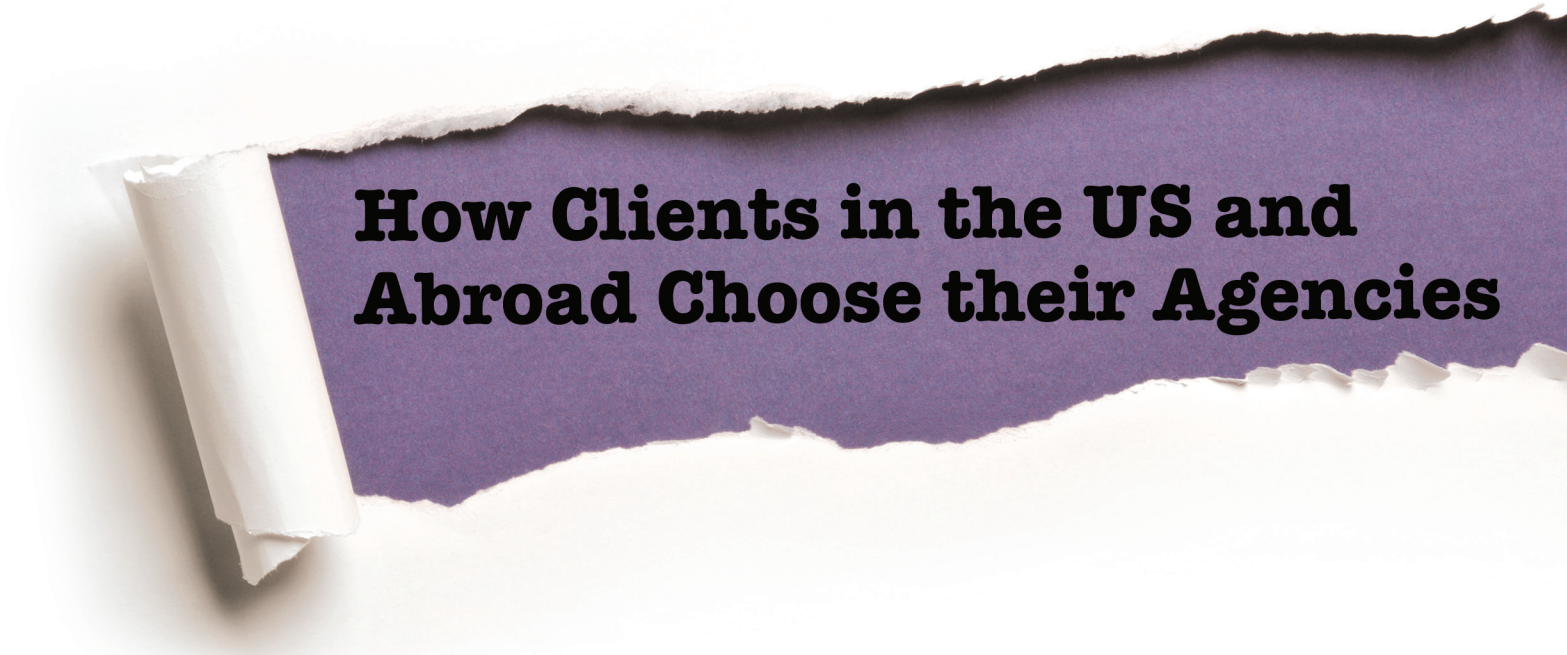


The Agency Edge

RESEARCH SERIES



How Clients in the US and Abroad Choose their Agencies

Presented by



dynata[™]



Introduction

Since 2014, [Agency Management Institute](#) and [Audience Audit Inc.](#) have partnered to develop original research into the issues and challenges facing small- to mid-sized advertising and marketing agencies.

We call this series The Agency Edge.

We have explored what clients are looking for when they seek an agency partner and how decisions to hire and fire agencies are made. In 2016 we turned the tables and explored a major issue for agencies themselves: attracting and retaining quality agency employees (especially Millennials!). The resulting insights turned agency perceptions about the interests of millennial employees on their heads. In 2017, we returned again to agency clients, specifically to understand their interests and expectations when it comes to that all-important agency role: the Account Manager or AE. For our 2018 study, we explored the thorny issue of which work organizations keep in-house, why they choose to outsource, and how they decide on the right partners to do that work.

