



The Agency Edge: Achieving Agency Success Beyond 2020

How 1,000 Agency Clients Plan to Move
Forward with Marketing After COVID-19



“ There will be interruptions, and I don't know when they will occur, and I don't how deep from time to time, and I also know that we'll come out better on the other end. ”

Warren Buffet – CEO of Berkshire Hathaway



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.

Last year, our study revisited the questions we asked in our 2014 study and explored how clients in the USA and abroad choose their agencies.

All studies are available as free downloads at Agency Management Institute and Audience Audit.

In 2020, concerns become reality

For our 2020 study, we had initially planned to go into the field in the first quarter of 2020 to explore how clients expected to react if there were to be an economic downturn, which many had been predicting/expecting for over 12 months.

And then the pandemic hit the US in mid-March, so we pivoted our focus to acknowledge the economic downturn and other issues brought about by the pandemic.

The USA formally dipped into a recession in February 2020. The economy contracted at a 32.9% annualized rate April through June. It was the worst quarter on record.

We revised our questions to explore how clients feel about their organization's ability to weather the current recession, the actions they'd already taken, and how likely they are, in the future, to make changes that could put their agencies at risk of losing business or, on the flip side, offer agencies additional opportunities for growth.

This year, we restricted our respondents to the US, unlike our 2019 study.



The USA formally dipped into a recession in February 2020.



Our goals

We sought to explore a number of topics:

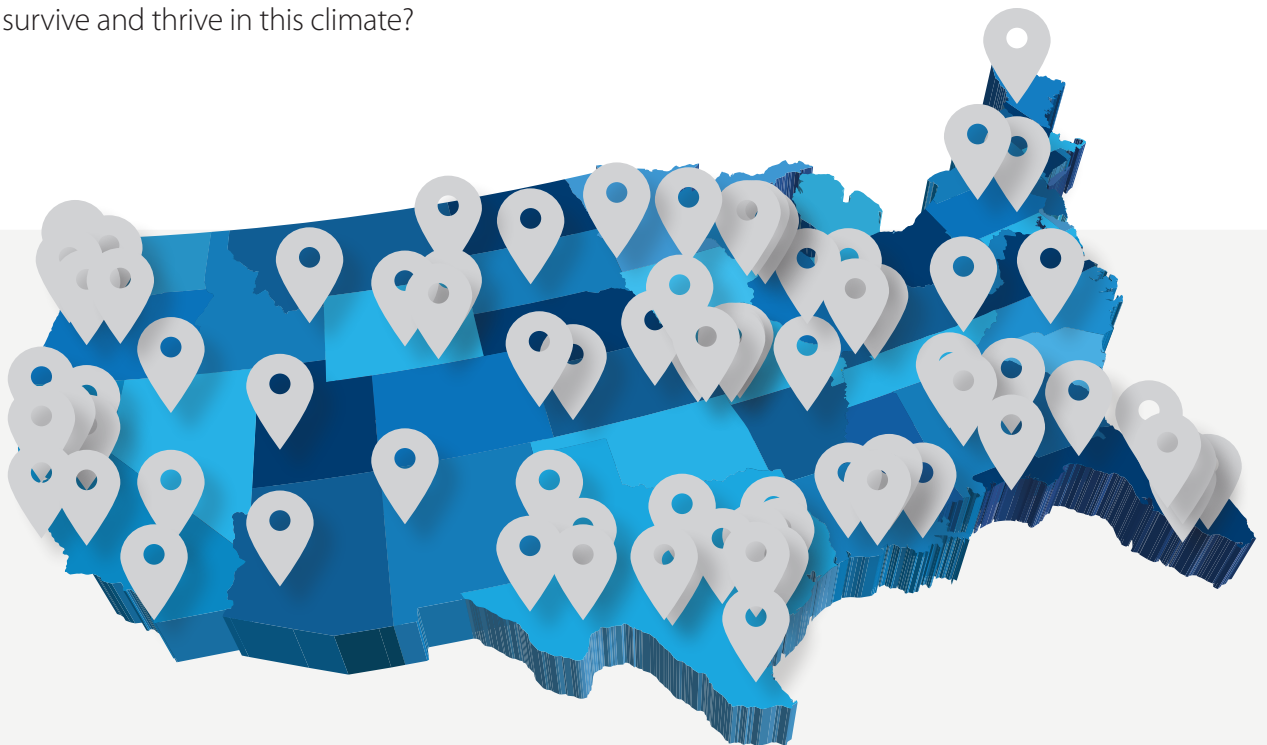
- What attitudes do clients have about the current recession and their perception of the likelihood of the economic downturn affecting their organizations and their marketing activities/budgets?
- Do these attitudes align with particular characteristics such as organization size, industry or budget?
- Did the respondents experience with the Great Recession affect how they're feeling about the current recession or how they are approaching future decisions?
- What changes do they expect to make in their marketing activities due to the recession?
- Are they anticipating changes to their spending levels for various marketing activities?
- How would the current economic conditions affect their relationship/level of work with their current agencies?
- What are they expecting their agencies to do to help them survive and thrive in this climate?

A view across the client spectrum

1,000 agency clients in the United States participated in the study. Their annual marketing budgets ranged from under \$250K to those spending up to \$20 million. Annual revenues of the respondents' companies were as \$500 million.

Respondents came from both B2B and B2C organizations, and in industries across the service, retail, manufacturing, government and non-profit sectors.

The study has an overall margin of error +/- 3 percentage points at a 95% confidence level.





The respondents were segmented based on the attitudes they hold about:

- Working with agencies
- Marketing spending (now and in the future)
- The impact of a recession on their organizations and their plans

The segments were not predetermined -- they evolved organically by analyzing respondent levels of agreement or disagreement with 29 attitudinal statements.

The analysis identified three distinct attitudinal segments among the survey respondents.

Defining Segment Attitudes

Segment 1: Distressed (30%)

Distressed respondents have significant concerns about the recession. Their worry level is indicated by the severity of the language they gravitated to with words like devastating and substantial.

They expect it to have a devastating impact on their industry and their organizations, requiring them to make substantial changes in order to survive. They go so far as to say that a recession will completely alter their industry and are least likely to say their organization is well-positioned to survive.

They say their customers and prospects are acting differently when making purchase decisions than they have in the past, and that they are more difficult than ever to find.

They believe they need expert marketing help more than ever due to the recession. They also expect at least some of the agencies they work with to struggle and to reduce their fees as a result.

They were significantly impacted, both personally and professionally, by the Great Recession and it is influencing how they see the current situation.

Two-thirds of **Distressed** respondents are 40 or older.



Distressed respondents have significant concerns about the recession.



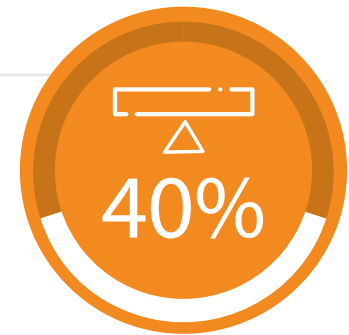
Segment 2: Pragmatic (40%)

Pragmatic respondents see the recession as a bump in the road -- a natural economic cycle. They are far less likely than other respondents to say they pay attention to economic news, and most believe their organization is well-positioned to survive.

They believe that recession doesn't affect their buyers as much as those in other industries and say their organization hasn't changed how they operate since the recession hit. They feel that organizations that fail during a recession probably weren't very healthy to begin with. They view the current recession as an opportunity to maximize.

They say most of their vendors could be easily replaced if necessary and expect the recession to make it easier for them to get expert marketing support affordably. They are the most likely to say their organizations don't prioritize marketing as much as they should.

51% of **Pragmatic** respondents are under 40, a greater proportion than reflected in the other two segments.



Pragmatic respondents see the recession as a bump in the road -- a natural economic cycle.

Segment 3: Steadfast (30%)

Steadfast respondents feel well-prepared to survive the recession and expect to flourish as competitors struggle. They view the current situation as part of the business cycle.

Marketing remains a top priority for them and they have confidence that the agencies they're working with will weather the recession well, and plan to remain loyal to them. They don't view this situation as a chance to change things up and bring in new partners.

They believe that their agency partners care about their organization and about them personally more than the other two segments as well.

They regularly read economic news to stay informed about the recession and do expect their agencies to be more flexible about payment terms during the economic downturn.

Two-thirds of **Steadfast** respondents are 40 or older.



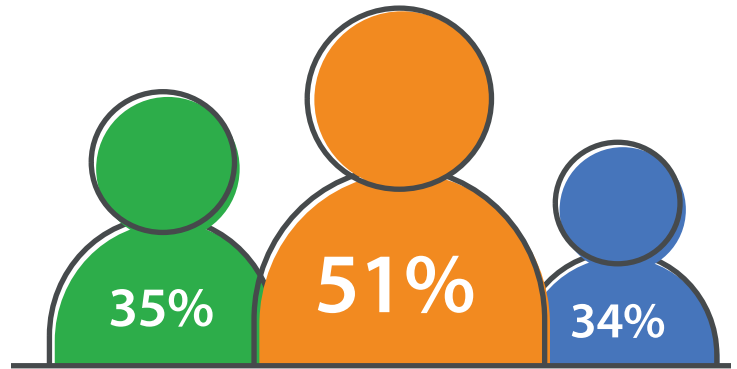
Steadfast respondents feel well-prepared to survive the recession and expect to flourish as competitors struggle.



