

A PRESENTATION  
WITH SH\*T LOADS  
OF NUMBERS.

So  
DA

# AGENCY OUTLOOK

& OPERATIONL READINESS AMID COVID-19

SoDA conducted a survey with agency leaders from March 13-22 to better understand how the outlook for 2020 had changed since the acceleration of COVID-19, what immediate actions they'd taken and how prepared they felt for such an abrupt and intense disruption. This presentation is a summary of what we found.

# Before you begin

*A couple of thoughts to keep in mind before you review the data.*

## SURVEY

- 1 **A snapshot during a period of uncertainty.** This survey was fielded from March 13-22, 2020 and reflects the deep uncertainty of an accelerating global pandemic and the suddenness of a global economy grinding to a halt. The sentiment and anticipated actions by agency leaders in these early day will undoubtedly evolve. We plan to field this study again in June to help benchmark the change.
- 2 **Duration and depth of impact unknown.** Agencies have taken initial steps to adapt to remote teams, travel restrictions and a diminishing revenue outlook for 2020. Economic stimulus is ramping up from governments across the globe and the duration and severity of community health measures will likely vary by region. It's still early days and we should view this initial market response as Phase 1.
- 3 **Agency strength, decisiveness and resilience to be tested.** Agencies delivered solid financial performance in 2019 and many entered 2020 in a strong financial position. Timing and severity of impact on revenue for agencies will be distributed unevenly depending on industry focus, client mix and project types. Cash position, cultural resilience and decisiveness are critical for every agency.

# Respondent Overview (n=122)

*This study was fielded as an online survey between March 13-22, 2020. Respondents were primarily agency founders and partners from both SoDA member agencies (50%) and agencies from outside of our community (50%). The sample and subsequent findings largely reflect the views of small and mid-sized agencies in the United States and Europe.*

Revenue (USD)	Agency Type	Respondent Role	Location / HQ
50% Less than \$5MM	48% Digital Agency	71% Founder / Partner	41% United States
30% \$5 – \$10MM	17% Integrated Agency	20% Executive Leadership	36% Europe
09% \$10 – \$25MM	10% Digital Product Studio	05% Operations Leader	12% APAC
05% \$25 – \$50MM	08% Consultancy	02% Sales/Marketing Leader	06% Canada
03% \$50 – \$100MM	07% Production Company	01% Finance Leader	03% Latin America
03% Greater than \$100MM	10% Other Agency Type	01% Other	01% Middle East

# THE DATA

A look at what we found and how agency leaders are navigating an increasingly uncertain outlook for 2020.

# 2019 was a good year for agencies

60% of agency leaders reported strong financial performance in 2019 with 21% calling it was one of their best year's on record. In SoDA's Digital Outlook Study (Q4 2019), 53% reported improved margins in 2019.

report a strong year in 2019

60%

of agency leaders say they had a very strong year for financial performance in 2019... *21% report that it was one of their best year's on record.*

## 2019 Financial Performance

21% Great... one of best year's ever.

39% Good... a very strong year.

21% Average... an ok year.

16% Poor... a challenging year.

02% Terrible... one of our worst year's ever.



# The outlook for 2020 has crashed

While many agencies entered the year with a high-degree of optimism, the outlook for 2020 has since plummeted.

## Confidence in 2020 Outlook (Q1)

10%	Very confident
26%	Somewhat confident
17%	Meh
31%	Not very confident
17%	Not confident at all

### A Falling Outlook For 2020

% of agency leaders confident that 2020 will be better than 2019 in terms of profitable growth.

Q4 2019

Q1 2020

82%

36%

March 13 – 16\*

March 17 – 22\*

38%

31%

\* Sample size less than 100 and should be viewed as such.

# Revenue forecasts are down

45% of agency leaders have already downgraded their 2020 revenue forecast and another 19% expect to do so. Surprisingly, 18% of agency leaders say they've increased their revenue forecast since the beginning of the year.

cut revenue forecast for 2020

45%

of agency leaders *have already cut their revenue forecast for 2020* and another 19% expect they will do so in the coming weeks and months.

## Annual Rev Forecast (Now vs. January)

45% Decreased

19% No change yet but expect to decrease

18% No change yet but expect to stay on plan

18% Increased

**Some agency leaders have increased their revenue forecast for the year.**



# Project delays and cancellations

Agency leaders are already reporting an increase in delays and cancellations for active projects and RFPs.

project delays have increased

51%

... of agency leaders have already seen an *increase in delayed projects* and another 39% expect to see an increase in the coming weeks and months.

**Agencies have already seen an impact on projects and RFPs.**

- 51% Report increase in *delayed projects*.
- 34% Report increase in *cancelled projects*.
- 26% Report increase in *delayed/cancelled RFPs*.