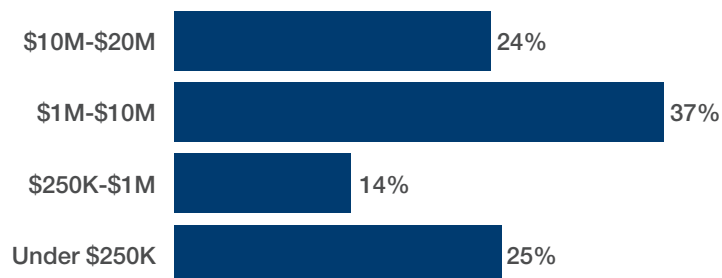
All studies are available as free downloads at [Agency Management Institute](#) and [Audience Audit](#).

For our 2019 study, we elected to revisit the attitudes we explored in 2014 and determine if similar segments existed among today's agency clients.

Over 1,000 agency clients participated in the study – nearly four times the number we included in 2014.

This year, in addition to clients with budgets \$1 million or less, we included clients with budgets up to \$20 million.

Marketing Budget

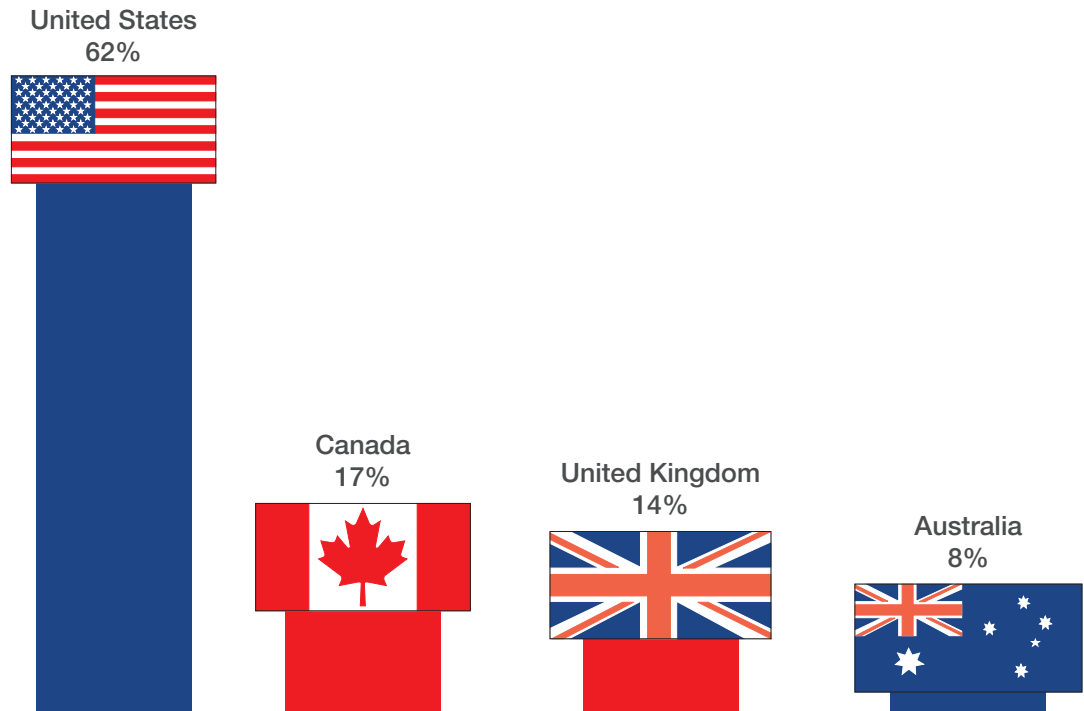




Introduction

We also included clients from outside of the U.S. — 38% of respondents were located in Canada, the United Kingdom or Australia.

Respondents by Country



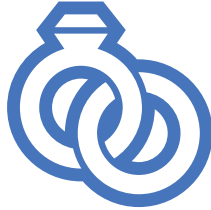
And in addition to updating the segmentation analysis of agency clients, we sought to explore a number of new questions:

- Do larger clients — those with budgets from \$1 million to \$20 million — have different attitudes about agencies than their smaller counterparts?
- Do clients outside of the U.S. exhibit different attitudes or preferences?
- How do clients feel about working with agencies outside of their geography?
- What are their expectations with respect to agency owner participating in their account activity, and how are agencies doing on this front?



