

# The Agency Edge

RESEARCH SERIES

## 2023

### Building Trust and Revenue with Existing Clients

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How to Keep Them Spending with Your Agency

PRESENTED BY





In our 10th year conducting our annual Agency Edge study, we focused our attention on agency clients again. When we last checked in with this audience in 2021, we unlocked insights into what role agencies played in clients' worlds as they tried to keep their heads above water during the COVID-19 pandemic, economic fluctuations, and supply chain and logistics challenges.

Did they look to agencies for stability and success during uncertain times? Was working with an agency the last thing on their minds as they fought against staffing shortages? Or were they looking for agencies with specialized expertise and in-person touchpoints? This year, we decided to explore agency clients' attitudes, perspectives, beliefs, challenges, and desires for agency relationships in the post-COVID world — to answer the following questions:

***When and why do agency clients spend more money with their current agency?***

***How do clients describe their "best agency"?***

***What do clients want their relationships with agencies to look like in 2023?***

***How can agencies improve their approach to serve their clients better?***

So, in January of 2023, we surveyed 512 marketing decision makers that work at organizations with annual revenues under \$500 million, annual marketing budgets under \$20 million, and that work with one or more agencies. Our research yielded a margin of error of +/- 4.2 percentage points at a 95% confidence interval, which is a very high level of confidence.



## Three Marketing Decision Maker Segments

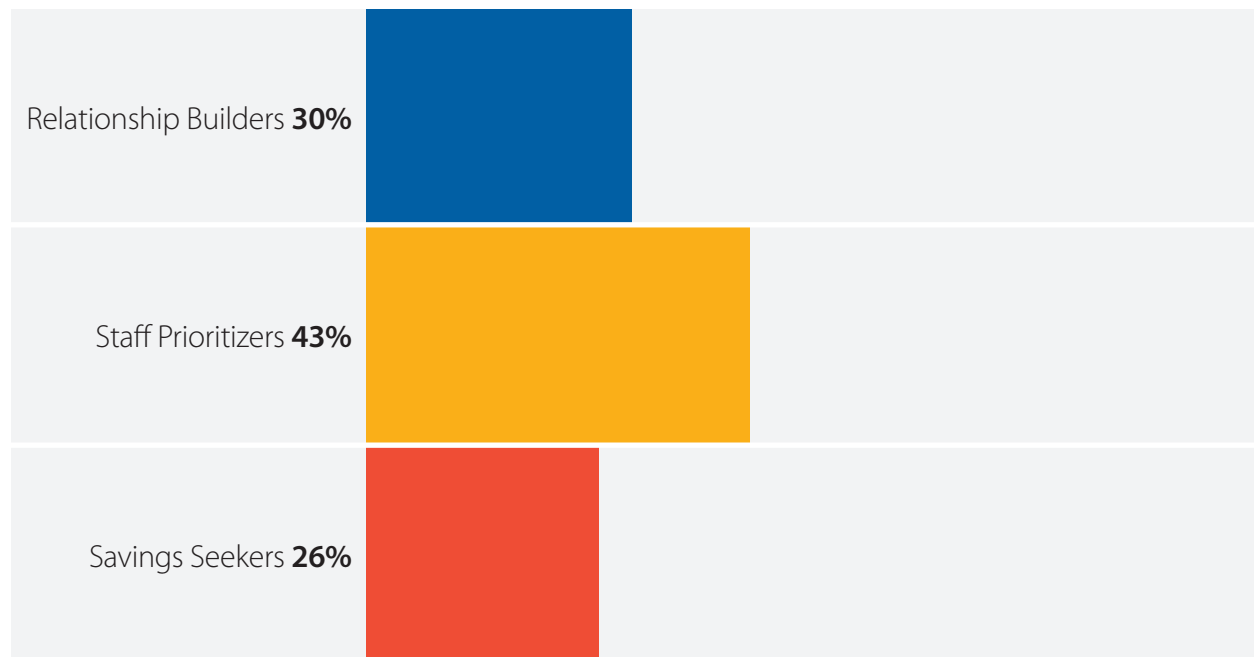
We have good news for agencies across the U.S.! Despite the attitudinal differences between the three segments outlined below, 81% overall strongly agree with the statement, *“My organization wants to work with agencies we can build a strong relationship with over time.”*

Additionally, most respondents strongly agree their organization is interested in any new services their agencies can offer them, and just under half strongly agree their agency budget should be flexible to accommodate new opportunities. **Relationship Builders** are the most likely of the segments to be interested in new services and flexible with budget increases (more on them below).