Respondent Age

Respondents under 40

While segments are found in all age groups, **Pragmatic** respondents are more likely than other segments to be under 40 (51%, compared to one third of **Distressed** and **Steadfast** respondents). While that's not enough to use in definitively establishing a segment for a client or prospect, it's worth noting.



Organization Type

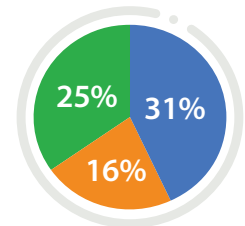
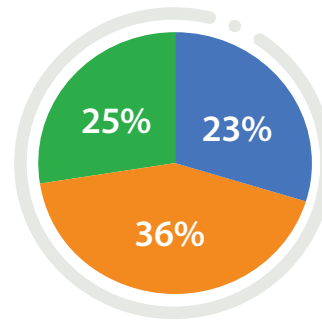
All segments are found in comparable proportions regardless of organization type -- service, retail, manufacturing, etc. They are also equally distributed between B2B, B2C and those serving multiple customer types.

Revenue

\$50M - \$500M

Under \$1M

All segments are found in comparable proportions at all revenue levels from \$1 million to \$500 million. **Distressed** respondents are statistically more likely than **Pragmatic** respondents to work in organizations with 2020 revenue of less than \$1 million (31%).

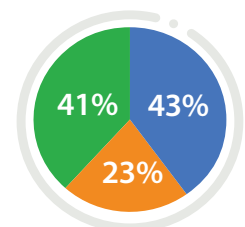
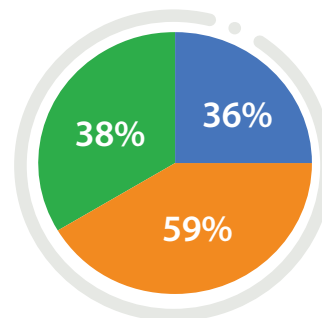


Marketing Budget

\$1M - \$20M

Under \$250K

While all segments are found at all budget levels, **Pragmatic** respondents are much less likely to work with budgets under \$250K (23%) and much more likely to report budgets of at least \$1M (59%).

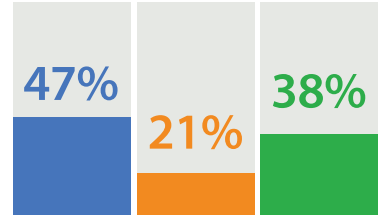
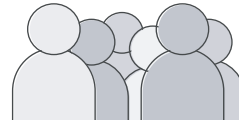




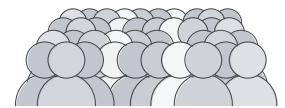
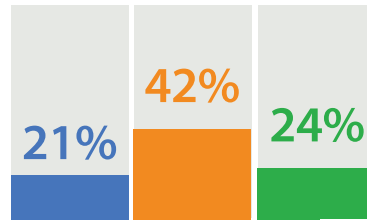
In-House Marketing Team

Pragmatic segment members are statistically more likely to have a full-time in-house marketing team (70%, vs. 52% for **Distressed** and 55% for **Steadfast**). The size of their team is also greater: 52% of **Pragmatic** respondents say their team has 100 full-time members or more (compared to less than 25% of **Distressed** and **Steadfast** respondents). 47% of **Distressed** respondents who have a team say it has 5 full-time employees or fewer.

1-5 Employees



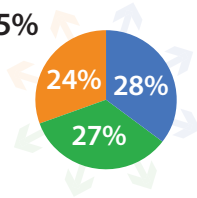
100+ Employees



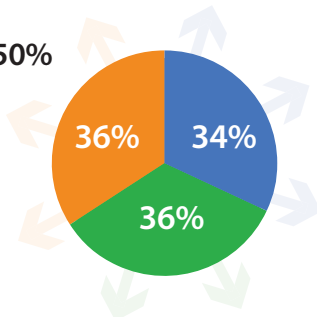
Percentage of Work Outsourced

There is no difference between segments in the percentage of marketing work the different segments outsource. Most outsource at least 25%, and 36% outsource at least half.