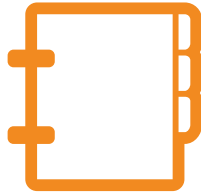
The Segments in 2014

In our 2014 study we uncovered three distinct attitudinal segments among American agency clients with marketing budgets of \$1 million or less:



1. Looking for Love

Seeing agencies as critical partners for business success, these clients planned to develop long-term relationships and involve their agencies in many aspects of their business beyond just marketing. They saw agencies as the best resources for strategy, tactics and innovative ideas, and wanted agencies offering a wide variety of services and expertise.



2. Playing the Field

These clients saw hiring agencies as a necessary evil. They knew agencies could provide key support in specific marketing disciplines, but didn't plan to rely on them across the board. They also felt that it was important to change agencies periodically, even if they were doing a good job. These clients believed that small agencies were more focused on their needs, and that youth and enthusiasm outweigh the advantages of age and experience.



3. Single and Satisfied

Relying less on agencies for strategy, these clients said they had a clear marketing plan and their organizations knew exactly what they wanted in terms of marketing. They saw agencies as a good source of marketing ideas that they could execute on their own.

The 2019 study revisits these attitudes to see if today's clients fall into similar segments or not, and any attitudinal shifts might have occurred in the last five years.



2019 Segments

Defining Segment Attitudes

Attitudinal segments found in 2019 were so similar compared to 2014 that we chose to keep the same names, although we did see some adjustments to defining attitudes:

1. Looking for Love More Focused On Specific Technical Expertise, More Enthusiastic About Smaller Agencies

While largely a match for the segment we saw five years ago and enthusiastic about agencies overall, some new attitudes are added to those defining this segment in 2014 — in particular a belief that marketing today requires a lot of specific technical expertise, and that smaller agencies are more focused on their client's needs (a characteristic of Playing the Field clients in 2014).

2. Playing the Field Admits Lack of Expertise, Low Priority for Marketing, Low Value Perception of Outside Marketing Help

2019 clients in this segment still believe hiring an agency is a necessary evil and that changing agencies periodically is important. But now they also say that their organizations don't know what they're doing when it comes to marketing and don't consider marketing a high priority. While this segment is no longer defined by a belief that smaller agencies are more focused on client needs, they now say that outside marketing help costs more than it should, and that you should only engage an agency when you have a specific marketing activity in mind. Respondents in this group remain the most likely to believe that youth and enthusiasm outweigh age and experience.

3. Single and Satisfied Remains Confident About In-House Abilities

This segment still clearly believes their organizations understand today's marketing environment, stay up to date on new approaches and understand the best marketing tactics for their needs. This is also the least likely of all segments to agree that marketing is changing too fast for their internal team to keep up with new developments without agency help.

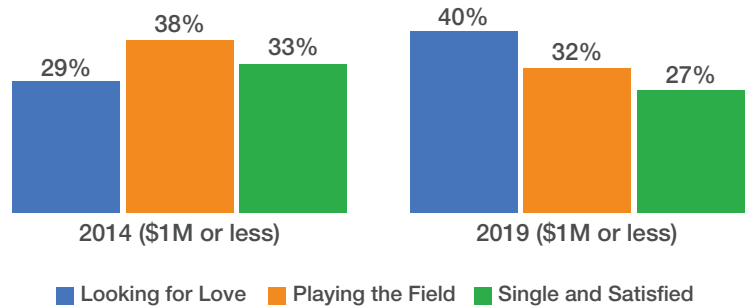


Segment Splits

Clients with Budgets \$1M or Less Show Growth in Looking for Love Segment

In 2014, clients with relatively smaller budgets reflected a fairly even distribution of clients in each of the three segments. Our 2019 survey among clients of this size in 2019 shows substantial growth in the Looking for Love segment, with reductions in both Playing the Field and Single and Satisfied groups.

