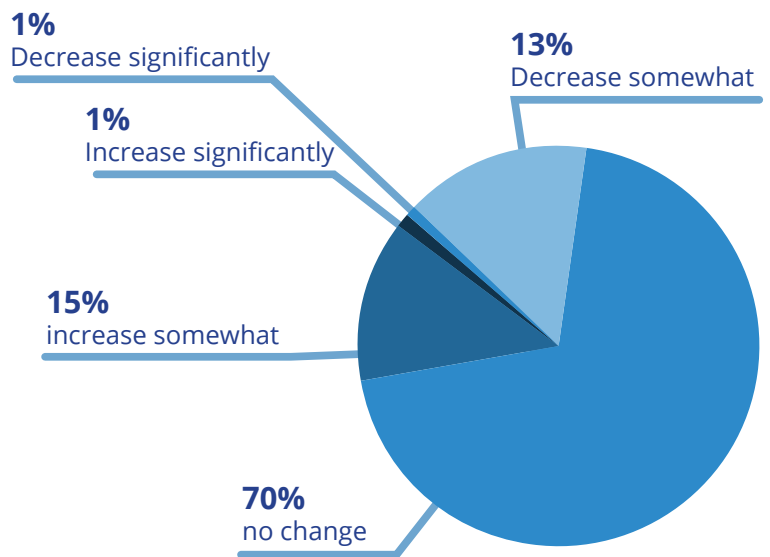
Status of In-House Work & 2024 Predictions

Marketers Report A Slight But Continued In-House Decline-Status Of In-House Work

Agencies: What percent of your current clients do agency-like work in-house?



Agencies: Looking ahead to 2024, do you see your clients moving more or less agency-like work in-house?



We see a slight fluctuation in ad agencies' reports on clients using in-house agencies:

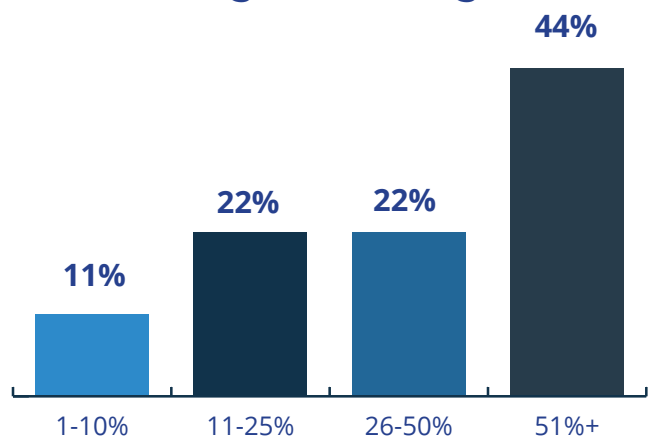
17% in 2021, 13% in 2022, and 16% in 2023.

And in regard to future predictions from agencies, 83% anticipate no change or a slight decrease in client in-house agency work.

We then asked marketers, What percentage of your marketing/advertising activity is managed by an in-house marketing/advertising team?

We see a slight decline from 47% to 44% in marketers reporting over 50% of their marketing/advertising activities in-house this year.

What percentage of your marketing/advertising activity is managed by an in-house marketing/advertising team?



Status of In-House Work & 2024 Predictions

Implications:

Once again, we see disparate paths, as agencies report a slight growth of in-house capabilities, and marketers report a slight decline.

Let's further muddy the waters with the ANA report, "[The Continued Rise of the In-House Agency: 2023 Edition](#)" where they report a steady increase of in-house agency adoption, with 82% of ANA members having an in-house agency in 2023.

As the ANA points out:

In-house agencies should no longer be considered a "trend." They have become firmly entrenched as part of the holistic marketing ecosystem and are now a "mainstay."

(Although important to remember, the survey respondents in this ANA report include large companies typically prone to levels of in-house agency use.)

Bottom Line:

Marketers continue to rely on in-house agencies, but agencies expect to maintain their relevance, and will, given the complexity and specialized needs of the market in 2024.

And an interesting late-November piece in Media Post ([Fragile But Resilient](#)) provides a cautionary note from industry experts (for brands) emphasizing that relying solely on increasing prices for growth in 2024 will no longer be sustainable.

It worked for a couple of years because of an unusual confluence of factors. As these factors weaken or vanish altogether, price-driven growth just won't work any longer.

Consumers are more fragile, yet no less resilient. Taylor Swift concerts have broken records, even with skyrocketing ticket prices.

Black Friday sales set a record. Attendance at Major League Baseball games is way up.

But this is tough competition. Not every brand can win the scarcer dollar of harder-pressed consumers.

Brands, across the board, will need help to accomplish these solutions, beyond what any internal teams might offer.