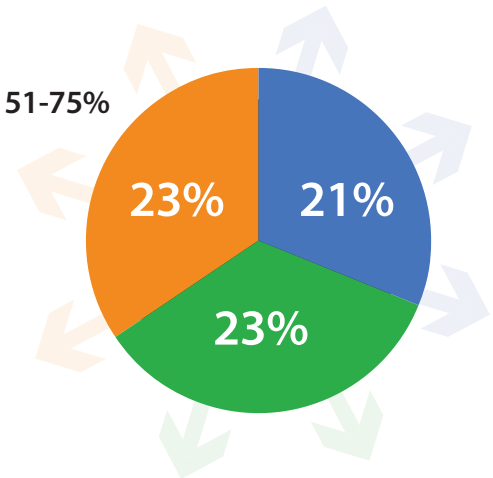
1-25%



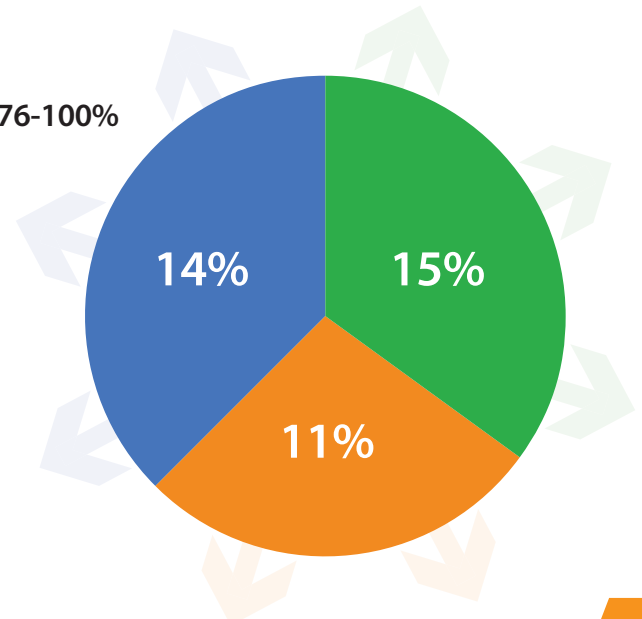
26-50%



51-75%



76-100%

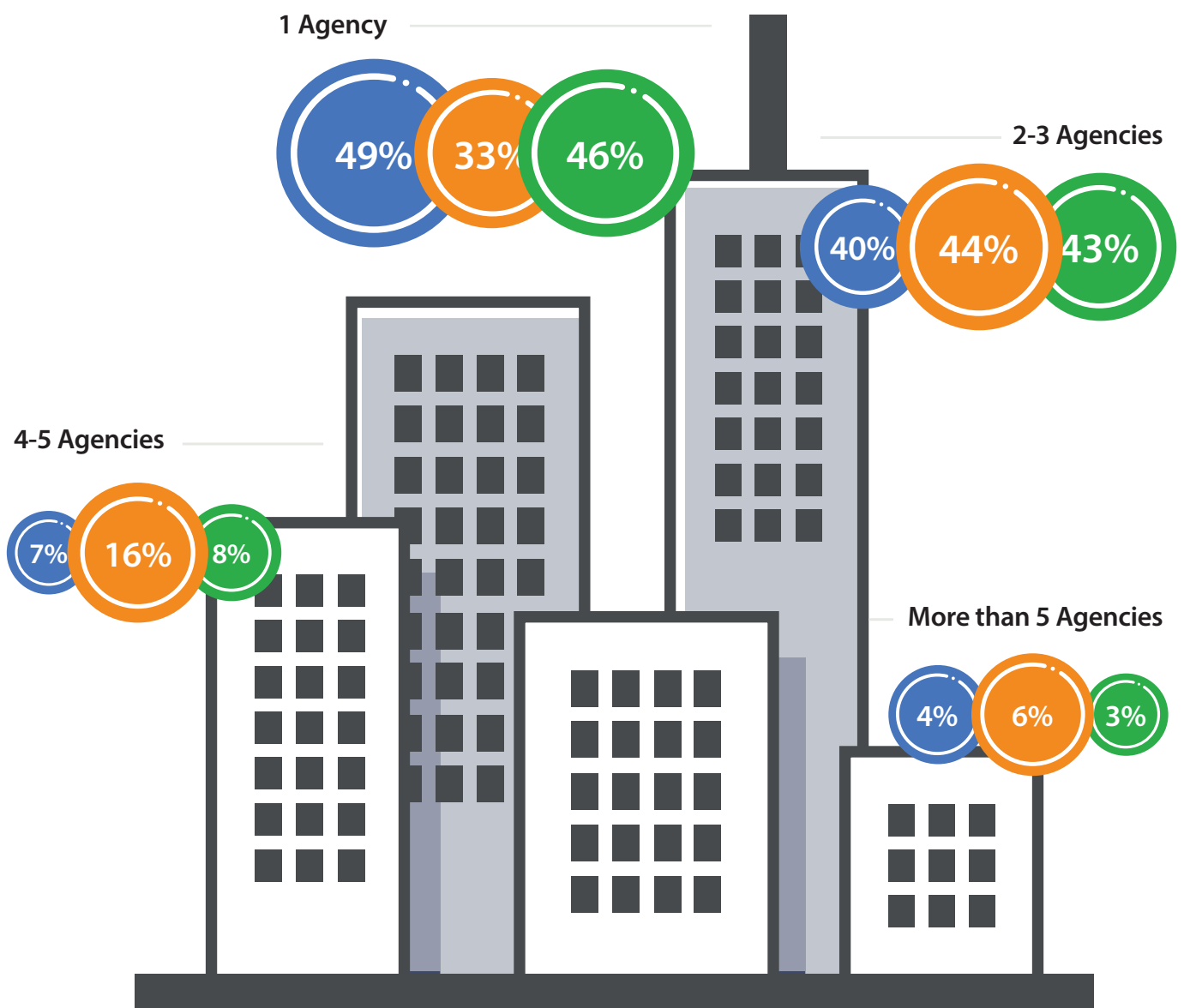


■ Distressed ■ Pragmatic ■ Steadfast



Number of Current Agencies

Consistent with findings from past Agency Edge studies, the majority of respondents (58%) are working with more than one agency. 43% have 2-3 agencies, and **Pragmatic** respondents are more likely than other segments to have four or more (22%).





One of our topics this year was to understand the extent to which clients feel their agencies care about our respondents and their organizations.

39% of respondents say their agencies “absolutely” care about the success of their organizations, and 44% say they care “to some degree”. 15% of respondents say their agencies care “not much” or “not at all”.

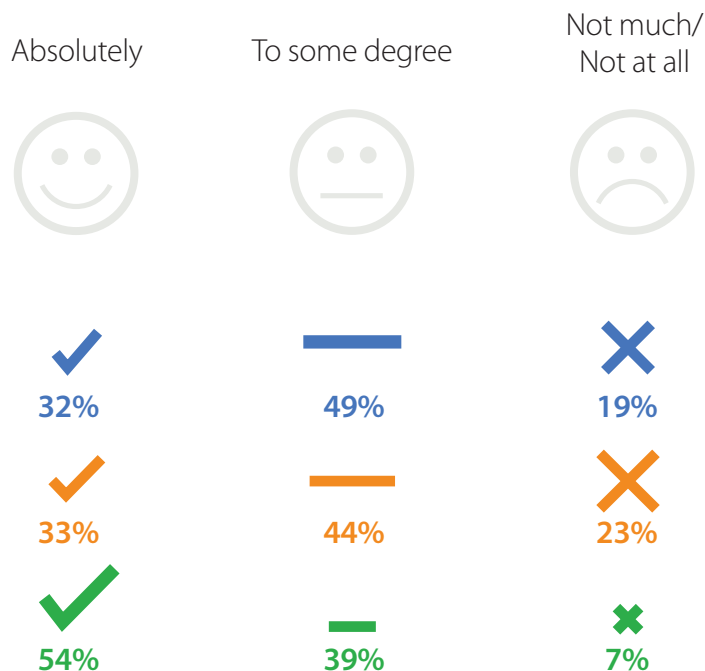
Steadfast respondents are by far the most likely to say their agencies “absolutely” care about the success of their organizations -- 54%, compared to only one third of respondents in the other two segments.

Asked whether their agencies care about the respondent personally and how they’re doing, 33% of participants said “absolutely” and 46% said “to some degree”. 18% said “not much” or “not at all”.

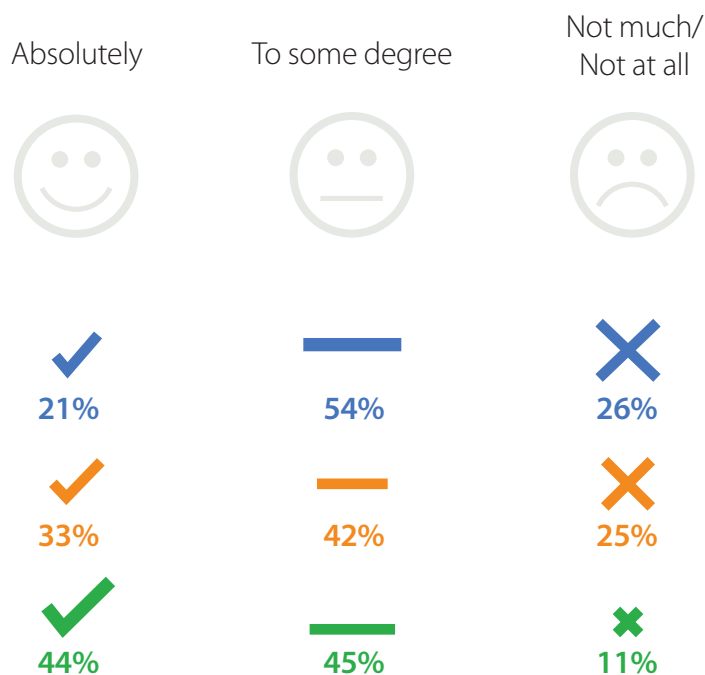
Again, **Steadfast** respondents are far more likely than others to say their agencies “absolutely” care about them personally -- 44%, compared to 33% of **Pragmatic** and only 21% of **Distressed** segment members.

The perception about whether their agencies care can’t be determined to be causal with respect to segment (e.g. whether feeling cared about makes someone more likely to be **Steadfast**, or if being **Steadfast** makes respondents more likely to feel their agencies care about them). However, the statistically different response on these items by **Steadfast** respondents is striking.

Do your agencies care about your organization’s success?



Do your agencies care about you personally?





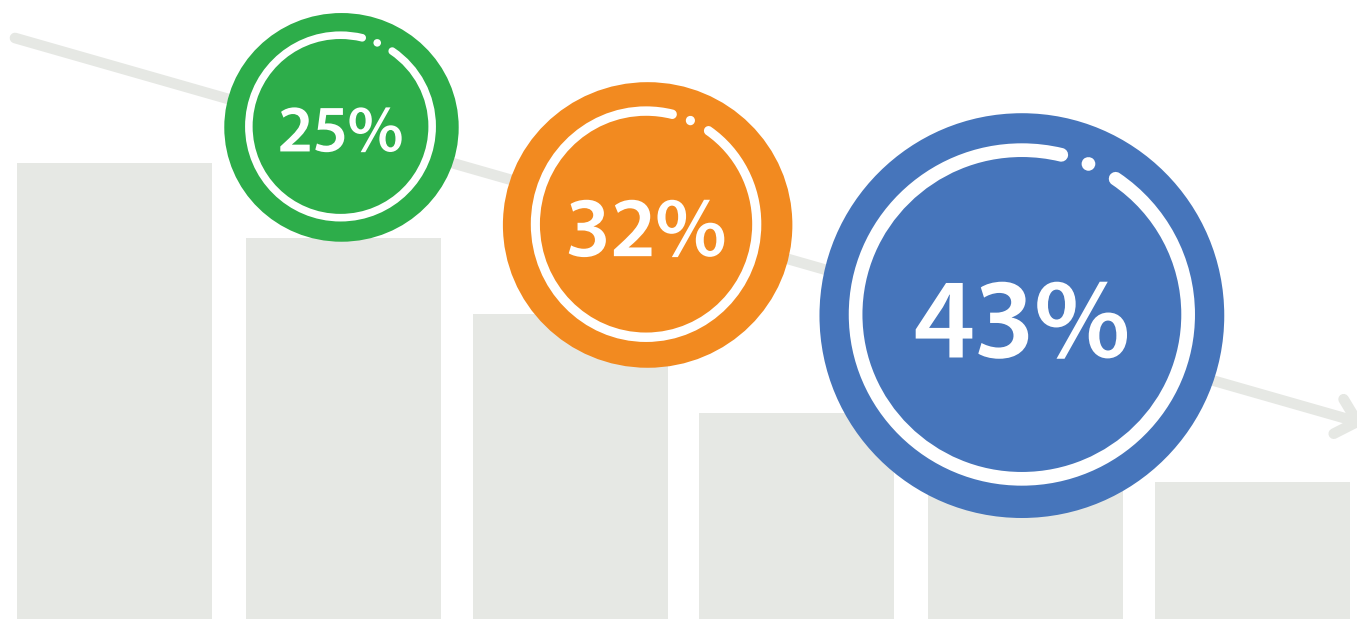
Most of our respondents say they were working during the Great Recession (December 2007 - June 2009).

Distressed respondents are more likely than others to identify multiple issues that affected them personally during the last recession.