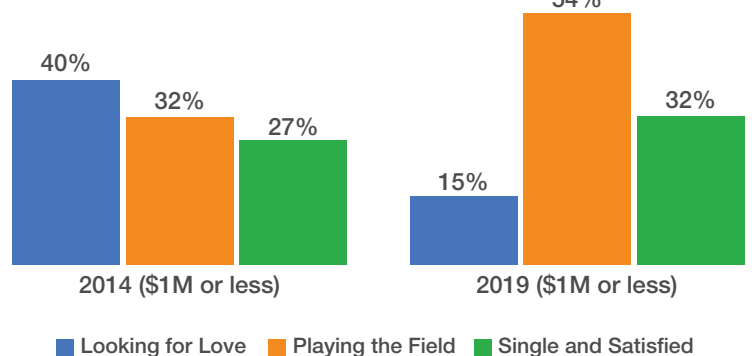
Looking for Love has grown among budgets \$1M or less



Clients with Budgets over \$1M Far More Likely To Be Playing the Field

This year, 61% of our respondents have marketing budgets over \$1M. Among these clients we saw a striking difference in segment distribution vs. that among smaller clients, with 54% of larger-budget clients in the Playing the Field segment. Looking for Love was only 15%, vs. 40% among smaller-budget clients.

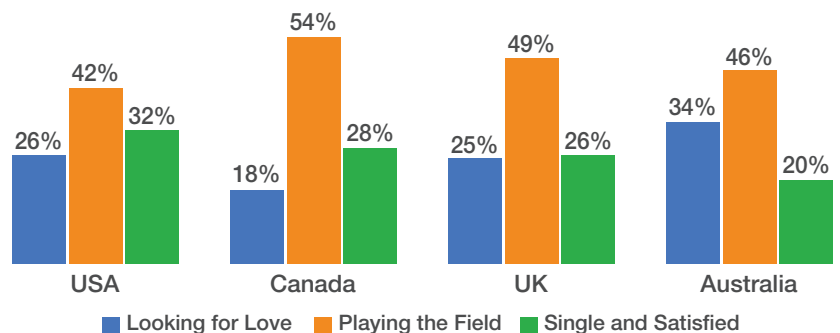
Budgets over \$10M are far more likely to be Playing the Field



Clients Outside the U.S. More Likely to be Playing the Field

Playing the Field is the predominant segment in every country we studied, and by even a larger margin in Canada, the UK and Australia than in the U.S.

Playing the Field is the largest segment in all countries studied





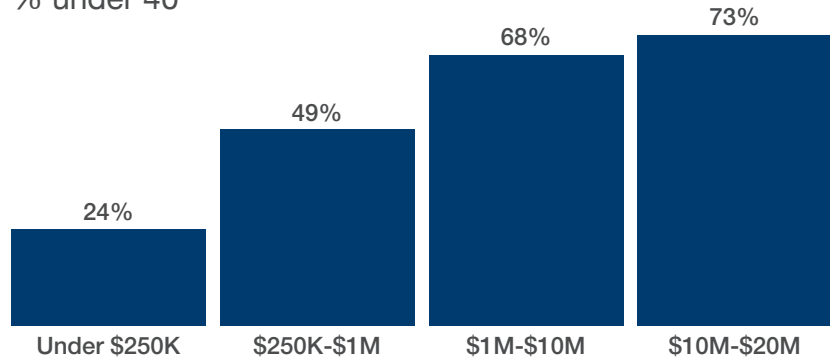
Client Differences by Budget

Younger Respondents Manage Bigger Budgets

As we've seen in other recent Agency Edge studies, decision-makers working with larger budgets tend to be younger. In the current study, 73% of those managing budgets of \$10-

Younger respondents manage bigger budgets

% under 40



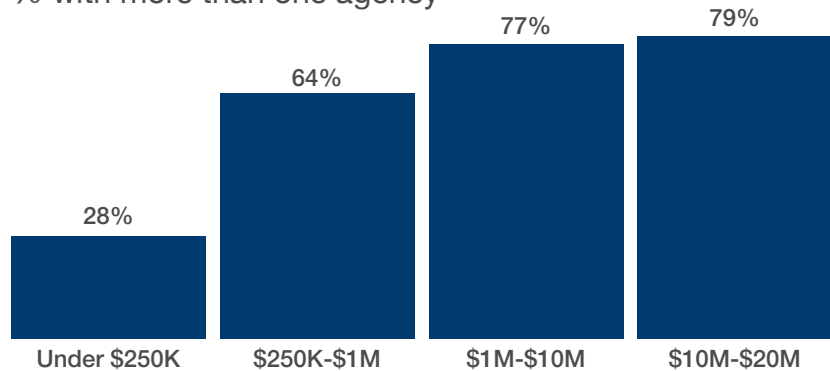
\$20 million are under 40 years old, while only 24% of those managing budgets under \$250K are in that age group.

