

The Agency Edge

R E S E A R C H S E R I E S

2021

Riding the Wave

How Over 1,200 Agency Clients Are Operating
During an Economic Boom Post-Covid



dynata[™]



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](#).

2021 Brought Both Hope and Concerns

In 2020, our study explored how agency clients were feeling about the COVID-19 pandemic and its resulting economic impact on their agencies, and how they viewed the future we all felt would be better in 2021. As we planned our 2021 study in the spring of 2020, it seemed clear that the United States was moving out of the pandemic and into a period of economic resurgence. The first COVID-19 vaccinations were administered in December 2020, and by mid-April, all US states had made vaccines available for residents 16 and over.

U.S. economic growth surged in the first half of 2021, reaching 100% of pre-pandemic levels in July. However, during that same month, COVID-19 cases began increasing due to the highly contagious Delta variant, and it was clear America wasn't out of the woods yet. In addition, the Great Resignation in which millions of American workers left their jobs to pursue more money, more security, more flexibility or just to reconsider their work/life balance had gained steam in early 2021, with over 4 million workers leaving their jobs in April alone.

Our 2021 study, fielded in the first half of July, reflects both the hope, enthusiasm, and lingering concerns of this critical juncture that became the hallmarks of the year.

A View Across Client Spectrum

1,247 agency clients in the United States participated in the study, from those with budgets under \$250K to those spending up to \$20 million on their annual marketing efforts, and with annual revenue up to \$500 million.

Respondents work in 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 +/- 2.7 percentage points at a 95% confidence level.

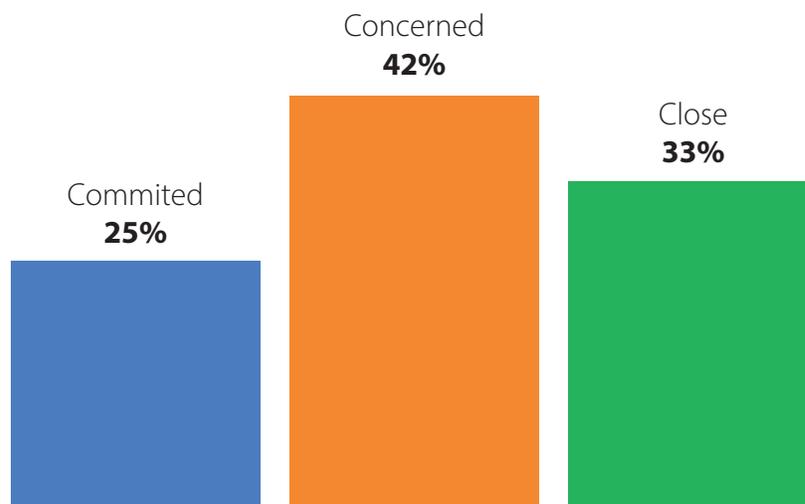


Agency Client Segments

Respondents were segmented based on the attitudes they hold about the value of agencies, working virtually with their agency partners, and the impact of labor force and supply chain issues that affected virtually all industries.

The segments were not predetermined -- they evolved organically by analyzing respondent levels of agreement or disagreement with 35 attitudinal statements.

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



Segment 1: Committed (25%)

Committed clients say that marketing is a top priority for their organizations and that they are considering marketing activities they haven't used before. Agencies are a critical component of their success and they feel they're worth the cost.

These respondents particularly value specialized agency expertise for which they are willing to pay more. They say they're always looking for agencies who really know their industry or customers, and for agencies with recognized expertise in a particular marketing tactic.

They prefer working with a single agency that can handle a wide range of services, but they are also willing to have their agencies bring in other partners for specialized work. These respondents are much less likely than those in the other segments to have worked in agencies themselves. Only 25% have worked in agencies, compared to nearly half of respondents in other segments.





Segment 2: Concerned (42%)

Concerned clients say that both finding new customers and finding qualified marketing employees is more difficult than it was prior to 2020. They also say that true experts in their space are hard to find among marketing agencies.

More than any other respondents, these clients worry that a range of factors will create significant challenges for their organizations in 2021: economic conditions, shifts in consumer behavior, and shifts in employee expectations.



Segment 3: Close (33%)

Close clients are defined by attitudes reflecting two key perspectives.