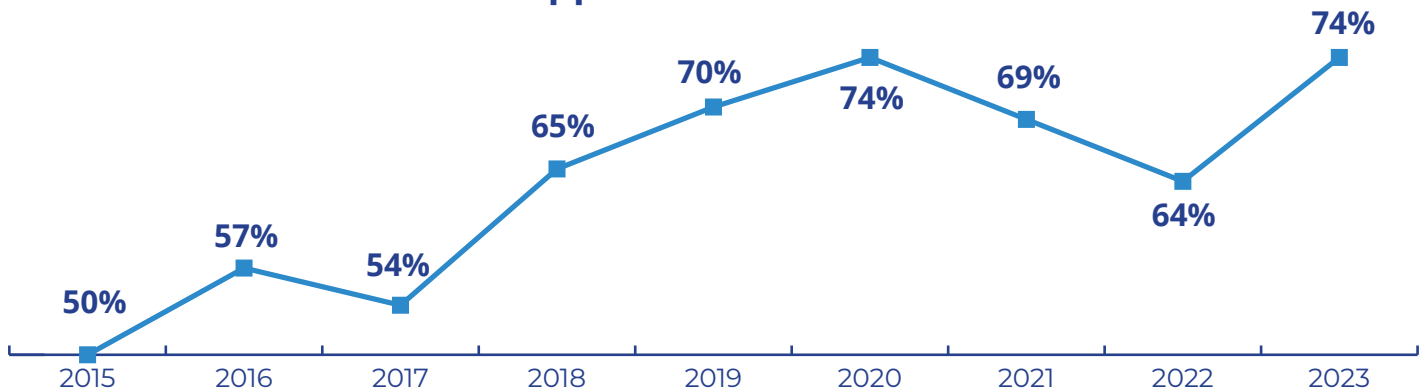
And that help will come from agencies, of all types, but they must bring expertise and leadership to the table.

And before they can even get to the table, they'll need to get the attention of, and break through to, their prospects.

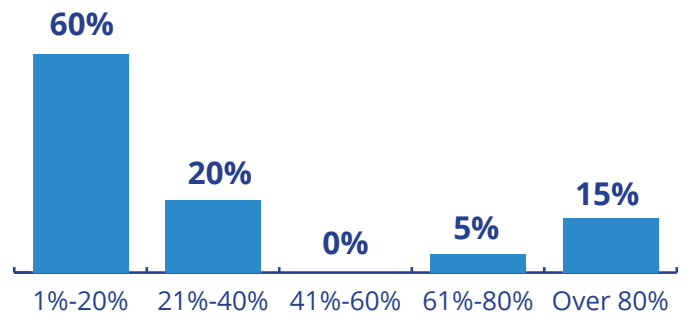
Status of In-House Work & 2024 Predictions

Agency Consolidation & Project Work On The Rise

% of Marketers Using 2 or Fewer Marketing Service Firms to Support Their Business Needs



What percentage of work you assigned to Marketing Agencies in 2023 was PROJECT work (billed separately from retainer relationships)?



74% of marketers said they used 2 or fewer marketing services firms in 2023.

In 2022 it was 64%.

We also introduced a new question for marketers into our survey: What percentage of work you assigned to Marketing Agencies in 2023 was project work (billed separately from retainer relationships)?

60% of marketers said 1-20% of work assigned to Marketing Agencies in 2023 was project work, and another 20% said 21-40% of work assigned to Marketing Agencies in 2023 was project work (billed separately from retainer relationships).

Status of In-House Work & 2024 Predictions

Implications:

The 10-point rise in using 2 or fewer marketing services firms indicates a continuing trend toward consolidation in the marketing sector and a preference for integrated and more streamlined services within the marketing industry.

The trend also aligns with the broader industry focus on cost efficiency and targeted marketing strategies. Certainly, this increased consolidation was also in direct response to economic pressures in 2023.

With 80% of marketers reporting almost half their work in '23 was project work, it suggests a significant portion of client-agency work is still structured around specific, finite projects rather than ongoing retainer-based relationships.

Agencies should see this as an opportunity in 2024.

Bottom Line:

With project work increasing and marketers consolidating agency rosters, a few key areas agencies need to focus on in 2024:

Land & Expand: Client Retention and Communication: Effective communication with clients has always been critical in maintaining client satisfaction and trust, but even more so with ever-increasing project work. You work too hard to be a one-and-done, so clear communication up front and throughout each project is all-important.

Sometimes Tough, But Necessary: Campaign Performance: Marketers are forced to focus more and more on quantifiable results from their agency partnerships, whether through project or retainer models. It's incumbent on your agency to provide performance metrics, in whatever form you can, understanding some services are much easier to quantify, of course. But you still have to have a plan in place to show value.

Take Full Advantage Of Your Specialized Services: Specialized services lend themselves to project-based work, better set your firm apart, and provide a more concrete way to get your foot in the door with a prospect.