Family financial hardship, reductions in their pay and taking on more work without additional compensation are all cited by more **Distressed** respondents than other groups. Only 11% of these respondents say they didn't experience any of the hardships on our list, compared to 29% of **Steadfast** respondents and 23% of **Pragmatic** segment members.

Many respondents also said the organizations they were working in during the Great Recession experienced hardships as well. 43% of **Distressed**, 32% of **Pragmatic** and 25% of **Steadfast** respondents say the recession had a "significant impact" on their organizations at the time.

Recession had a **"significant impact"** on their organization at the time

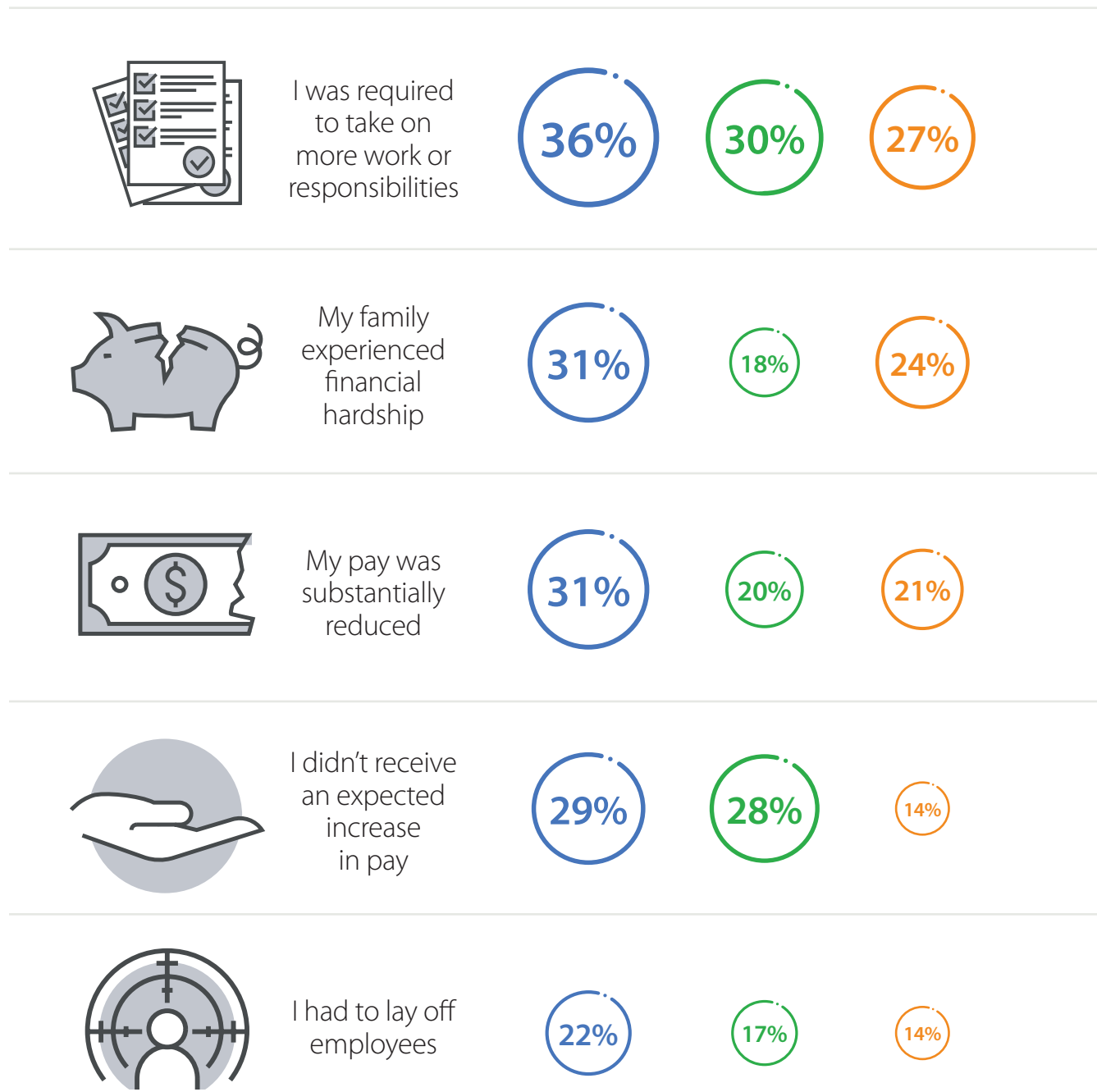


■ Distressed ■ Pragmatic ■ Steadfast



A majority of our respondents say they have experienced some hardship so far during the current recession as well. Taking on more work, pay reductions and family financial hardship are most common -- especially for **Distressed** respondents. Only 14% of **Distressed** segment members said they haven't experienced any of the hardships we listed so far, compared to 25% of **Pragmatic** and 35% of **Steadfast** respondents.

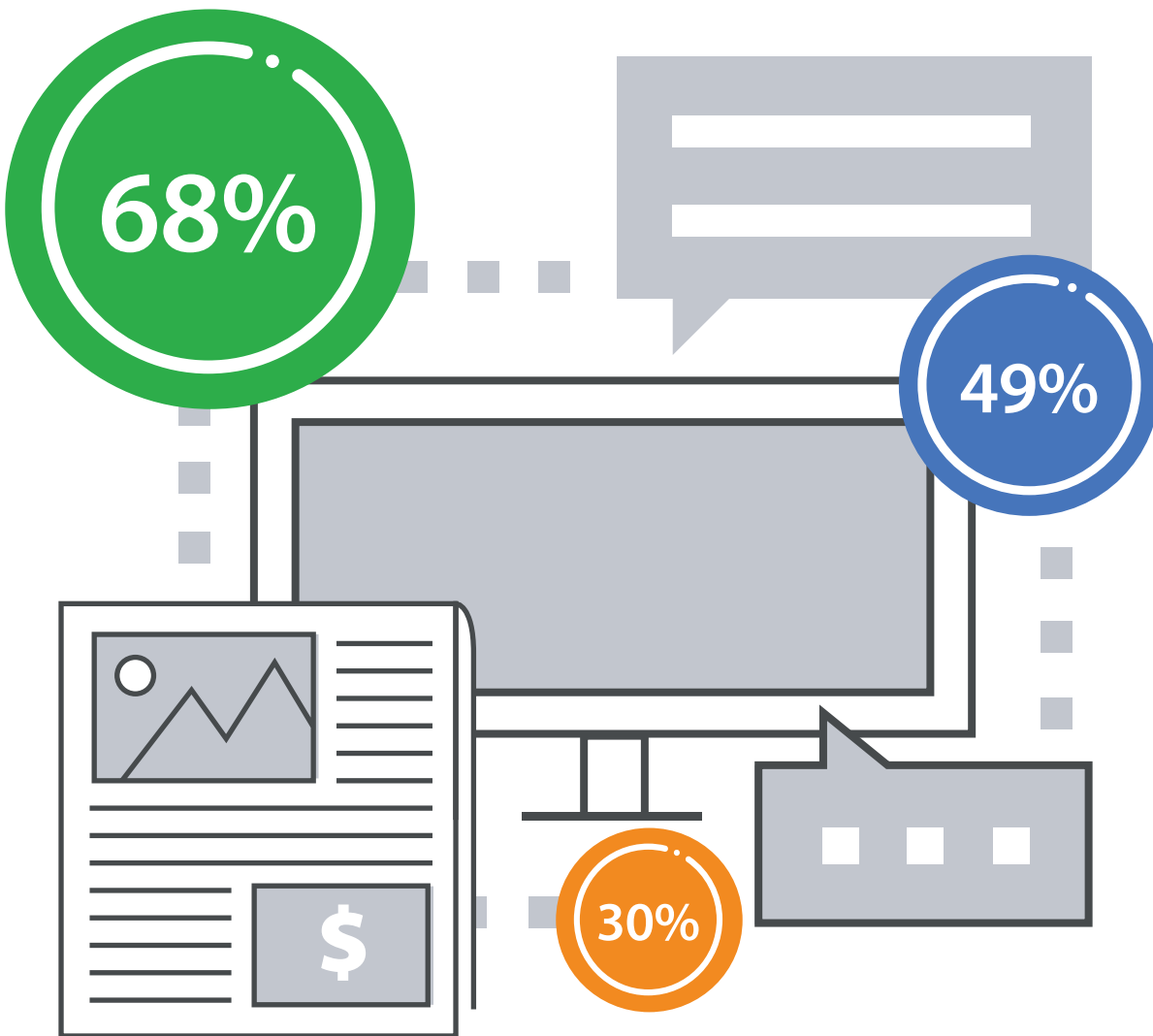
Impact of the Current Recession





47% of respondents say they are closely following the news about the current recession, reading or watching everything they can. The differences between segments, however, are significant — 68% of **Steadfast** respondents and 49% of **Distressed** participants are gathering all the news they can about the recession, while only 30% of **Pragmatic** respondents say that's the case.