So even if the last few years have been challenging for agencies, many organizations want to cultivate lasting relationships with you and are willing to spend more on new services and opportunities.

However, respondents differ in their primary motivations for working with an agency, priorities, desires, and challenges.

As you read the descriptions below, think about who you work with. Can you recognize **Relationship Builders**, **Staff Prioritizers**, and **Savings Seekers** in your client portfolio?





## Relationship Builders (30%)

**Relationship Builders** want strategic partnerships with their agencies and value their expertise. They are interested in new services their agencies offer.

They say prioritizing consistent relationships with agencies is the best way to achieve marketing goals.

Maintaining strategic partnerships is a top priority for their organization. Their organization wants to work with agencies they can build a strong relationship with over time and that helps them improve their marketing expertise. They say collaboration between their in-house marketing employees and agencies leads to better outcomes. Their organization trusts the guidance and recommendations their agencies provide them. And they say agencies with high-level communication skills are easier to work with.

Working with agencies saves their organization money and has helped their organization reach new levels of success.

These marketing decision-makers believe the budget for their agencies should be flexible to allow them to take advantage of additional opportunities. Their organization has the flexibility to adjust their agency spending.

*“[Our agency] communicates with team members in each member’s preferred method. For example, I prefer to communicate by email, but other team members prefer a phone call or text — they individualize communication.”*

*“[Our agency] is reliable, dependable, and always has it done by the deadline.”*



## Staff Prioritizers (43%)

**Staff Prioritizers** feel their employees have more expertise than most agencies. They want their agencies to integrate better into their organizations.

Their organization needs agencies that can work as quickly as possible. They say true experts in their space are hard to find among agencies.

It's challenging to find an agency that truly understands their organization's wants, needs, and goals.

They wish their agencies would spend more time getting to know their organization's employees personally.

Their organization likes to switch from agency to agency, so they always have a fresh approach.

These marketing decision-makers say coordination between their in-house marketing employees and agencies complicates everything.

*"Our agencies look for insight and direction from our internal team who work together with them successfully."*

*"Marketing agencies need to seriously step up their game in 2023 when the entire business sector is highly competitive now more than ever with everyone trying to stand out online utilizing their marketing as best they can. It's very tough for one small business to stand out today amidst endless competition."*



## Savings Seekers (26%)

**Savings Seekers** want their agencies to help them save money and say they're always looking for ways to reduce their marketing spend. Compared to other segments, the percentage of **Savings Seekers** decreases as the organization's annual revenue increases.

Their organization will only work with agencies if their pricing is competitive, and they only want to hear how an agency can save them money, not spend more. These respondents say economic conditions have made it hard to justify the cost of working with an agency. Their organization could handle their marketing needs in-house if necessary.

*"[We need] a good price. Everything has had a price increase, from gas to goods. I'm trying to save where I can without losing customers."*

*"The best agency is the one that brings in more clients."*

## What Marketing Decision Makers Agree On

Our research shows that respondents from all segments want proof agencies can deliver. Most respondents agree their organizations will only sign on for more work with their agencies if they have proven they can deliver results and wish agencies would show evidence of their strategies and tactics work. Most also agree they want agencies to let them take the lead with their marketing strategy and initiatives, showing a preference for agencies to be the copilot in their partnerships.



### Drew's Take

In the last nine years of studies, we've found redeeming qualities in each of the segments. It wasn't so much one was better than the other, but it was more about understanding each one so you could identify and serve them better. This year is a little different. Given the lens we're looking through (how/when and where will clients increase budgets with their existing agencies, the Savings Seekers make it clear that pursuing that goal with them is going to be an uphill battle, to say the least. It's pretty clear that the juice is simply not worth the squeeze.

The other two segments (Relationship Builders and Staff Prioritizers) are both very game to spend more with their current agency – it's more about what they each value enough to make the additional investment.

As always – if you take a good look at your existing clients, you'll probably see all three segments among them. This research will give you some very tangible (and unique) ways to approach each as you look to grow your book of business.