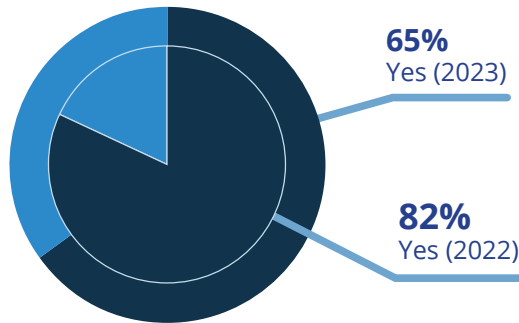
As we work with our own agency clients at RSW/US, we stress up front how important focus is, both in positioning and in building and pursuing right-fit clients.

This doesn't have to mean specialization in one vertical or service offering, but it does mean showing prospects immediately the expertise and value the agency offers.

RFI/RFP Effectiveness

RFPs on the wane?

Marketers: Do you still find the RFI/RFP process effective?



65% of marketers said the RFI/RFP is still effective, versus 82% last year.

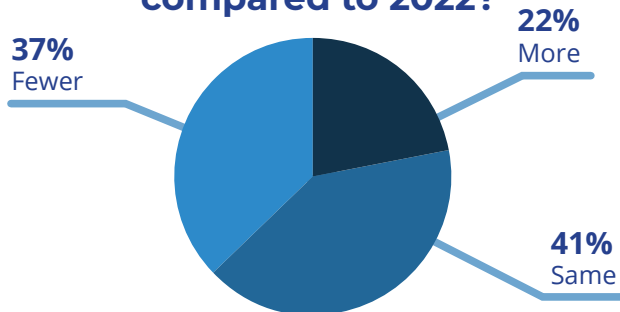
Has the worm finally turned? Are we at the start of a new golden age where RFPs fade to dust?

Undoubtedly not, but perhaps we're finally seeing some cracks in the foundation.

A 17-point drop is significant,

It's been a process seen (and is still seen) as more task-oriented rather than goal-oriented, inherently non-collaborative, and reactive rather than proactive. And per the [4As and ANA](#), there remain issues with intellectual property retention, budget size, participant roles, and publicity of wins.

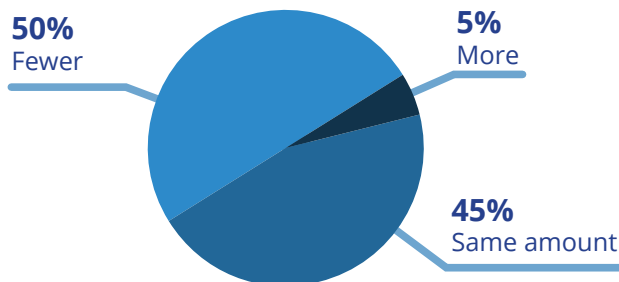
Agencies: Looking at 2023, did your firm answer more or fewer RFPs compared to 2022?



At RSW/US, as a general rule, we don't chase RFPs for our agency clients, but we also don't ignore them. There are those verticals where an RFP must be released and answered, and certainly, some clients who have no issue answering an RFP if it makes strategic sense.

In order to dig deeper into the decreased effectiveness of the RFP process, we should look at a few new questions we added this year.

Marketers: Did you release more or fewer RFPs in 2023, compared to 2022?



RFI/RFP Effectiveness

Implications

We asked marketers if they released more or fewer RFPs in 2023, and asked agencies the same question, in terms of RFP frequency. Here's what we found:

Reduced Agency Engagement: 37% of agencies reported answering fewer RFPs in 2023 compared to 2022, and 41% said they answered the same amount. Only 22% reported an increase. This suggests a subtle, but noticeable shift in the agency approach toward RFPs.

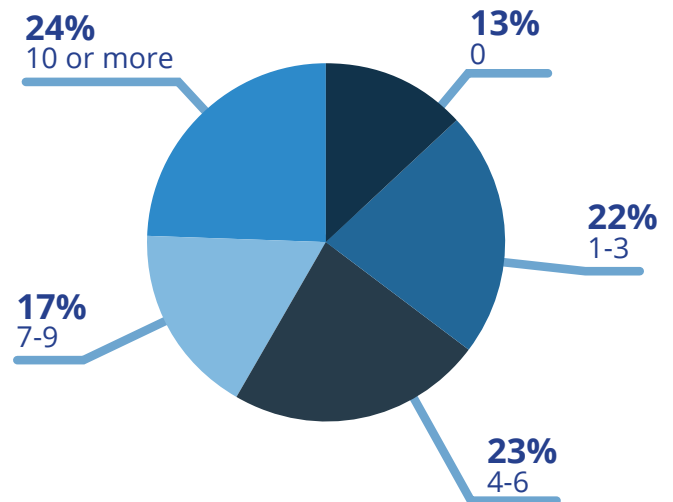
Marketer Decrease in Releasing RFPs: From the marketer's perspective, 50% reported releasing fewer RFPs in 2023 compared to 2022, while 45% released the same amount. Only a small fraction (5%) increased their RFPs.