Organizations with Bigger Budgets Have More Agencies

Continuing a trend we've seen in the last few years, clients with budgets over \$1 million are much more likely to have more than one agency. In addition, the disproportionate percentage of these clients

Bigger budgets have more agencies

% with more than one agency



who are Looking For Love, and therefore favoring multiple agencies, likely impacts this result.

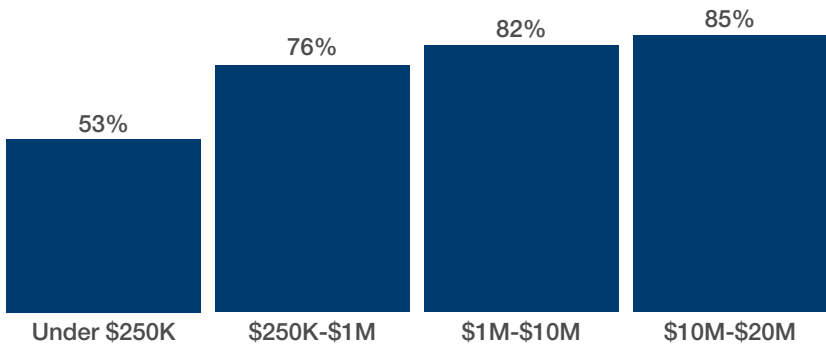


Client Differences by Budget

Organizations with Bigger Budgets Outsource More of their Marketing

Our 2018 study on outsourcing showed that, contrary to common agency assumptions, organizations with larger budgets outsource a greater percentage of their marketing

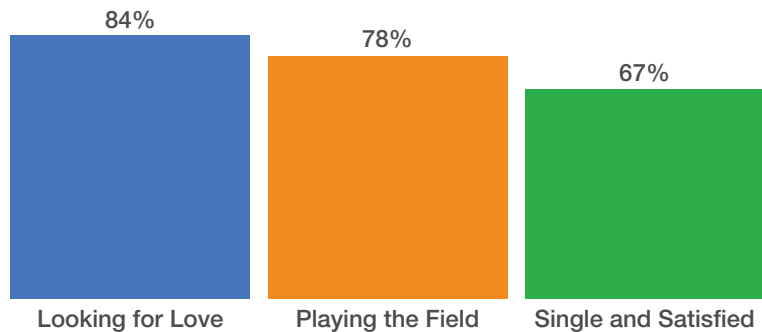
Bigger budgets outsource more of their marketing % outsourcing more than 25% of marketing



work. The same held true in this year's study. 53% of clients with budgets under \$250K outsource more than a quarter of their marketing work, while 83% of clients with budgets over \$1M do so. Looking for Love respondents are the most likely to say they outsource content marketing to agencies — 84% do so.

Most outsource content marketing

% outsourcing content development to agencies



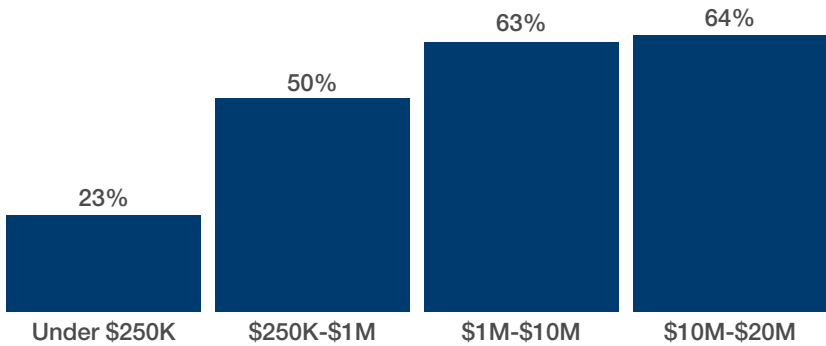


Using Out-of-Market Agencies

Half Work with Out-of-Market Agencies

51% of respondents say they work with marketing agencies more than 200 miles away from their headquarters. Clients with larger budgets are much more likely to do so.