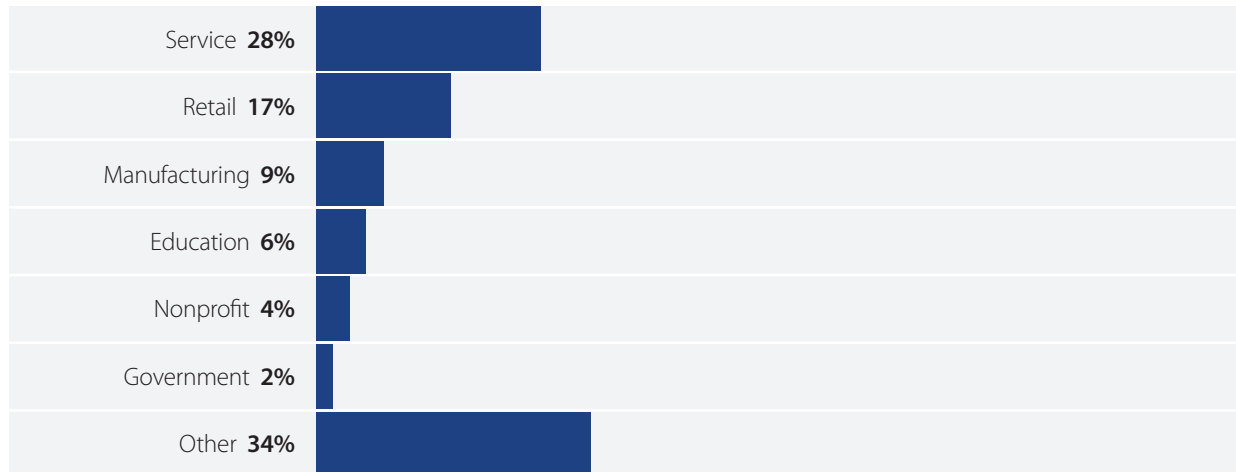


## Demographics and Organization Characteristics

Marketing decision-makers of all ages and genders participated in our research, and we see no demographic differences between segments.

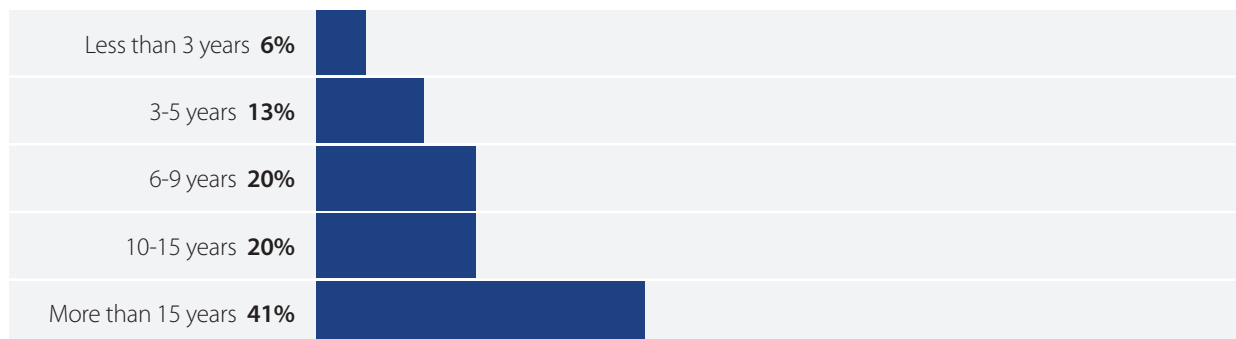
Respondents work in different industries, including service, retail, manufacturing, and education.

### Industry



Most (79%) respondents' organizations serve consumers, and one-half serve businesses. Many (41%) say their organizations have been in business for more than 15 years.