Both agencies and marketers are showing a trend toward fewer RFPs. This parallel movement suggests a mutual evolution in the industry's approach to agency-client engagement.

And we asked a final question to agencies: How many RFPs did you answer in 2023?

45% reported answering 1-6, and 41% reported answering 7-10+. So while we see a decreasing trend overall for marketers and agencies, it's still a driver for new business.

Agencies: How many RFPs did you answer in 2023?



Bottom Line:

The 17% drop in perceived RFP effectiveness coupled with fewer RFP releases from marketers indicates a potential growing skepticism or dissatisfaction with the RFI/RFP process. This could be due to the increasing need for more collaborative, flexible, and goal-oriented approaches in marketing strategies between agencies and clients, rather than the standardized offerings typically found in RFPs.

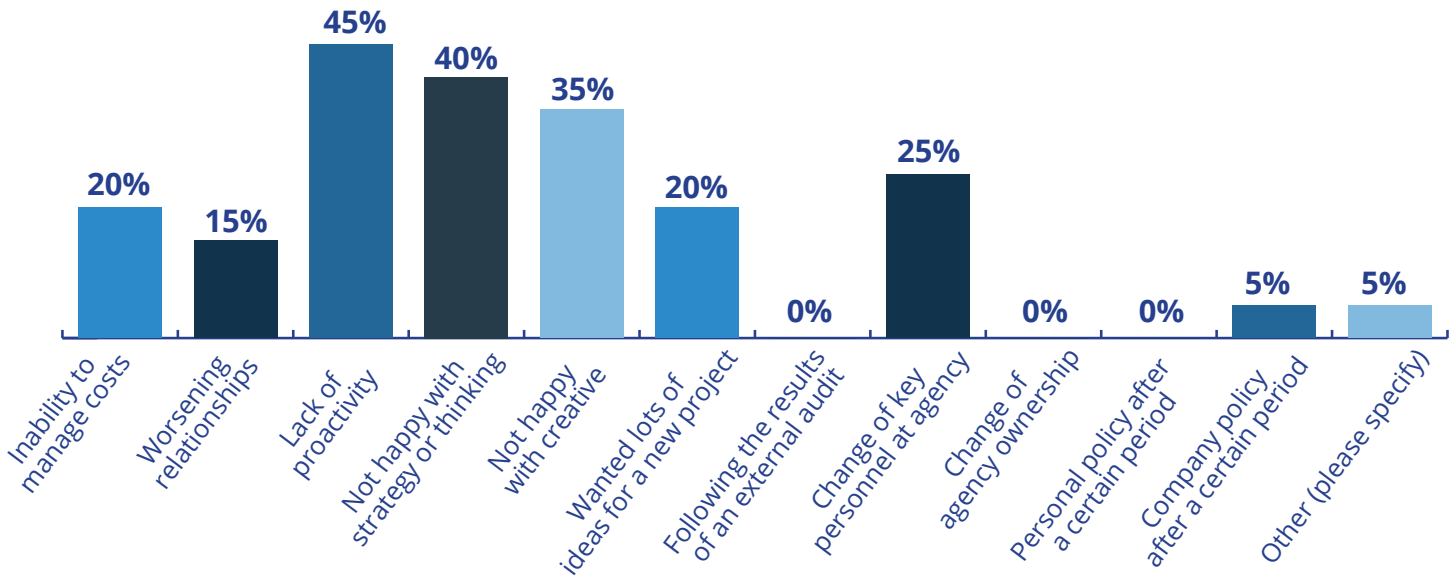
In response, agencies should:

- 1 Reassess their reliance on RFPs for new business in 2024.
- 2 Be more strategic and selective in responding to RFPs, focusing on those that align well with their strengths and values.
- 3 Diversify business development strategies beyond RFPs, including some form of direct outreach, thought leadership content, and positioning that directly showcases agency expertise and capabilities.

Why Do Marketers Review New Agencies?

Lack Of Agency Proactivity In the Spotlight

Thinking about the last time you reviewed new agencies to work with, why did you decide to review? Select all that apply.



We see some changes here from last year's report, and an initially surprising one. We'll begin by breaking down the top 5, in order of 2023 data:

		2022	2023
1	Lack of Proactivity	30%	45%
2	Not happy with strategy or thinking	39%	40%
3	Not happy with creative	39%	35%
4	Change of Key Personnel at Agency	14%	25%
5	Wanted lots of ideas for new projects	16%	20%

Why Do Marketers Review New Agencies?

Implications:

The notable increase in concerns about agency proactivity should give agencies pause.

There were many factors out of any business's control in 2023, but proactivity was not one of them. Marketers are increasingly looking for agencies that more proactively respond and provide strategic advice or thinking.