# Impact and anticipation

## Delayed Projects

51%	Occurring already
39%	Expect to occur
06%	No change expected
04%	I have no idea

## Cancelled Projects

34%	Occurring already
48%	Expect to occur
13%	No change expected
06%	I have no idea

Agency leaders report increases in delayed and cancelled projects and RFP's along with project budget cuts. More than 75% anticipate an impact to occur in these areas.

## Shrinking Sales Pipeline

29%	Occurring already
52%	Expect to occur
11%	No change expected
08%	I have no idea

## Longer Sales Cycle

26%	Occurring already
59%	Expect to occur
08%	No change expected
07%	I have no idea

## RFP's Cancelled/Delayed

26%	Occurring already
50%	Expect to occur
12%	No change expected
13%	I have no idea

## Reduced Project Budgets

24%	Occurring already
52%	Expect to occur
17%	No change expected
08%	I have no idea

## Longer Payment Terms

08%	Occurring already
43%	Expect to occur
41%	No change expected
08%	I have no idea

## Reduced Billing Rates

08%	Occurring already
25%	Expect to occur
61%	No change expected
05%	I have no idea

## Client Payment Default

05%	Occurring already
33%	Expect to occur
50%	No change expected
13%	I have no idea

# Early actions

Agency leaders moved very quickly to implement “work from home” and “no-travel” policies. The percentage of those implementing these actions accelerated rapidly over the 10-day period of this study.