### Years in business

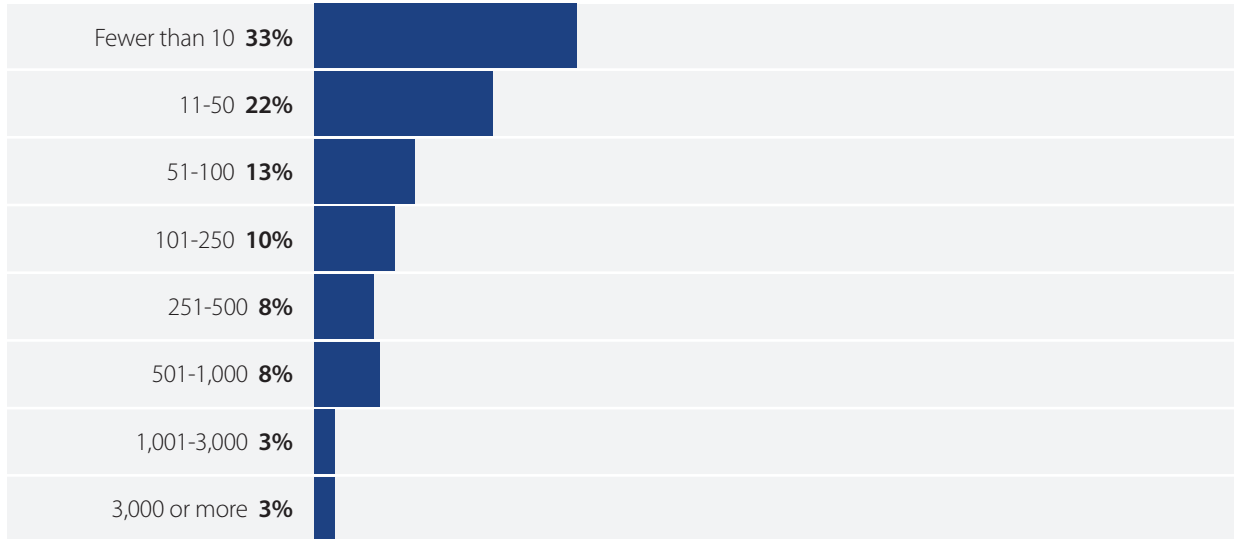




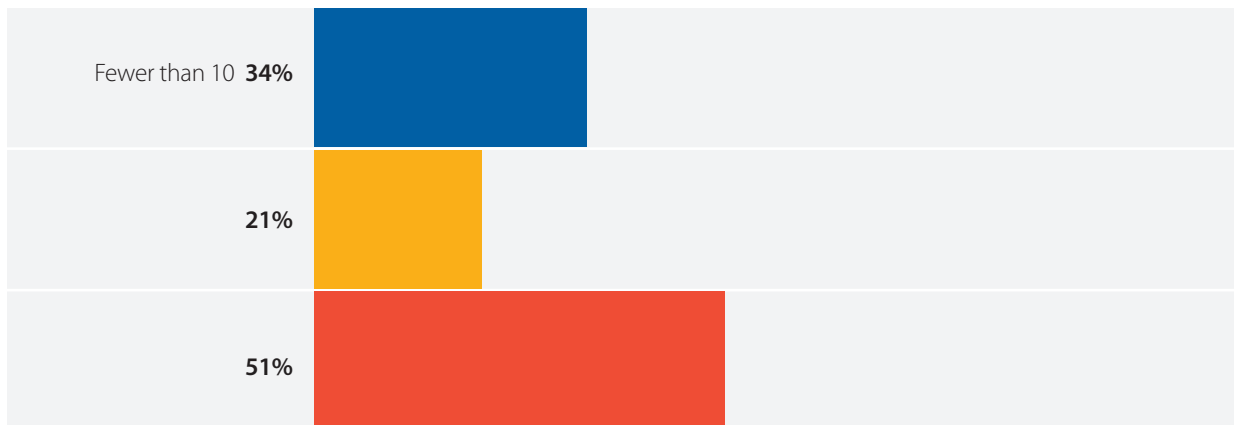


Organizations of all sizes participated in our research, but **Savings Seekers** are **statistically more likely** to work in organizations with fewer than ten employees.