Along these lines, while only a slight increase in unhappiness with strategy and thinking, that's still 40% of marketers reporting dissatisfaction and suggests a growing emphasis on strategic partnership rather than just execution.

The 4-point rise in agencies wanting ideas from the client as a reason to review agencies continues down this same path.

Bottom Line:

What we're hearing from marketers is more dissatisfaction with those parts of the business under the agency's control.

In 2024, this must be corrected on the agency side. Marketers will make the switch when they perceive a failure to innovate or provide fresh perspectives.

Which is why, as difficult as it can sometimes be (depending on the client) consistent, clear communication and a solid understanding of the client's business are key.

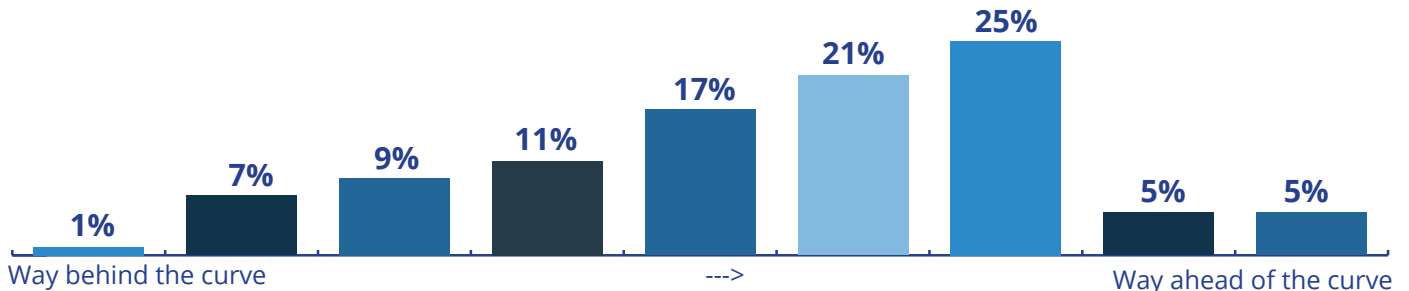
#1

Marketers said lack of proactivity was the #1 reason they decided to review new agencies.

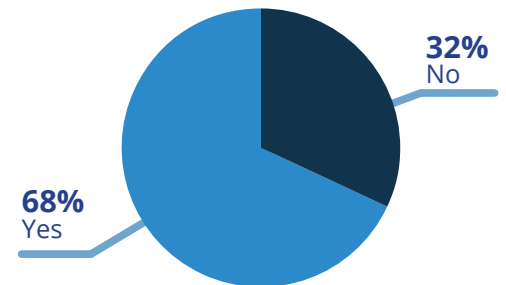
Agencies: Trends & Tech

Ahead Of The Curve?

Agencies: In terms of new trends and tech, would you say your agency is ahead of the curve as you enter 2024?



Marketers: In terms of new trends and tech, would you say your current agency is ahead of the curve as you enter 2024?



We asked agencies in 2022 and in our latest survey (2023), "In terms of new trends and tech, would you say your agency is ahead of the curve, as you enter the new year?" And we asked marketers the same question of their agencies.

Agencies:

2022: 74% of agencies, on a scale of 1-10, rated their firm between a 6 and 10.

2023: 72% of agencies, on a scale of 1-10, rated their firm between a 6 and 10.

Marketers:

2022: 70% of marketers answered Yes, their agencies are ahead of the curve.
30% of Marketers said No

2023: 68% of marketers answered Yes. 32% of Marketers answered No.

Agencies: Trends & Tech

Implications:

With just a slight decline, there is still fairly strong confidence among the majority of agencies in their ability to keep up with or lead in new trends and tech.

The slight decrease probably suggests a growing recognition of the challenges in keeping pace with evolving tech and trends. (More on that in our next section on AI.)

On the market side, the slight drop could reflect what marketers consider a decline in agency performance or rising expectations among marketers.

Bottom Line:

Given the rapid evolution of technology and trends in advertising, agencies should invest in continual learning, much of which can be done with little or no expense. This helps not only in staying ahead of the curve but also in demonstrating their commitment to “doing the homework” for their businesses and their clients.

And a note on agency's perceived lack of proactivity by Marketers: agencies consistently tell us how difficult it can be to create thought leadership, and to be fair, it is. However, here is a perfect opportunity to prove out that you're staying on top of trends.

Putting together a 1-2 page doc every quarter for your clients on trends and how they're impacting the verticals you serve shows you're putting in the effort. And that same doc could be altered to remove any client-centric information and used for prospecting, on your blog, social platforms, or a landing page.

If your firm really is staying on top of key trends, you have to show clients and prospects that's the case.