Percentage who read/watched **all economic news they can**





As of late June/July when the survey fielded, few respondents said their organization had already made changes due to the recession. Only 6% had moved work in-house, 5% had reduced the number of agencies they're working with, and 4% had reduced the amount of work they're outsourcing to agencies. All of these percentages are similar regardless of segment, revenue, marketing budget or customer type (B2B/B2C).

As for the likelihood of making changes that might affect their agencies, most respondents say they're likely to continue working with current agencies. But many consider it likely that they will move some work in-house, and the group amidst that reducing the number of agencies they're working with is somewhat likely.

Distressed respondents are less likely to say they'll be able to continue working with their current agencies and are fairly likely to move work in-house or simply reduce the amount of work done.

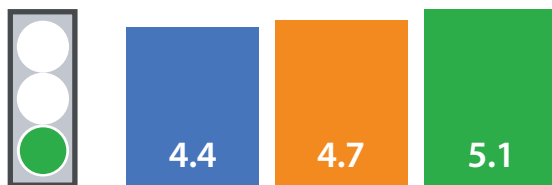
Pragmatic respondents are the most likely to say any of the changes we listed are likely for them -- including moving work in-house, shifting to agencies or freelancers who charge less, or hiring more in-house marketing staff. But they also are most likely to say they'll increase the amount of work outsourced to agencies, increase the number of agencies they're working with and even lay off in-house marketing staff.

Steadfast respondents are the least likely to make any of the changes we listed. They are the most likely to say they'll continue working with their current agencies and are most likely to say they aren't planning to fire an agency. But they're also least likely to increase the amount of work they're outsourcing or increase the number of agencies they work with.

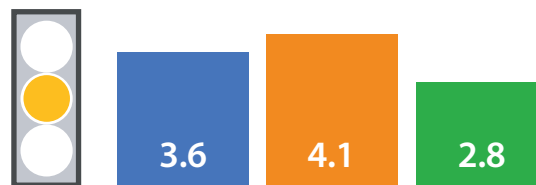
Likelihood of **Opportunities** for Current Agencies

1=Not at all likely and 6=Extremely likely

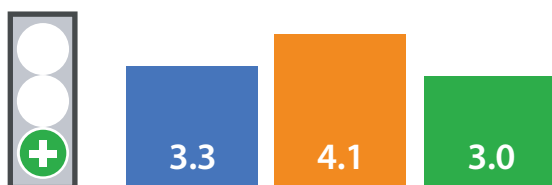
Continue to work with our current agencies



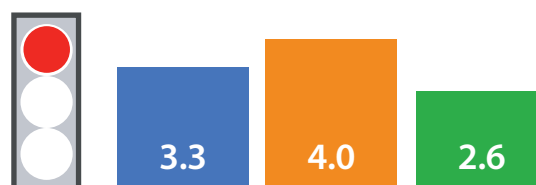
Furlough in-house marketing staff



Increase the amount of work outsourced to marketing agencies



Lay off in-house marketing staff

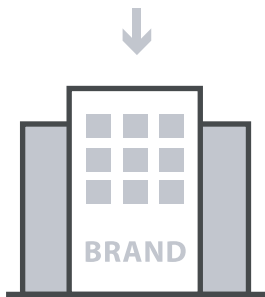


■ Distressed ■ Pragmatic ■ Steadfast



Likelihood of **Risks** for Current Agencies

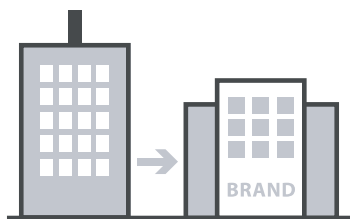
1=Not at all likely and 6=Extremely likely



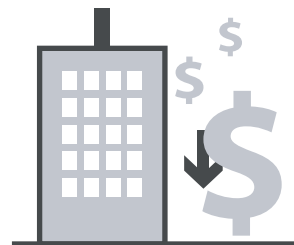
Move work in-house



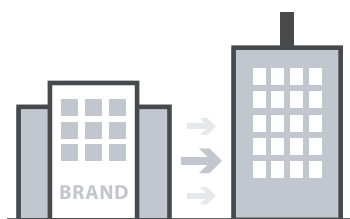
Reduce the number of agencies we work with



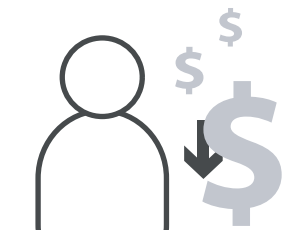
Shift work from agencies to in-house marketing staff



Change agencies to ones that cost less



Reduce the amount of work outsourced to marketing agencies



Change freelancers to ones that cost less



■ Distressed ■ Pragmatic ■ Steadfast



Likelihood of **Risks** for Current Agencies

1=Not at all likely and 6=Extremely likely



■ Distressed ■ Pragmatic ■ Steadfast



Overall, a sizable percentage of respondents say their organizations plan to increase spending on key marketing initiatives during the recession. **31% say they'll increase spending on social media marketing, and 29% on online advertising.** The lowest percentage are planning to increase spending on events (15%), travel to conferences or meetings (16%), programmatic media buying (16%) and content development (17%).

Pragmatic respondents are more likely to say their organizations plan to increase spending on all activities other than online advertising, where **Steadfast** respondents take the lead (33%). **Distressed** respondents are the least likely to say they're increasing spending.

Steadfast respondents are most likely to say they'll maintain spending on most activities, while **Distressed** respondents are the most likely to say they'll reduce or even stop spending altogether. Traditional media buying, travel, media buying, creative development and content development are some of the areas in which organizations say they'll pull back on spending.

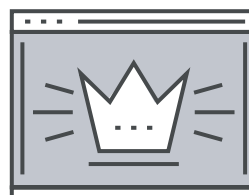
Few plan to stop spending altogether, but when they do it's likely to be spending for putting on events and for travel to conferences.

Highest spending increase (all respondents)



31%

Social media marketing

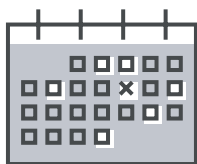


29%

Online advertising

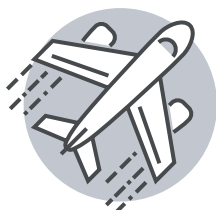
Lowest spending increase (all respondents)

15%



Events

16%



Travel to conferences or meetings

16%



Programmatic media buying

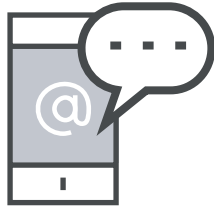
17%



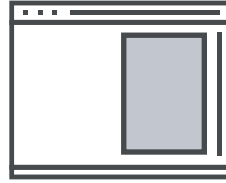
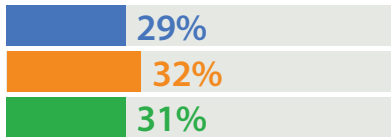
Content development



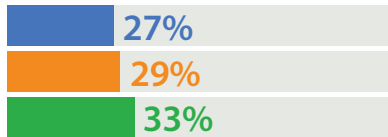
Plans to **Increase** Spending



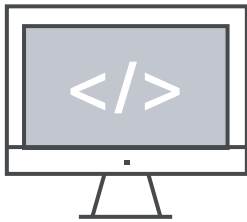
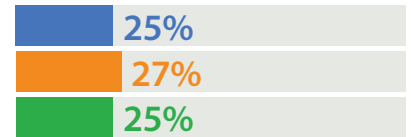
Social Media Marketing



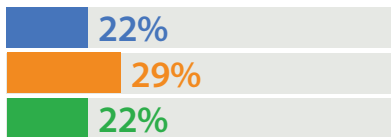
Online Advertising



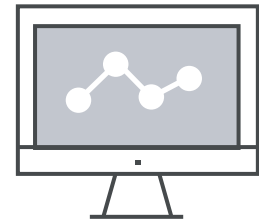
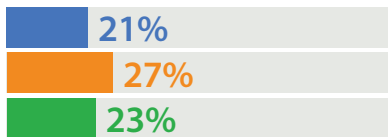
Email Marketing



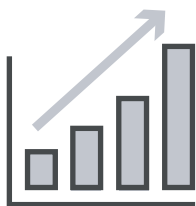
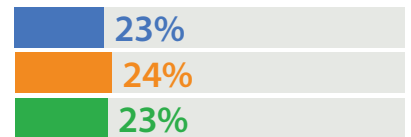
Website Development



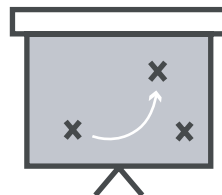
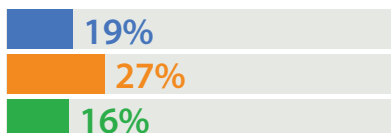
Digital Media Buying