First is their confidence in their organization's marketing expertise and its ability to handle its marketing needs in-house if necessary. They prefer working with multiple agencies with specialized expertise.

The second is their interest in working hands-on with their agencies. They are far more interested than other respondents in meeting with agencies in person and say they prefer to work with agencies headquartered nearby. This is the first segment we've seen in our annual series that is defined by their interest in in-person and nearby agency contact.





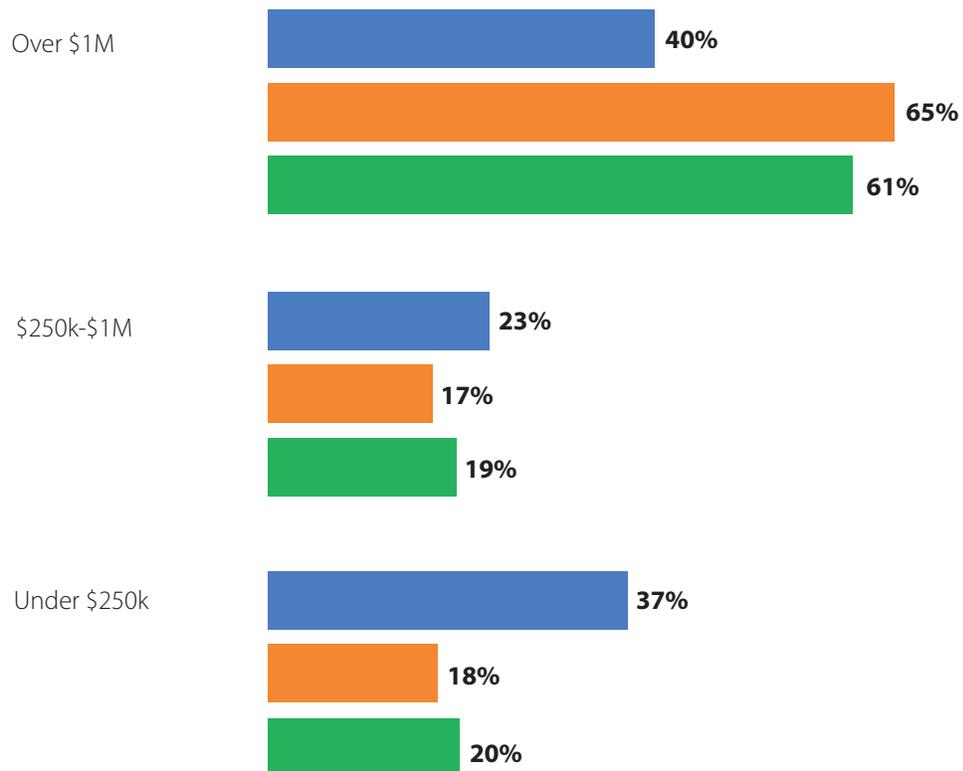
Age and Industry

There is no difference between segments in terms of respondent age or decision-making role. There is also no difference in industry distribution, although **Committed** respondents are statistically more likely to say they serve consumers as well as business customers.

2021 Revenue and Marketing Budget

While all segments are found at all revenue and budget levels, **Committed** segment members are more likely to have 2021 revenue under \$1M (27%) and budgets under \$250K (37%).