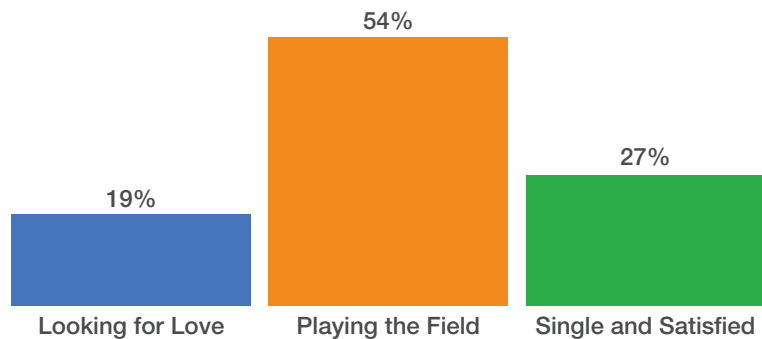
Many using agencies more than 200 miles away % using out-of-market agencies



Playing the Field Much More Likely to Use Out-of-Market Agencies

54% of Playing the Field respondent say they work with out-of-market agencies — far more than Looking for Love and Single and Satisfied respondents.

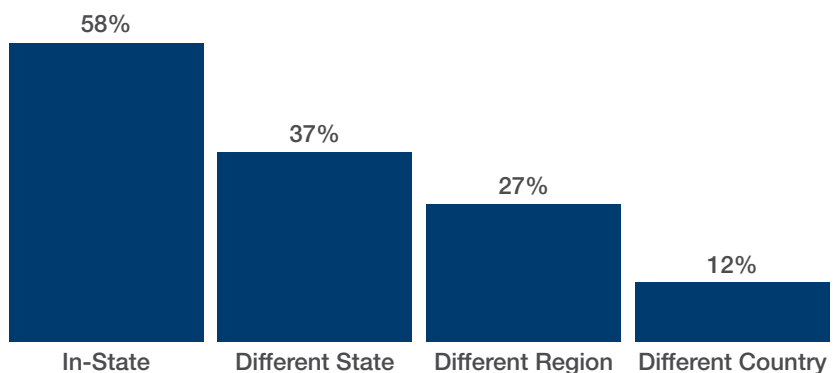
Playing the Field much more likely % using out-of-market agencies



Most Choose Agencies In Their Own State

Of those clients working with out-of-market agencies, most choose agencies in their own state, although 37% go out of state.

Most are in-state Where out-of-market agencies are located





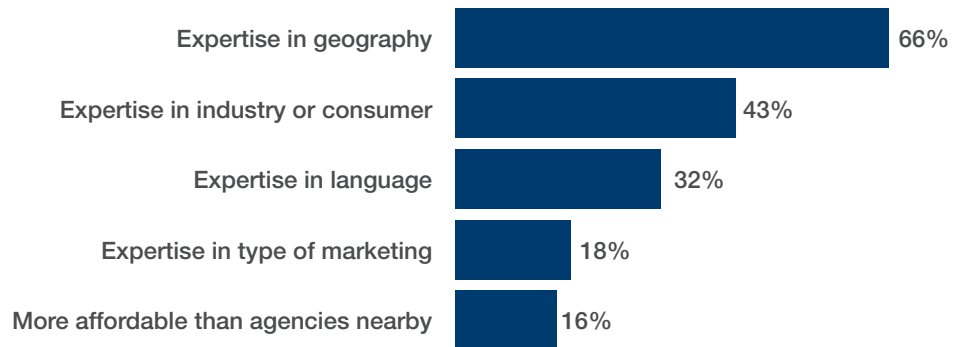
Using Out-of-Market Agencies

Clients Choose Out-of-Market Agencies for Specialized Expertise

By far the most cited reasons for working with out-of-market agencies relate to their specialized expertise — dwarfing considerations such as lower fees. And expertise in a particular geographical area, an industry vertical or consumer target, and language are identified much more often than expertise in any particular marketing discipline.