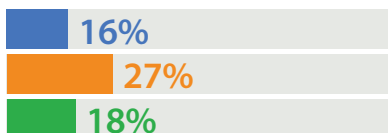
Search Engine Optimization



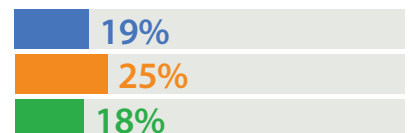
Lead Generation



Marketing Strategy Development



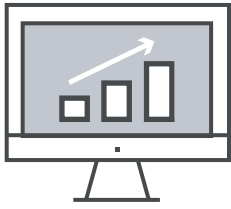
Lead Nurturing



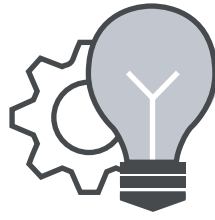
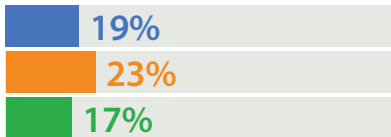
■ Distressed ■ Pragmatic ■ Steadfast



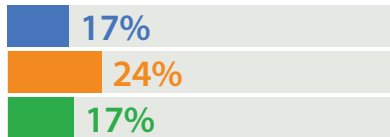
Plans to **Increase** Spending



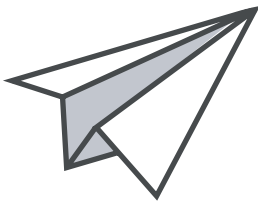
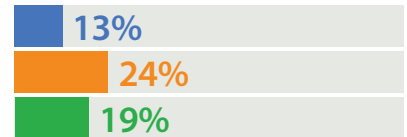
Analytics



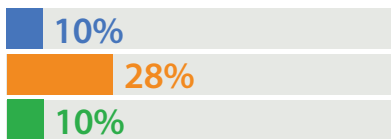
Creative Development



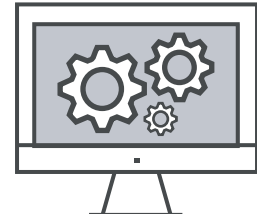
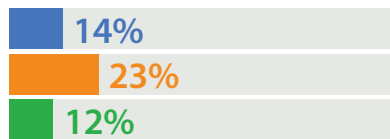
Market Research



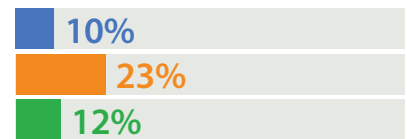
Traditional Media Buying



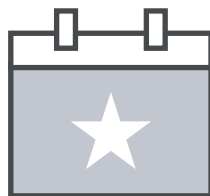
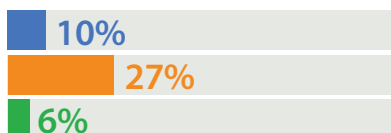
Content Development



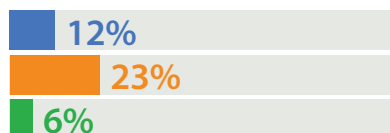
Programmatic Media Buying



Travel to Conferences / Meetings



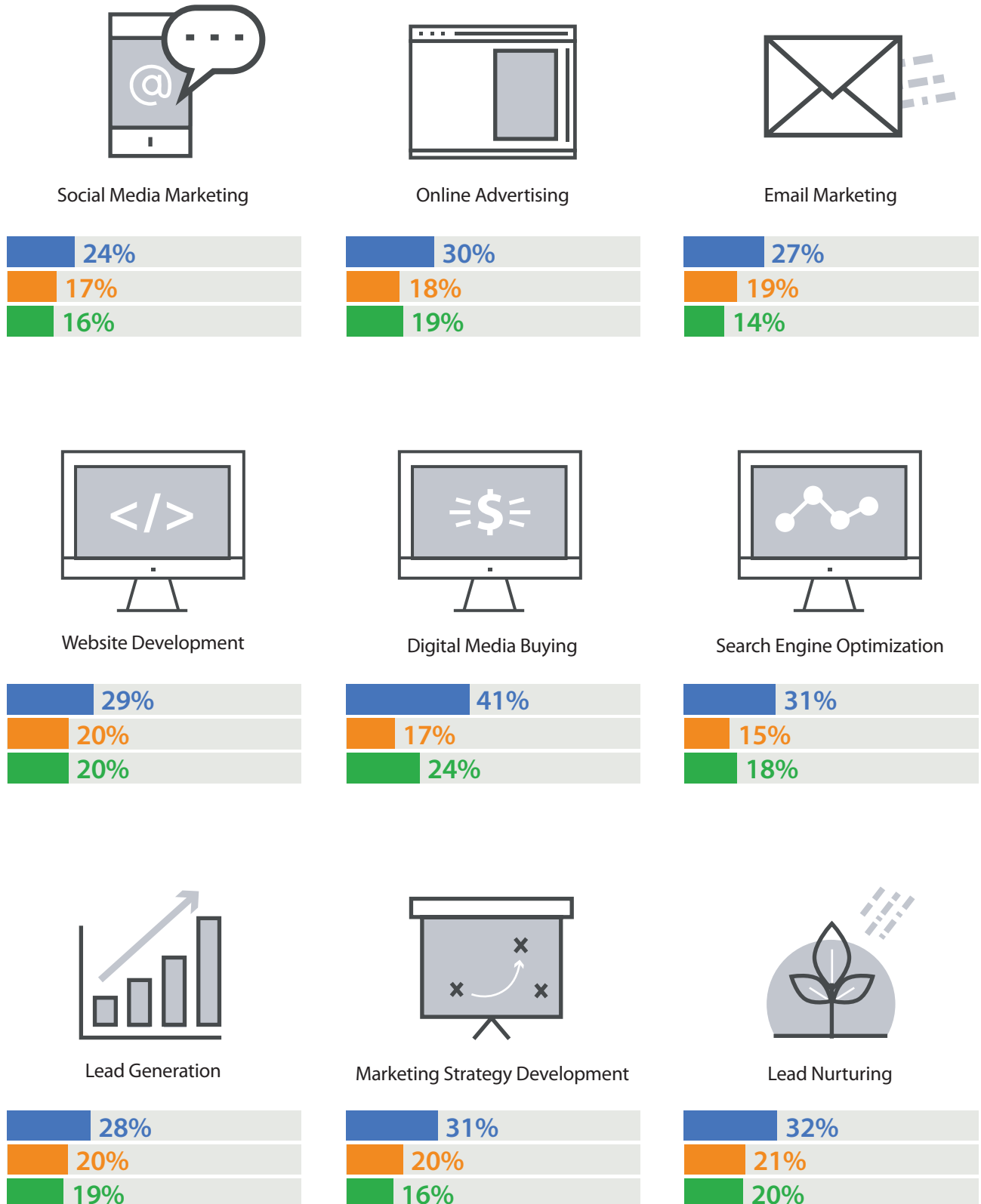
Events



■ Distressed ■ Pragmatic ■ Steadfast



Plans to **Reduce** Spending



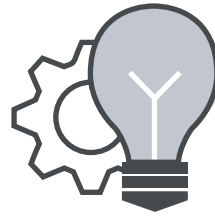
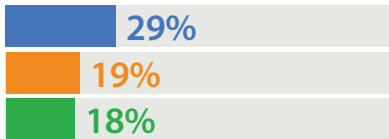
■ Distressed
 ■ Pragmatic
 ■ Steadfast



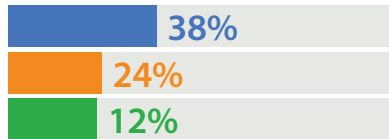
Plans to **Reduce** Spending



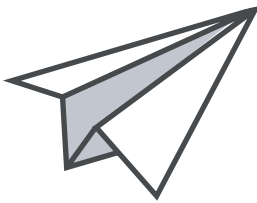
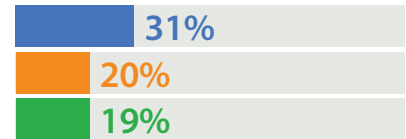
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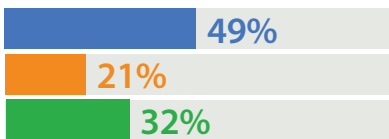
Creative Development



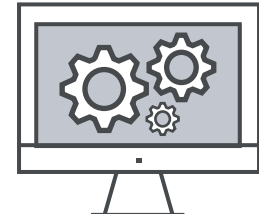
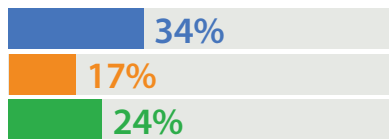
Market Research



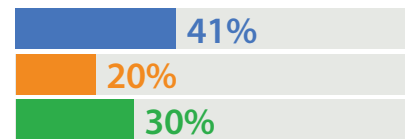
Traditional Media Buying



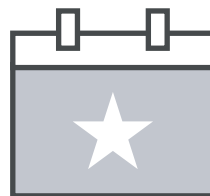
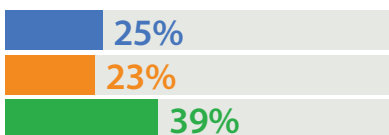
Content Development



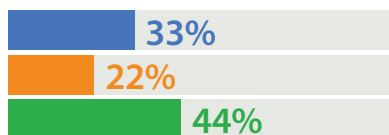
Programmatic Media Buying



Travel to Conferences / Meetings



Events



■ Distressed ■ Pragmatic ■ Steadfast



Overall, 44% of all the respondents expect agencies to actively reduce costs without impacting marketing effectiveness. This is most prevalent among **Steadfast** participants (56%) but is also present among **Distressed** (47%) and **Pragmatic** respondents (34%).