## Implemented as of March 22nd

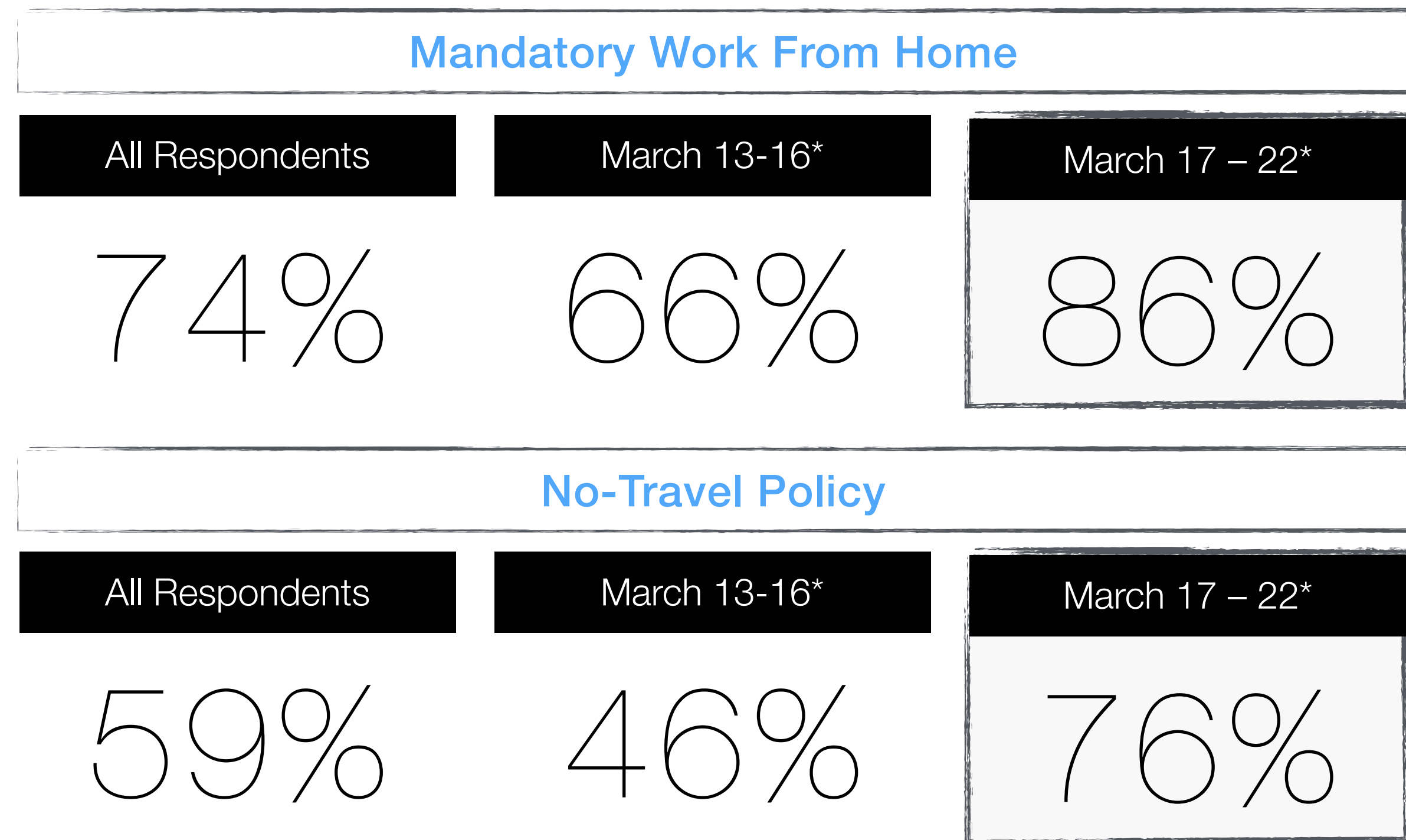
74% Mandatory work from home

59% No-travel policy

24% Reduced contract staff

07% Reduced full-time staff

04% Financial aid for dependent care



\* Sample size less than 100 and should be viewed as such.

# Staff reductions in the works

*Agency leaders are in the beginning weeks of planning for and rolling out staff reductions.*

**As of March 22nd, just 7% of agency leaders had made cuts to full-time staff and 24% had reduced contract staff. Many more indicate they are planning to make staff adjustments soon.**

expect to reduce full-time staff

44%

of agency leaders plan to reduce full-time staff... as of March 22nd, *7% had already made cuts and 37% expected to do so soon.*

expect to reduce contract staff

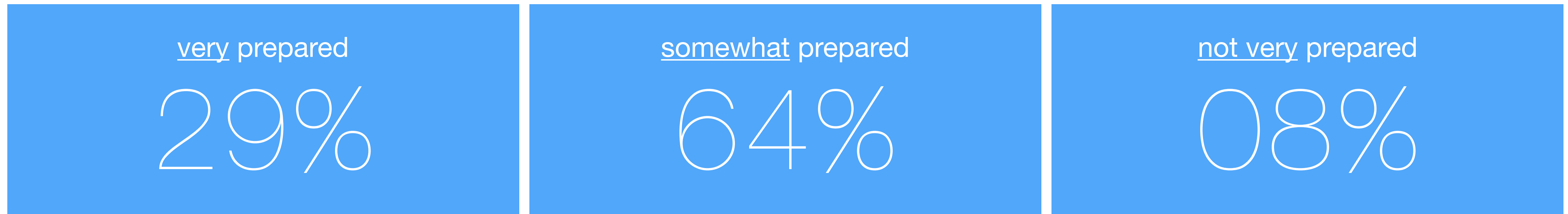
62%

of agency leaders plan to reduce contract staff... as of March 22nd, *24% had already made cuts and 38% expected to do so soon.*

# Level of preparedness

*When looking at the need to adapt quickly to the current environment (both COVID-19 and economic disruption), the vast majority of agency leaders feel they are at least partially prepared. Just 29% say they're "very prepared."*

**More than 90% of agency leaders said they felt "very" or "somewhat" prepared to make adjustments necessary to respond to the impact of Coronavirus / COVID-19.**





# Areas of readiness

*We explored agency leaders' levels of confidence across 11 areas that could impact their ability to quickly adapt and weather significant economic disruptions to their business.*

## Technology & Infrastructure

(redundancy, remote accessibility, security)

## Team & Culture

(cohesive, adaptable, collaborative)

## Policies & Procedures

(clear, enforceable, supportive)

## Process & Workflow

(clear, documented and adaptable to remote teams)

## Client Contracts

(reasonable terms for payment and cancellation)

## Business Insurance

(protection against major business disruption)

## Financial Visibility

(detailed and accurate insight into financial position and ability to quickly project future scenarios)

## Cash Reserves & Credit

(weather at least 3 months significant disruption to cash flow)

## Decision-Making

(clear hierarchy and ability to make quick, essential decisions)

## Sales & Marketing

(an active, always-on marketing and lead generation program)

## Redundancy & Knowledge Management

(few single points of failure relative to people and organizational knowledge)



# Confidence in preparedness

*We found the highest levels of confidence in decision-making capabilities, technology/infrastructure set-up and team/culture cohesion. Close to one-third have concerns with cash and sales/marketing capabilities.*

## Most Prepared

**50% or more are  
“very confident”  
in these areas**

- ✓ Decision-Making
- ✓ Technology & Infrastructure
- ✓ Team & Culture

## Somewhat Prepared

**75% or more are “very” or  
“somewhat confident”  
in these areas**

- ✓ Policies & Procedures
- ✓ Process & Workflow
- ✓ Client Contracts
- ✓ Financial Visibility
- ✓ Redundancy & Know. Mgmt.