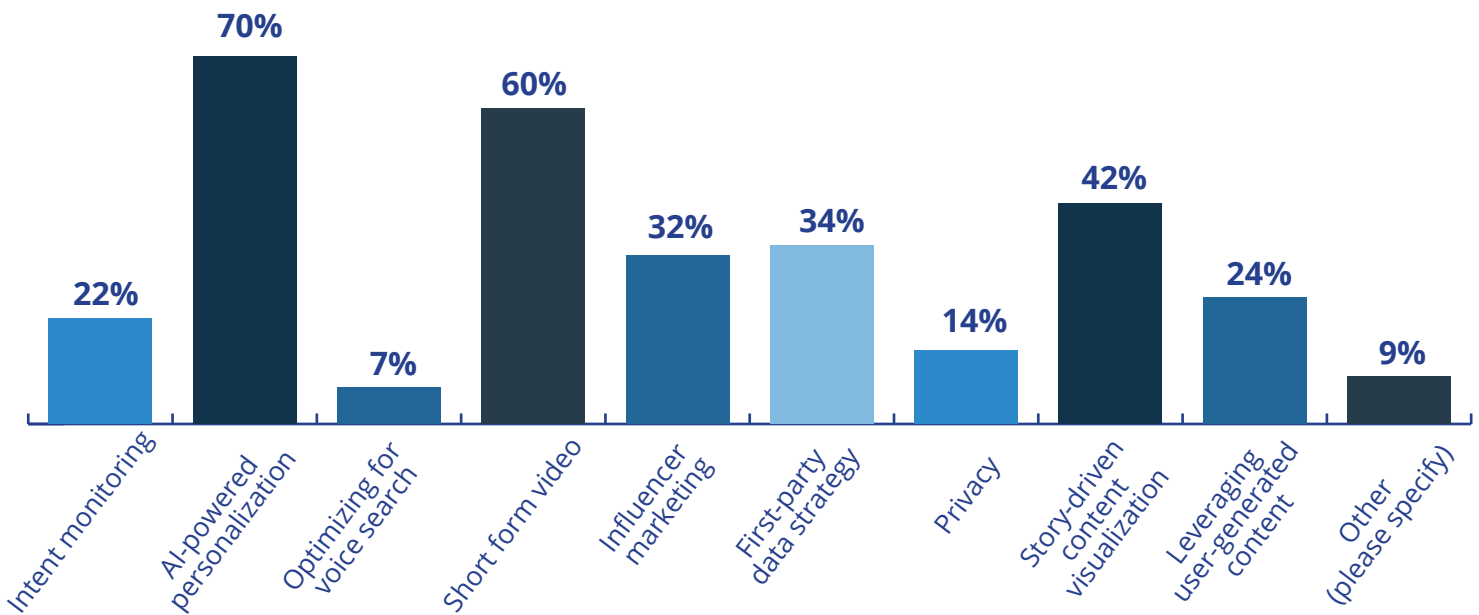
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2024?**

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Agency Take On 2024 Industry Trends

AI and Short Form Video Reign

Looking ahead to 2024, which of these trends do you see being most impactful to the industry and/or your clients? Select all that apply.



We'll begin by breaking down the top 5, in order of 2024 data:

		2023	2024
1	AI-powered personalization	25%	70%
2	Short form video	30%	60%
3	Story-driven content visualization	41%	42%
4	First-party data strategy	38%	34%
5	Influencer marketing	43%	33%

Agency Take On 2024 Industry Trends

Implications

Unsurprisingly, we see a dramatic change in the industry environment, with AI rocketing to the top of these answers.

Looking back at our 2023 New Year Outlook Report, we didn't even mention AI in our implications section, and now it looks set to make major changes to not only our industry, but the world, as it evolved more rapidly than it seems anyone really expected.

Short-form video stays in the top 3, and interestingly, influencer marketing drops 10 points from the third to the fifth spot.

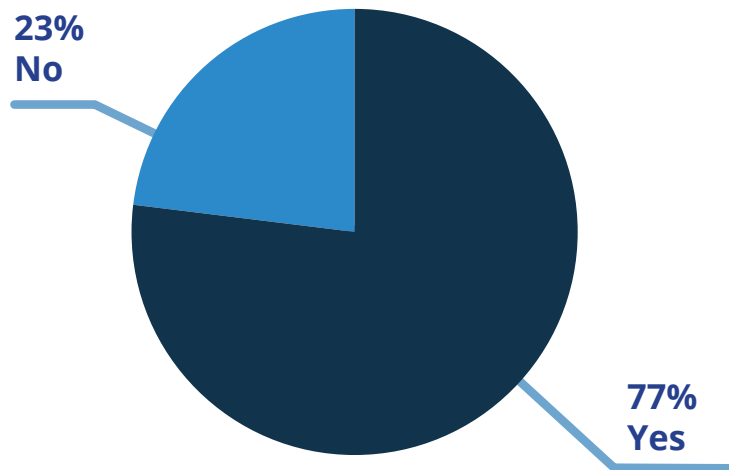
Bottom Line: Your agency may not include any of the top 3 in your list of services, but you may want to seriously consider either adding them, partnering with another firm, or at the very least, staying on top of what's happening, per the previous sections.