### Number of Employees



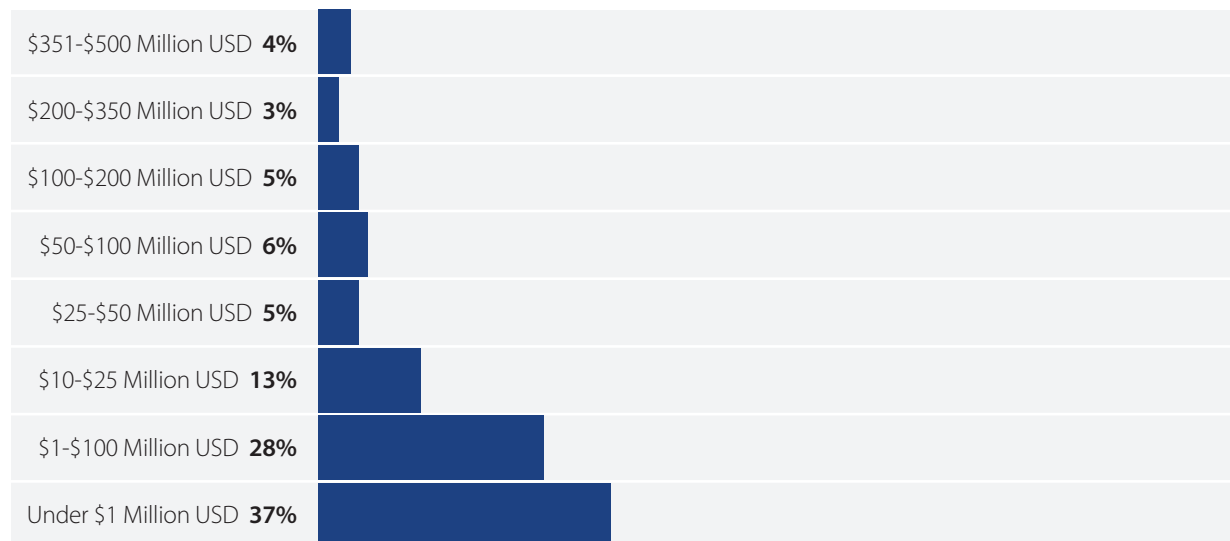
### Number of Employees



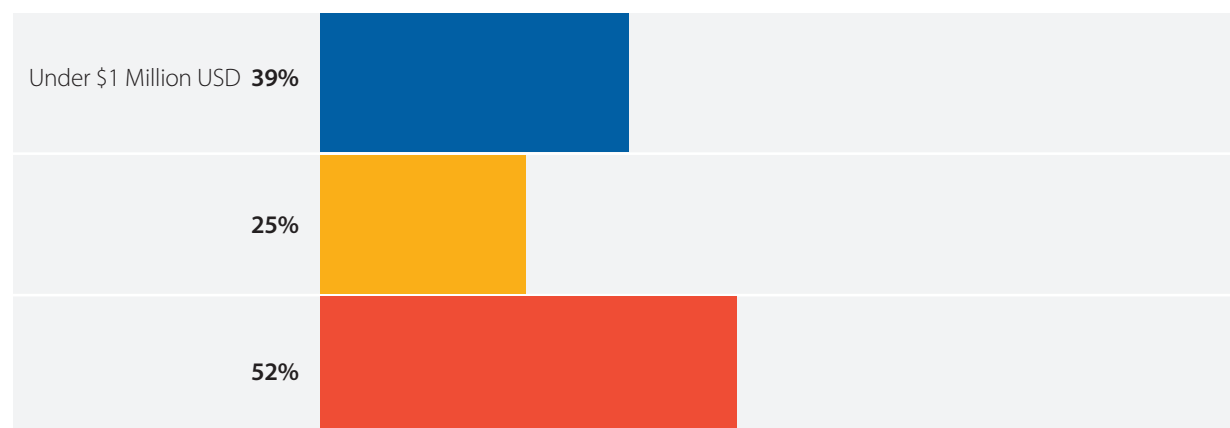


All segments appear in all revenue brackets, but **Savings Seekers** are **statistically more likely** than **Staff Prioritizers** to say their organizations have an annual revenue of \$1 million or less.