Marketing Budget

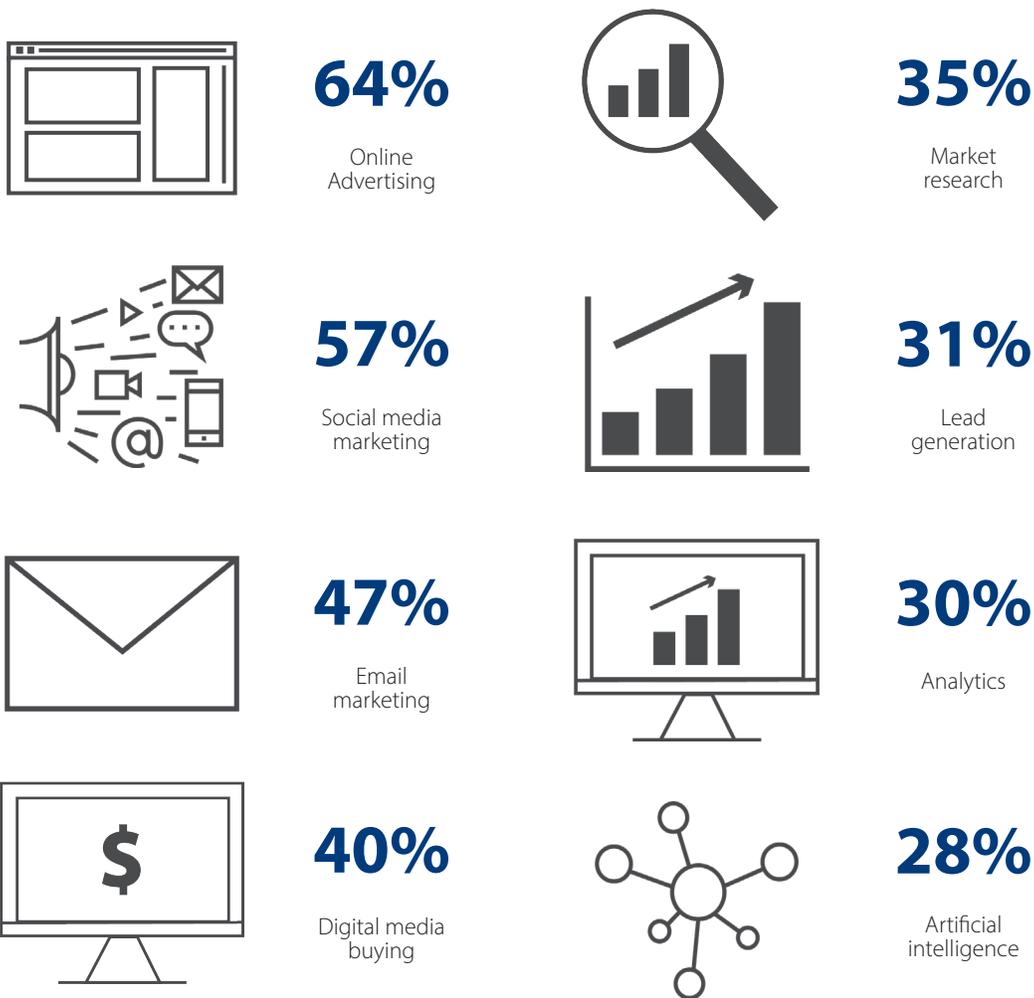




Marketing Tactics Pursuing in 2021

Respondents are pursuing a wide range of marketing tactics in the next year, with a majority saying they are conducting online advertising and social media marketing. Website development, email marketing, marketing strategy development, and video marketing are also high on the list.

30% are pursuing brand storytelling, and 28% are working with artificial intelligence. Lead nurturing, programmatic media buying and out-of-home advertising are the lowest on the list with 20% or fewer respondents indicating their organization is pursuing these tactics.



Committed respondents are more likely to cite a wide range of tactics being pursued in the next year. They are significantly more likely than other respondents to cite online advertising, social media marketing, and search engine optimization as approaches they're planning.

Respondents whose organizations serve both B2B and B2C customers are planning a wider range of tactics than those who serve only one of these audiences.



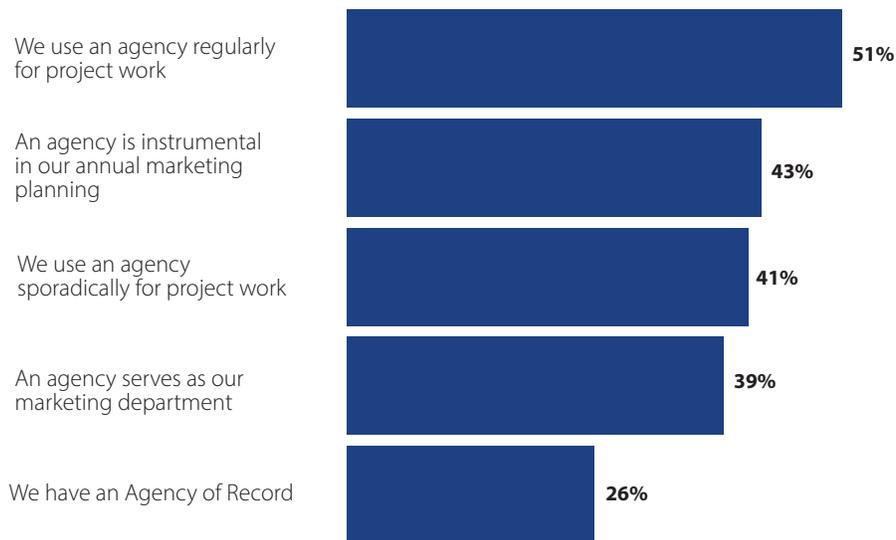
Agencies and In-House Teams

72% of respondents work with multiple agencies, a figure consistent with our findings in previous studies. **Committed** respondents are slightly but statistically more likely to work with only one agency (38%).