As we'll see with AI in the next section, you won't have a choice, it's here to stay.

Agency AI Strategy

Incorporation of AI

Are you planning on adjusting your overall business strategy to incorporate some form of AI in 2024?



In a new question, we asked agencies, "Are you planning on adjusting your overall business strategy to incorporate some form of AI in 2024?"

As previously mentioned, we released our 2023 Agency New Business Report in September of '23 and included 2 questions around AI. The data from those responses provide interesting context:

- 1 38% of agencies reported using AI tools for new business development.
- 2 70% of agencies reported using AI tools for client work.

And in answer to our latest survey question above, 77% of agencies said they were planning to incorporate AI into their business strategy in '24.

Agency AI Strategy

Implications:

You're probably tired of hearing about it.

AI and all it can or will do is ubiquitous.

In 2024 the question is, how can it actually help my business?

We were pleasantly surprised to see 70% of agencies using AI tools for their clients back in September of 2023, and unsurprised that 77% of agencies plan to incorporate it into their business strategy in 2024.

It should probably be 100%, but what does it mean for agencies in 2024?

First, we strongly recommend you read 2 posts by our VP of Sales, [Lee McKnight Jr.](#), ([3 Ways to Improve Your Business Development Efforts-An Example & A Challenge](#)) and our VP of Marketing Communications & List Operations, [Miguel Trejo](#), ([The New Business Dragon-AI and Business Development](#)).

Both posts dive into AI and how agencies can harness it and emphasize that rather than be nervous about AI and its impact, you really have no choice but to explore how to harness it to make your processes more efficient.

Keeping with the proactive theme throughout this report, you can't wait on the sidelines when it comes to AI.

For example, at RSW/US, we're currently testing multiple AI platforms to make our business development processes more effective.

It's still relatively early days, but understanding the building blocks, like the effective use of prompts, is critical.

Another way you can help your clients (and prospects), from an Ad Age piece ([Phony AI Ad Tech—How Brands Can Avoid Misleading Marketing Products](#)):

Brands are being flooded with offers from vendors with AI-based products that promise to improve marketing and work efficiencies.

Brands, across the board, will need help on the AI front, beyond what any internal teams might offer. And that help will come from agencies, of all types, but you must bring expertise and leadership to the table.

Again, from the Ad Age piece,

As many as three out of four marketing products billed as AI really aren't . . . and marketing executives often can't tell the good from the bad. "Executives are struggling"

Agency AI Strategy

Bottom Line:

You don't have to become the AI expert at this point, it's effectively still the wild west, but you can show your prospects you're staying informed, and that you're keeping your clients informed.

Staying on top of trends like AI is critical, but certainly, it can tip the other way and get into "chasing shiny object" territory.

Clients look to your firm to be more than order takers, and this is one way to do that.

Biggest Challenges Facing Agencies in 2024

Proving Themselves (Again)

We'll start with a selection of responses marketers gave us on the challenges they believe agencies will face in 2024:

- Innovation - they need to be more creative and more innovative.
- Staying relevant and proving value
- Talent
- Managing growth and automation while also ensuring that future activity can be tracked and proven.
- Keeping up with technology
- Adding real value. Marketing that goes measurably and directly down to the bottom line.
- Sorting out "media" and finding the right balance of new and legacy to effectively reach the target audience.
- Uncertainty in the economy and how to pivot quickly
- Proving out return on recommend marketing strategies.
- Keeping up with current trends.
- How to embrace new AI automation to assist in supporting the core internal team to be more effective. If not, risk falling behind.
- Costs

Bottom Line:

Brands will need to rely on the expertise of agencies even more in '24.

Biggest Challenges Facing Agencies in 2024

And here are selected responses from agencies on the biggest challenges they believe they'll face in 2024:

- Tightening client budgets.
- Uncertainty
- Finding good people - especially content/copywriters.
- Budget consolidation/reducing number of agencies
- Longer biz dev gestation time
- Meeting client expectations with decreasing budgets and fees
- Incorporating AI
- Longer sales cycle
- Navigating the changing landscape with the advent and surge of AI
- In-house agency movement
- Compensation to Achievable Budget ratio
- As the economy goes, so will go marketing budgets.
- Utilizing AI correctly.
- Developing new services that can measure true attribution outcomes for marketing spend.
- Creating original, quality content quickly and cost-effectively
- retention
- Showing continued ROI and why AI is an add-on, not a replacement
- Winning new business
- Helping clients understand that AI is not ready to replace the human touch.
- Talent...staffing
- Operationalizing AI, producing content at scale.
- Differentiation. "See of Sameness" New business acquisition and increasing existing client spend.
- Turning data into knowledge.
- Predictability.