Why use out-of-market agencies

% Selecting

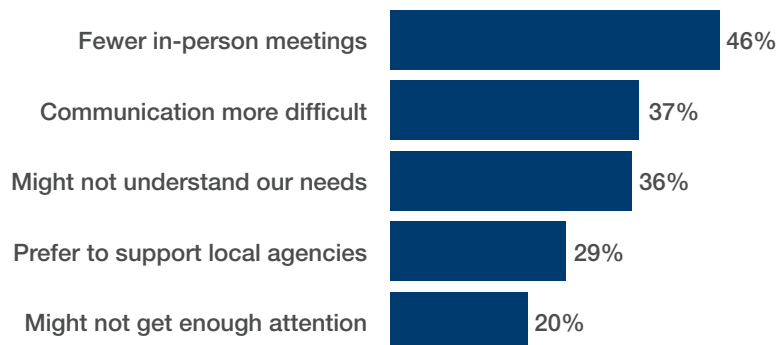


Communication Issues are Primary Concern

Clients working with out-of-market agencies cite fewer in-person meetings and more difficult communication as their main concerns with respect to working with these agencies.

Concerns about out-of-market agencies

% Selecting





Agency Owner Involvement in Client Account Activity

Strategy Meetings are Most Likely Interaction

46% of clients say their agency owners have been present during strategy meetings.

When agency owners have been present

% Selecting



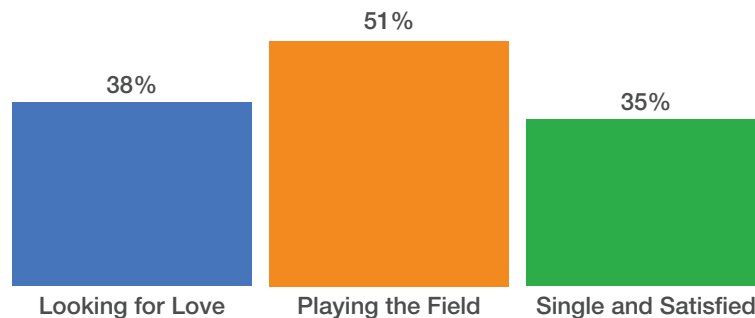
Clients with budgets under \$250K are much more likely to say that the owner has been present during the pitch (51%) but less likely to say they've been involved at any other time.

Playing the Field Most Likely to Want Greater Owner Involvement

51% of Playing the Field respondents say that agency owners should be more involved in their accounts. This is not just a function of the size of clients in each segment — even within budget tiers, Playing the Field respondents are more likely to want more owner involvement.

Many believe owners should be more involved

% saying owners should be more involved





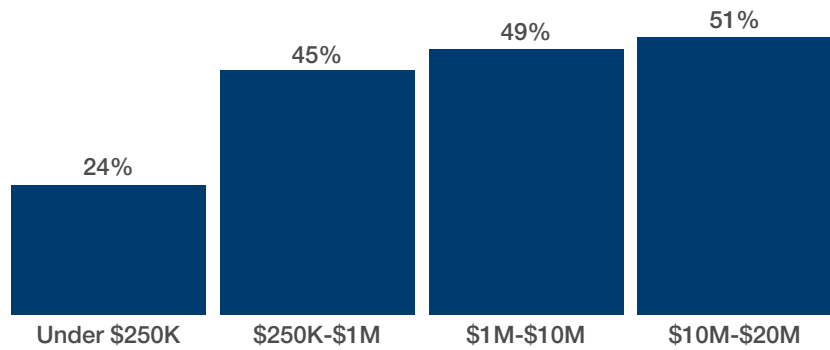
Agency Owner Involvement in Client Account Activity

Clients with the Smallest Budgets Have Lowest Expectations for Owner Involvement

Only 24% of respondents with budgets under \$250K say that agency owners should be more involved in their accounts. While they expect owner participation in the pitch and initial onboarding

meeting, they are the least likely to expect them during strategic or creative discussions.