74% have a full-time in-house marketing team. Team size distribution varies only slightly by segment but is significantly different for organizations with a budget under \$250K, who are far more likely to have only one or two full-time employees on their marketing team (46%).

51% use agencies regularly for project work, and 43% say an agency is instrumental in their marketing planning. **Committed** respondents are less likely to say that they use an agency sporadically (32%) or that they have an Agency of Record (17%).

Agency Relationship



There is no difference between segments in the percentage of work they outsource.



Important Agency Characteristics

Respondents cited a wide range of agency characteristics they consider most important today. **Committed** respondents are more likely to identify a greater number of characteristics as being very important, possibly due to their increased likelihood to work with a smaller number of agencies.

There is a long list of characteristics that top the list, with no statistically significant difference in the rate at which they were selected. Agencies listening to clients, understanding their business, bringing fresh ideas, and offering a 100% satisfaction guarantee are among these. The rate of interest in a 100% guaranteed has increased from 36% selecting in our 2020 study to 50% selecting in 2021.



Specialized expertise is a common interest across all segments. 43% of respondents say **agencies should have a reputation as a thought leader in the client's space and should understand their target customers**, 42% say they should have expertise in a particular marketing approach, and 37% say they should have expertise in a particular audience. All of these exceed the number of respondents who said agencies should offer the lowest cost (29%), should have received awards for their work (23%), or should have nice offices (22%).

Important Agency Characteristics



29% said agencies should have a fully vaccinated staff.

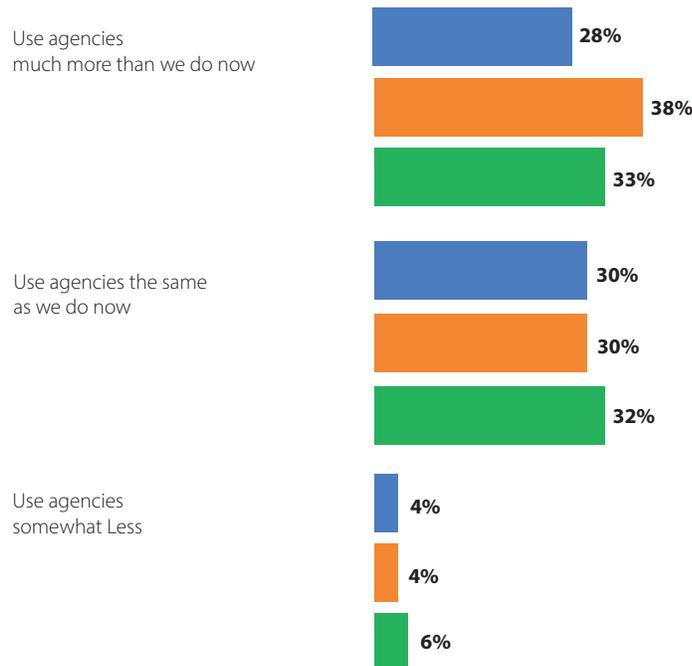


Use of Agencies Over the Next Two Years

33% of respondents say their organizations will use agencies much more than they do now over the next two years, and 30% expect to use agencies somewhat more. There is no significant difference by segment. Those with budgets of \$500K or less are statistically less likely to say they'll use agencies more.

Only 6% of respondents say they expect to use agencies less than they do now.

How Rely On Agencies In Next Two Years



Working with Agency Partners

61% of respondents say their agencies have suggested working with one of their preferred partners for specialized expertise. There is no difference by segment, but this is much more likely to be the case for organizations with budgets over \$500K.

Among those whose agencies have made this suggestion, 89% of clients have agreed to work with the agency's recommended partners. Among those whose agencies have not recommended such an engagement, 57% say they would likely consider it.