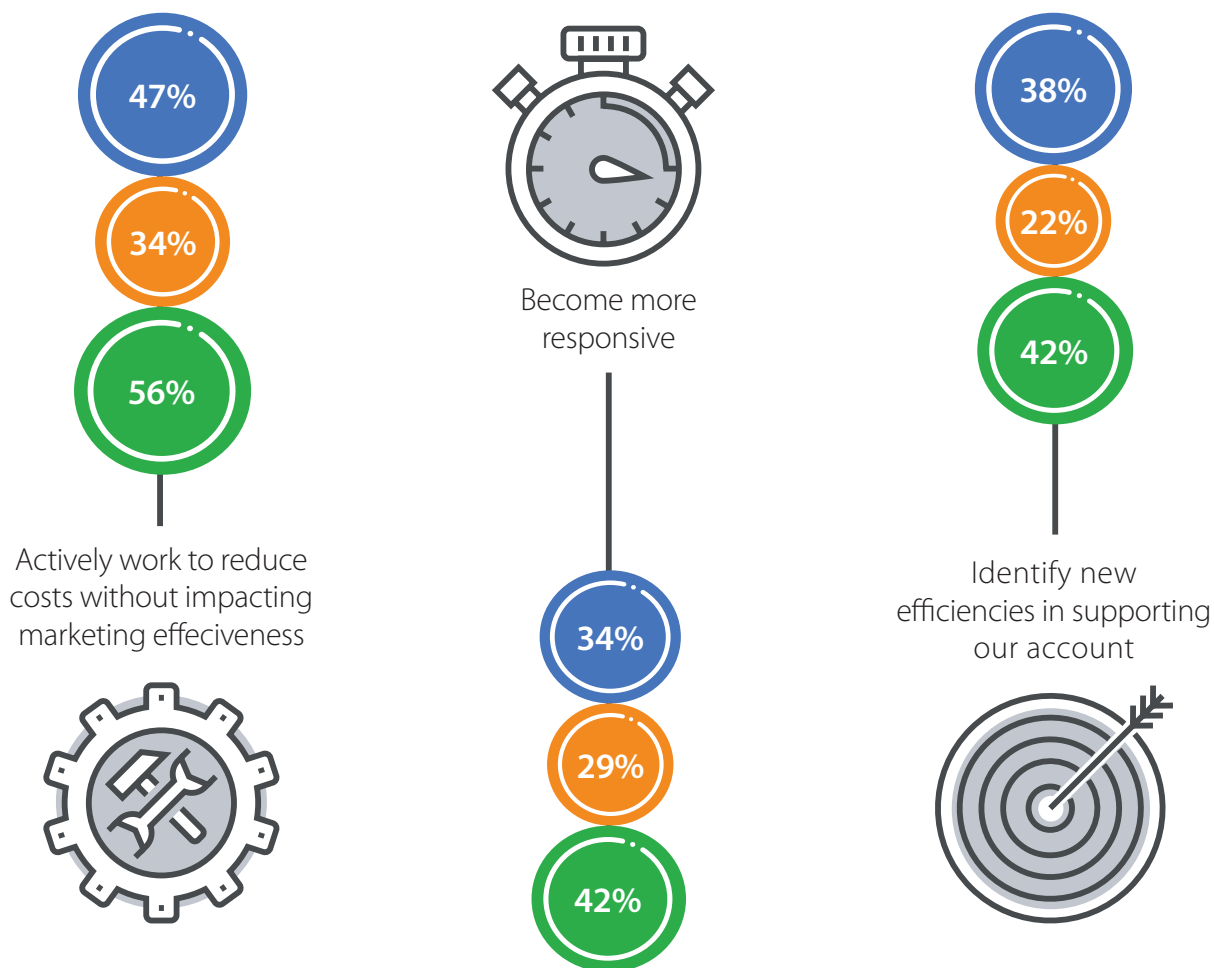
Distressed participants are most likely to expect agencies to lay off employees, reduce the number of face-to-face meetings or recommend delaying or canceling activities to save their clients money.

Pragmatic respondents are least likely to expect agencies to identify new efficiencies in supporting their account, to meet to discuss adjustments that

can be made to spending, or to recommend potential cutbacks. They are more likely than other respondents to expect their agency account managers to be servicing more clients, for agencies to charge them more to cover revenue shortfalls, to shift work to lower-level employees and to become less responsive.

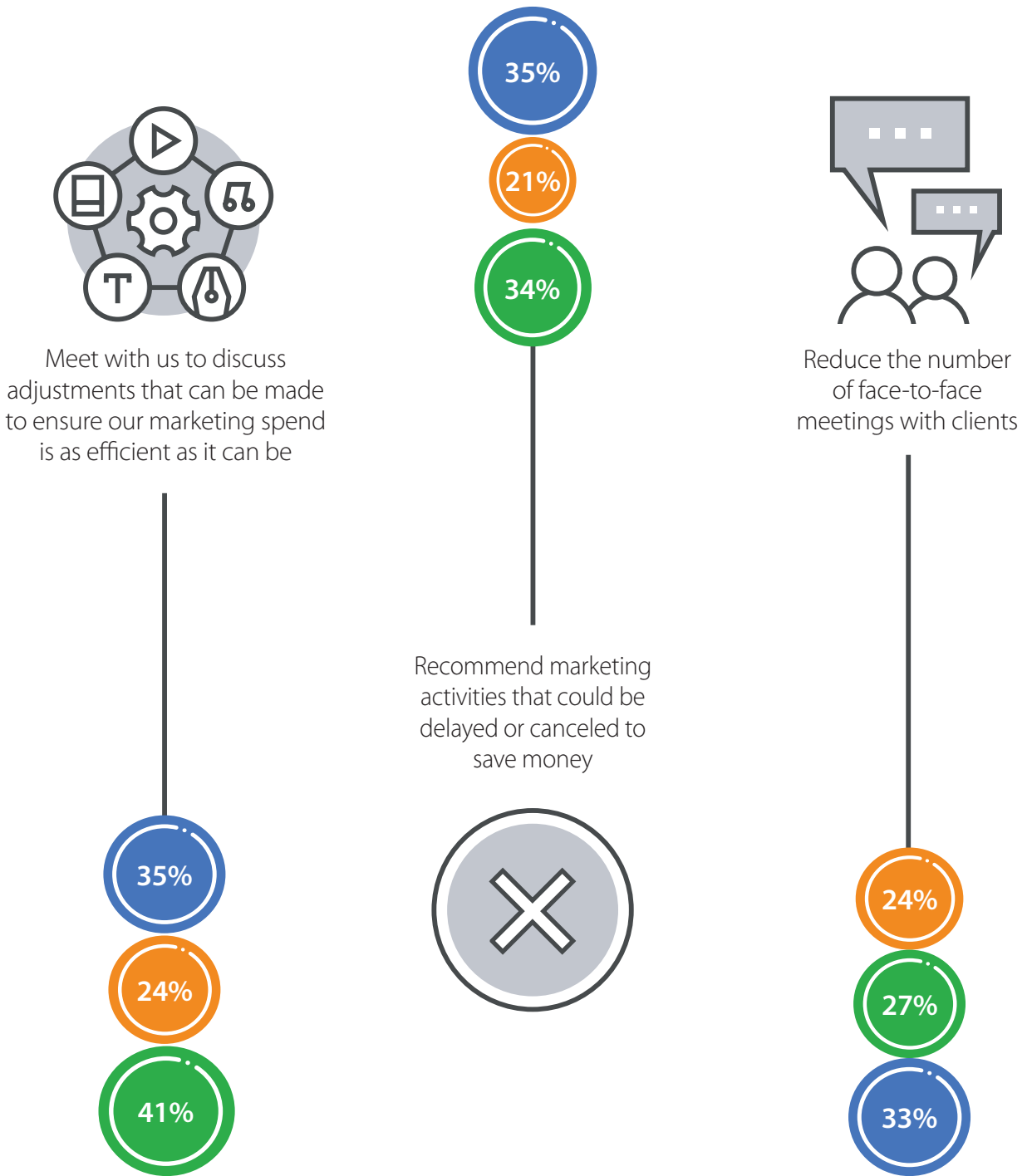
Steadfast respondents have the highest expectations of their agencies, expecting them to become more responsive, identify efficiencies and smart adjustments to save money, and to seek out examples of other organizations successfully addressing challenges like their clients'.

Their Expectations for Agencies



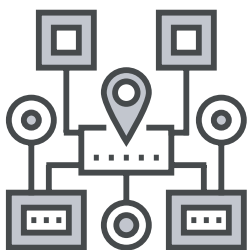


Their Expectations for Agencies (cont.)