## Least Prepared

**30% or more are  
“shaky” or in an  
“oh shit” situation.**

- ✓ Cash Reserves & Credit
- ✓ Sales & Marketing
- ✓ Business Insurance

# Contingency planning

*COVID-19 has quickly revealed where agency leaders are the most- and least-prepared for this disruption.*

	Very Confident	Somewhat Confident	Shaky	Oh Shit
Decision-Making	65%	28%	07%	01%
Tech & Infrastructure	63%	33%	02%	02%
Team & Culture	55%	38%	06%	02%
Cash Reserves & Credit	38%	31%	25%	07%
Policies & Procedures	36%	57%	06%	02%
Process & Workflow	36%	51%	11%	03%
Financial Visibility	34%	42%	21%	03%
Business Insurance	28%	40%	25%	08%
Client Contracts	24%	55%	18%	03%
Sales & Marketing	23%	45%	26%	07%
Redundancy & KM	21%	55%	19%	05%

# Confidence in 2020 outlook\*

A quick look at those that maintain a degree of confidence in the financial outlook for 2020.

**36% of agency leaders said they were “very” or “somewhat” confident that 2020 would be better than 2019 in terms of profitable growth. Here’s how they differ from the average respondents in this survey.**

strong performance in 2019

70% vs. 60%

70% reported *strong financial performance* in 2019...  
10 points up from the average.

increased revenue forecast in 2020

40% vs. 18%

40% *increased their revenue forecast since earlier this year*...  
22 points up from the average.

confident in decision-making

79% vs. 65%

79% are *“very confident” in their decision-making abilities*...  
14 points up from the average.

confident in preparedness

40% vs. 29%

40% are *“very confident” in their preparedness for this crisis*...  
11 points up from the average.

\* Sample size less than 100 and should be viewed as such.

# Confidence may be optimism\*

*Those that maintain confidence in the 2020 outlook point to similar levels of immediate disruption and don't appear to have greater confidence in their financial visibility or sales and marketing capabilities. For this group, it is possible that the confidence is driven by a specific industry focus, client mix or project speciality. It could also be optimism.*

**Interestingly, this cohort points to the same levels of immediate impact as the rest of the group and are no more confidently prepared in the crucial areas of financial visibility and sales and marketing capabilities.**

delayed projects

53% vs. 51%

53% reported an *increase in delayed projects* versus 51% for all respondents.

delayed and cancelled RFP's

28% vs. 26%

28% reported an *increase in cancelled or delayed RFP's* versus 26% for all respondents.

sales & marketing capabilities

35% vs. 33%

35% say their *sales/marketing is "shaky" or "oh shit"* versus 33% for all respondents.

financial visibility

78% vs. 76%

78% are *"very" or "somewhat" confident in their financial visibility* versus 76% for all respondents.

*\* Sample size less than 100 and should be viewed as such.*

# Confidence in preparedness\*

Agency leaders that feel “very prepared” for the current climate have higher levels of confidence across the board. They also exhibit lower levels of vulnerability in at least two key areas.

	“Very Prepared” All Respondents	“Very Prepared” Prepared Cohort	Difference
Decision-Making	65%	91%	+26
Tech & Infrastructure	63%	91%	+28
Team & Culture	55%	69%	+14
Cash Reserves & Credit	38%	54%	+12
Policies & Procedures	36%	60%	+14
Process & Workflow	36%	51%	+15
Financial Visibility	34%	43%	+09
Business Insurance	28%	46%	+16
Client Contracts	24%	40%	+16
Sales & Marketing	23%	31%	+08
Redundancy & KM	21%	37%	+16

**Less exposed when it comes to financial visibility and sales & marketing capabilities.**

financial visibility... “shaky” or “oh shit”  
24% vs. 06% -18

sales & marketing... “shaky or “oh shit”  
33% vs. 17% -16

\* Sample size less than 100 and should be viewed as such.



# TAKEAWAYS

A few thoughts on this data and what it might mean for agency leaders going forward.



# Final thoughts

*A couple of thoughts to keep in mind as you head back into the trenches.*

## SO WHAT?

- 1 **Agencies are adapting quickly.** 74% of agencies have already implemented a mandatory work-from-home policy and nearly half are planning reductions in full-time and contract staff. In the coming weeks (and months) agencies will work to get their remote team model dialed in, hunker down on their best pipeline opportunities and hustle to keep their revenue/cost equation balanced.
- 2 **Agency decisiveness, resourcefulness and resilience will be tested.** Agencies delivered solid financial performance in 2019 and many entered 2020 in a strong financial position. Timing and severity of impact on revenue for agencies will be distributed unevenly depending on industry focus, client mix and project types. Cash position, cultural resilience and decisiveness are critical for every agency.
- 3 **An opportunity for accelerated evolution.** Agency leaders already faced pressure for talent, billing rates, cost structure and a cluttered competitive landscape. The abrupt arrival of a global pandemic and economic slowdown will accelerate the urgency with which agencies tackle these systemic, structural industry issues. Many will find an opportunity (necessity) for re-invention.



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