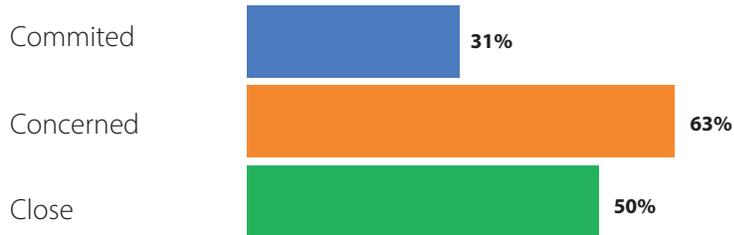
64% said their experience with an agency's preferred partners has been excellent. When asked what they would prefer in a situation where their agency is working with a partner to conduct specialized work, 31% say it wouldn't matter to them whether the partner was white-labeled or presented as a separate entity. Among those with a preference, most would prefer the partner be introduced as a separate entity and to receive information about the partner's organization and expertise.



Marketing Staff Losses

51% of respondents say their organization lost marketing staff in the first half of 2021. **Concerned** clients are the most likely, at 63%.

Lost Marketing Staff



Among those who have lost marketing staff, 61% say the losses have been very impactful. **Concerned** and **Close** respondents are more likely to cite significant impact.

91% of those who have lost staff have considered using marketing agencies to fill the gaps in marketing work. Of these, 83% have used their agencies to do that work, 69% of those say they will definitely continue to use their agencies for that work even if something changes and the client can again handle such work in-house.



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.

Committed Clients

Committed clients are pursuing a wide range of tactics and prefer close and long-term relationships with their agencies, which makes them appealing clients. But while 40% have large marketing budgets, many have small in-house teams and budgets under \$250K.

If these are the types of clients you'd like to pursue, you'll want to highlight your ability to generate new and bold ideas, the depth of your expertise and specialization, and your speed to market.

You'll also want to demonstrate your team's ability to handle big projects and aggressive timelines, as the committed clients have big plans in terms of both their marketing investment and their expectations.



Concerned Clients

Concerned clients are struggling with a range of substantial challenges that may overshadow their marketing activities. Concerns about new business development are nothing new, but agencies today are also struggling to adapt to shifting customer priorities and a tremendously challenging labor landscape. Agencies may want to consider how their talents can help their clients address these issues through brand elevation, audience research, employee communications, and other approaches.

It's no surprise that this is the largest segment at 42%. Odds are good that you have clients who fit this profile and prospects as well. It's not that they don't want to do good marketing but instead that there's always a worry in the way.

Look for ways to ease their concerns, to help solve the issues creating the distractions and think about how you can be helpful beyond the marketing area.





Close Clients

Close clients may prefer agencies nearby, but given their interest in agency specialization that may be unrealistic. However, agencies need to consider accommodating clients that prefer in-person relationships when considering travel budgets and attendees for major meetings nearer the client than the agency.

If you love being in a conference room, rolling up your sleeves, and just spending an entire day there spitballing ideas with your clients, then these are your people.

If you want to woo a prospect and you believe they're cut out of the close cloth, remember how important collaboration and seeing you in-person matters to them. You'll also want to offer up some success stories that demonstrate both your specialization and your deep relationships with the clients you serve.



Specialization and Thought Leadership

Regardless of segment, agency clients are seeking agencies with demonstrated expertise and specialization.

Specialist agencies and thought leaders are worth more, and clients are willing to pay.

Agencies can no longer compete effectively as generalists. They need to establish their niche, identify their point of view with respect to the problems they solve (and for which clients), and more prominently and publicly share their expertise.





Respondents were secured through a Dynata panel and completed a 15-minute online survey. 1,247 respondents completed the survey, yielding an overall margin of error of +/- 2.7 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 Content Marketing World and INBOUND 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

The Agency Edge 2020: Achieving Agency Success Beyond 2020



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.

www.agencymanagementinstitute.com



About Audience Audit, Inc.

Audience Audit was founded in 2009 to give small and mid-sized agencies access to world-class custom quantitative audience insights for their own thought leadership efforts and for their clients. Our focus on attitudinal segmentation gives marketers access not only to the demographic and behavioral characteristics of their target audiences, but also to the attitudes, experiences, and assumptions that affect their decision-making.

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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