Smaller budgets have lower expectations % saying owners should be more involved





Implications

Clients are Being More Surgical in Agency Selection

As we see the prevalence of “Partner for All Things” relationships across clients with most budget levels, it’s clear that most agencies will have no choice but to engage with Playing the Field clients unless they choose to limit themselves to only clients with the smallest marketing budgets. This segment is the most prevalent in all of the markets we studied, its members have the largest budgets, and they outsource more of their work — which, compounded with their overall spending, suggests they command the lion’s share of work available to agencies.

And these clients are fickle. Decision-makers are younger, they admit to a lack of prioritization or understanding of marketing within their organizations, and they are more likely to feel that outsourcing is a necessary evil with a less-than-ideal value proposition.

They also expect results and will happily switch out agencies not performing well. In fact, even agencies doing a good job can expect to be reviewed against alternatives on a frequent basis.

Agencies Need a Broad Range of Services — and Specialized Expertise About Markets and Audiences

Regardless of segment or size, clients choose a full range of marketing services more often than any other characteristic as an important quality of ideal agencies. It appears so often that it is close to becoming a “cost of entry” for successful agencies.

However, clients also cite specialized expertise in a particular market, industry or audience as the reason they most often seek help outside their immediate area — suggesting that even agencies with a broad base of capabilities need to develop and capitalize on such expertise to substantially grow their client base.

Clients Want More Owner Attention

Nearly all clients want owners more engaged in their accounts. Respondents shared that most of the interactions they’ve had with agency owners are related to concerns — about strategic direction, account activities, personnel changes or billing.

While owner participation in strategy meetings is most welcomed, many clients would also like regularly quarterly discussions with agency owners. Many would also welcome social interaction with owners, believing that it would result in a higher quality of work on both sides. Playing the Field respondents are most enthusiastic about both work-related and social engagement.



Study Methodology

Respondents were secured through a Dynata panel and completed a 15-minute online survey. 1,060 respondents completed the survey, yielding an overall margin of error of +/- 2.9 percentage points.



About The Agency Edge Research Series

The Agency Edge is a research initiative by Agency Management Institute and Audience Audit to uncover new insights into the challenges faced by marketing agencies. The study's findings have been revealed at major industry conferences including BOLO, INBOUND and Content Marketing World, and shared in posts, podcasts and webinars across the industry.

Each year's study results are available for free at the following links:

[The Agency Edge 2014: Client Attitudes About Agencies](#)

[The Agency Edge 2015: What Gets Agencies Hired - and Fired](#)

[The Agency Edge 2016: Making the Most of Your Agency's Millennial Workforce](#)

[The Agency Edge 2017: What Agency Clients Want from Their Account Managers](#)

[The Agency Edge 2018: When, What — and WHY — Clients Outsource to Agencies](#)



About Agency Management Institute

Agency Management Institute (AMI) serves 250+ agencies small to mid-sized agencies every year, helping them increase their AGI, attract better clients and employees, mitigate the risks of being self-employed in a such volatile business and best of all — let the agency owner actually enjoy the perks of agency ownership.

AMI is the only agency network that is run by an active agency owner. It offers:

- Public workshops for agency owners, leaders and account service staff
- On demand courses in business development, financial metrics and management and an AE Bootcamp
- Owner peer networks (like a Vistage group or AAAA's forums)
- Private coaching/consulting for agency owners
- Annual primary research – The Agency Edge Series
- The highly praised podcast Build A Better Agency

www.agencymanagementinstitute.com



About Audience Audit, Inc.

Audience Audit was founded in 2009 to give small and mid-sized agencies access to world-class quantitative audience insights for their clients or for their own thought leadership efforts. We help organizations harness the power of custom attitudinal segmentation to radically reshape their understanding of their best audiences, and to help their agencies use that information to develop transformative marketing programs.

www.audienceaudit.com



About Dynata

Dynata is one of the world's leading providers of first-party data contributed by consumers and business professionals. With a reach that encompasses 60+ million people globally and an extensive library of individual profile attributes collected through surveys, Dynata is the cornerstone for precise, trustworthy quality data. The company has built innovative data services and solutions around its core first-party data offering to bring the voice of the customer to the entire marketing spectrum, from market research to marketing and advertising. Dynata serves nearly 6,000 market research agencies, media and advertising agencies, consulting and investment firms, and healthcare and corporate customers in North America, South America, Europe, and Asia-Pacific.

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[Have an idea for a topic you'd like to see us explore? Share it here!](#)