Biggest Challenges Facing Marketers in 2023

Where Tech Fits

We then asked agencies and marketers, what is the single biggest challenge facing marketers in 2024?

We'll start with a selection of responses from agencies on the challenges they believe marketers will face in 2024:

- Achieving more with less budget
- Competition
- Narrowing channels, and making solid strategic decisions
- Crowded social media
- Learning how to adopt the right tech and AI to stay ahead of the competition
- Maintaining relevance and influence in a shifting landscape. Being versatile and ingenious enough to adapt quickly.
- Economic uncertainty.
- Cost efficiency across multiple channels.
- Whether to build in-house marketing resources/in-house agency or outsource. Currently seeing big national clients like Nestle and Purell make significant cuts to in-house marketing resources and staff
- Keeping up with all the new technologies
- Connecting to the consumer as channels continue to be fragmented.
- Potential changes to the digital landscape - AI impact on organic search, paid digital, velocity of publishing original content, etc
- Cutting through all the noise about what they could be doing to make smart choices about what they actually must and will do
- Ability to implement new technologies
- Economic uncertainty leading to conservative marketing budgets
- Fear
- Budget for longer investment cycles
- Determining how to get beyond the competitive "noise" and reach customers in meaningful ways that build brand affinity and convert to sales.

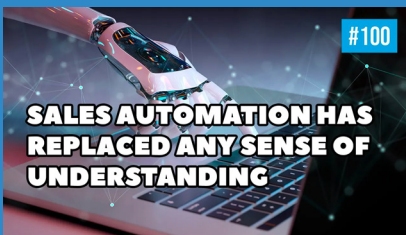
And here are selected responses from marketers on the biggest challenges they believe they'll face in 2024:

- Costs for sure.
- Demonstrating results and ROI that drives outcomes for the business
- Doing more with less
- Focus and Investment
- Figuring out if/how new technology fits within the company (and getting upper

Difficulty of Obtaining New Business

- management, who tend to be older, to understand that)
- Providing knowledgeable analytics on “big data” that provides bottom-line, measurable, verifiable results to the organization as a whole.
 - Making the same budget do more every year.
 - Doing more with less -- focus on scaling the right things
 - Changes in media spend and rapidly changing shopper behavior.
 - How to convince consumers to spend their reduced discretionary income with them.
 - Costs and keeping up with technology
 - Showing RIO in B2B and brand activities

Looking for more business development video content?



3 Takeaways: Our agency new business video series, 100 episodes in total, where we focus on one lead generation category and give you three takeaways to help improve your business development program.



Marketer's Edge: A series designed to share senior-level marketing perspective about marketer challenges, opportunities, and agency relationships. Our goal is to help marketers and agencies learn from other marketers across different industries.



Cut To The Chase: The RSW/US ad agency interview series that delivers impactful views from ad agency principals and business development leaders on growth strategies and the associated challenges in today's weird, evolving landscape.

Conclusion

Agencies and marketers will navigate a complex and evolving landscape in 2024. The common themes that emerge from this report revolve around the challenges of innovation, technology, economic uncertainty, and resource optimization.

For agencies, the key challenge lies in balancing the need for creativity and innovation with the realities of tightening budgets and heightened competition. They must navigate the growing influence of AI, striving to incorporate it effectively without losing the human touch that remains crucial in content creation and client relations. What's not new in 2024: agencies will grapple with the need to differentiate themselves in an increasingly crowded market, while still delivering measurable value to their clients.

Marketers, on the other hand, face the dual challenge of doing more with less and staying ahead in a rapidly changing digital landscape. Economic uncertainty and budget constraints are pushing them to make strategic decisions on where and how to allocate resources most effectively. The adoption and integration of new technologies, particularly AI, are central to their concerns, as they seek to maintain relevance and connect with consumers through increasingly fragmented channels.

Both groups acknowledge the crucial role of talent in overcoming these challenges. Finding and retaining skilled professionals, particularly in content creation and analysis, is a priority that echoes across the responses. Moreover, there is a shared recognition of the need to continuously adapt and evolve, whether it's in embracing new technologies, refining marketing strategies, or responding to economic shifts.

AI will significantly change the way we do business and agencies will need to demonstrate their value more than ever.

But we should end on several positive notes:

- 1 As of 12/23, [the Fed is signaling three rate cuts in 2024](#)
- 2 We saw [four consecutive months of growth](#) in the U.S. ad market leading into 2024
- 3 And in November 2023, employment in US advertising, public relations, and related services [reached an all-time high](#) for the second straight month, adding 1,200 jobs to bring the total to 504,500

Ideally, we'll put the roller coaster of 2023 in the rearview mirror and enter 2024 with strategic plans in place to take advantage of these positive trends.