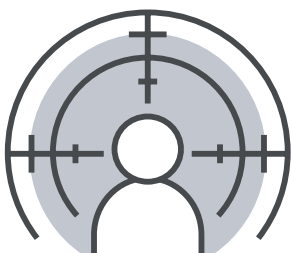
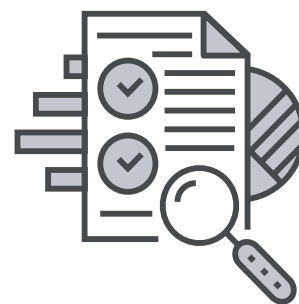
Their Expectations for Agencies (cont.)



Expand services they offer



Help us find examples of other organizations addressing challenges like ours



Lay off some employees





Based on the distribution of all three segments across client industries, customer types, organization revenue and budget levels, it's probable that agencies will have all three segments present among their client and prospect audiences.

It's clear from the research that clients in each segment are approaching the recession from very different perspectives -- both about what they expect to happen, and what they plan to do about it.

While organization size and budget aren't reliable clues for this segmentation, agencies should be able to suss out which segment a client is in through regular interactions and perhaps some focused conversations about the impact of the recession on their businesses, their personal and professional experience with the Great Recession, and their plans for the next 90-120 days.

Clues to Look For

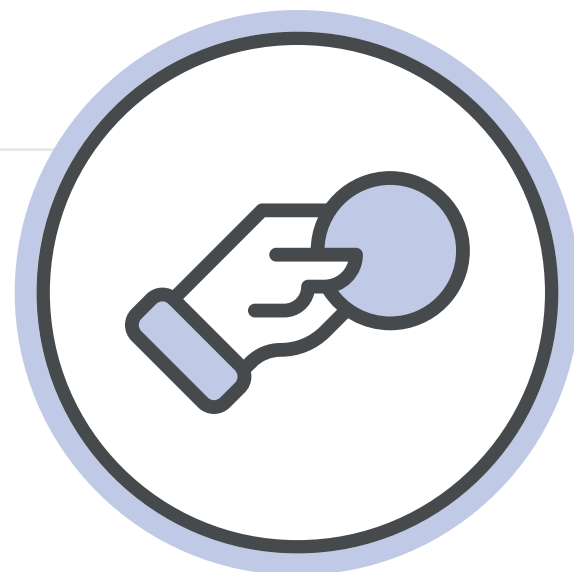
Distressed Clients

These clients will have deep concerns about the recession and its impact on both their customers and their organizations. They are likely struggling and may be asking agencies for recommendations on where they can pull back on spending or find efficiencies.

Their sales will have declined over the 2nd quarter and they may be battling to get back on track with both existing customers and prospects.

They will pepper their conversations with references to the Great Recession and make comparisons to that time versus now. They may have experienced a job change during that time or even been unemployed for a period.

They're going to be slow to make decisions and pinching pennies at every turn.





Pragmatic Clients

Pragmatic clients will reveal themselves by largely brushing off the impact of recession on their organizations and their customers. They will talk about the recession as a normal economic cycle and reflect little concern relative to other clients.

They will also talk about the need to seize the opportunities that the recession has presented. Their focus, attention, and potentially, their spending will all be heightened.

These clients will also likely be **looking for ways to do more and spend more** while their competitors are struggling and marketing expertise can be had (they believe) at lower cost.

They are also likely to pressure agencies for deeper cuts to normal fees, so agencies should be prepared to justify their costs. These clients aren't beyond making changes in their vendors to get the pricing they want.



Steadfast Clients

These clients will be well-informed about the recession and its impact on their customers and prospects but will be solid in their plans to stay the course with their current activities. Listen for their references to news sources, citing statistics and data, and industry trends.

When discussing budget with someone from this segment, odds are **they're holding the current course. No big swings up or down.** They believe their job is to just hold the ship steady through this temporary season and they see their current agency as the partner who can help with that effort.

They do expect their agencies will be even more responsive during this time so if you get a sense that your client is frustrated with turnaround times or response rates, that would be a strong indicator that they fall into this segment.





It's worth noting that you can and should align your attitude and position re: the recession to how your client is feeling about it. Your **distressed** clients are in full on panic mode. We're not suggesting you join them in their panic but that you be sensitive to it and be very results and budget conscious.

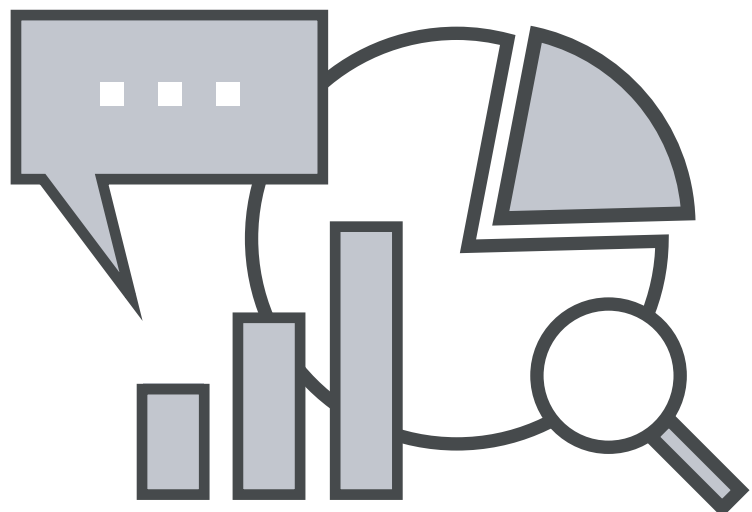
If you have **pragmatic** clients, they are all about taking advantage of what the market has

presented. They're going to align with agencies who have this same "seize the day" mentality. And your **steadfast** clients are the steady Eddies – not much is going to change and so a sense of calm and everything just remains the same will resonate with them.

Below are some specific tactics you can take with each.

Distressed

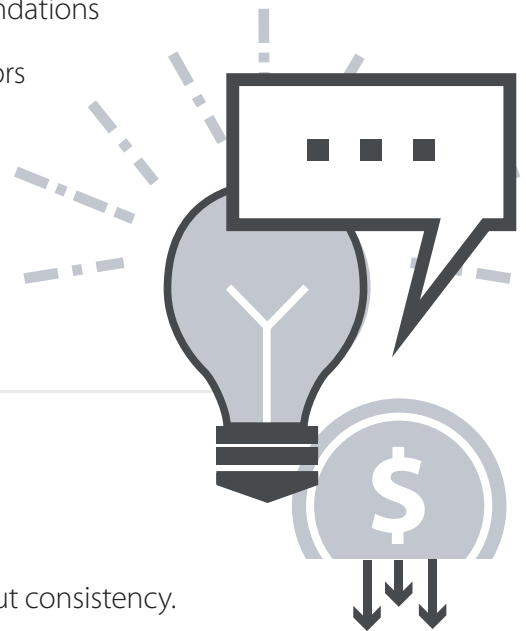
- Look for ways you can demonstrate efficiencies in your work/budget
- Proactively suggest budget friendly changes or reductions
- Frame any cut backs in terms of the long and short term costs
- Prepare all results/reports in a way that your client can use the data provided to reassure the C suite
- Find examples of similar companies who are faring well and share their efforts/results with your client
- Be ready with evidence and data before suggesting something new





Pragmatic

- ❑ Bring them big, bold ideas so they can seize the opportunities
- ❑ Remember, they are expecting you to trim your prices and if you won't someone else will
- ❑ Demonstrate efficiencies in their spending and your recommendations
- ❑ Actively negotiate better prices and payment terms with vendors on client's behalf
- ❑ Merchandise past successes to reinforce their buying decision over communicate progress and little wins along the way



Steadfast

- ❑ Do not make any team changes if possible. This client is all about consistency.
- ❑ Increase communication and contact at all levels, including the agency owner
- ❑ Work on big picture strategies for the remainder of the year or 2021
- ❑ Engage the client in strategic sessions to help them think bigger and further out
- ❑ Be a news source — tap trade association and media contacts to keep your client in the know
- ❑ Find spending efficiencies but not at the expense of replacing sales lost this past Spring





Respondents were secured through a Dynata panel and completed a 15-minute online survey. 1,000 respondents completed the survey, yielding an overall margin of error of +/- 2.9 percentage points. Their experiences during that time sheds some light on their attitudes about the current economic situation.

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 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](#)

[The Agency Edge 2019: How Clients in the US and Abroad Choose Their Agencies](#)



About Agency Management Institute

Agency Management Institute (AMI) was founded in 1999 and serves small to mid-sized privately held agencies. AMI produces a weekly podcast, Build A Better Agency, and offers public workshops, remote and onsite consulting and membership-based agency owner peer networks. We believe most agency owners are accidental business owners. Our job is to teach them the best practices, metrics, and hacks to run the business of their business. We help agencies make more money and keep more of what they make.

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 research and 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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Share it here!