### Revenue



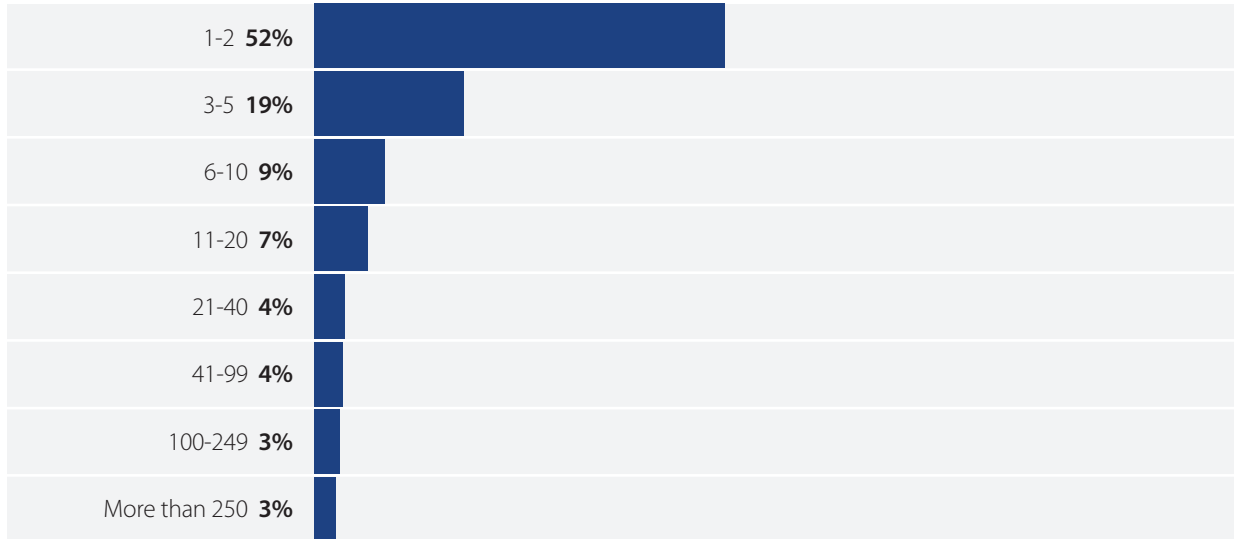
### Revenue





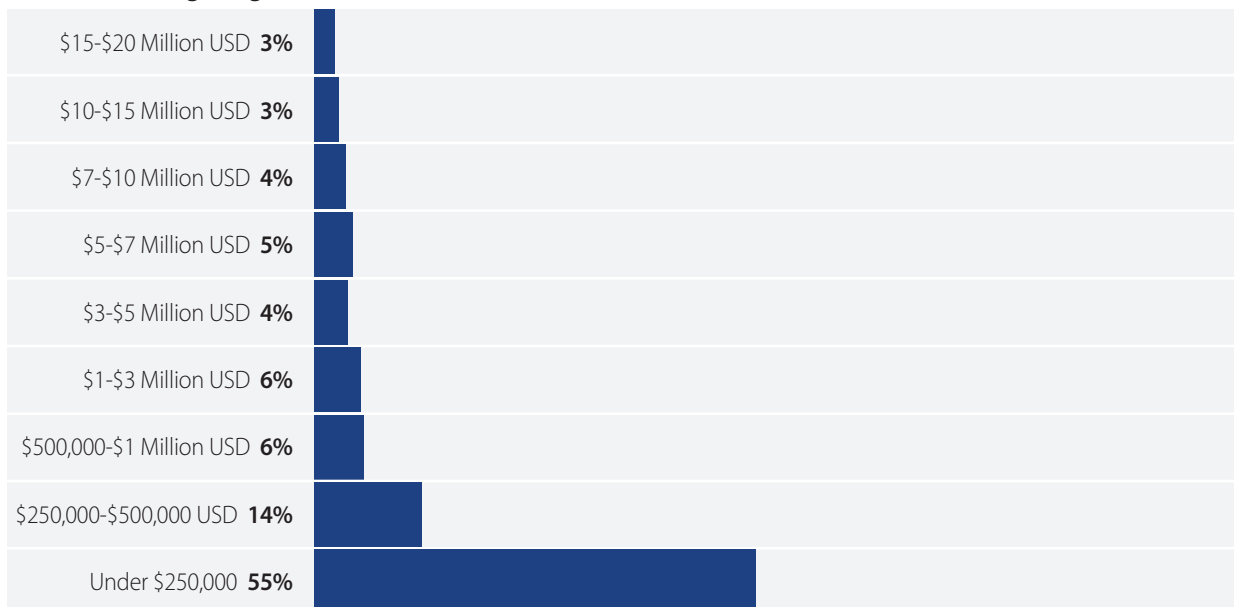
Two in three have in-house marketing departments, and half of those have one or two full-time employees. **Staff Prioritizers** are **significantly more likely** to have larger in-house marketing teams.

### Number of full-time employees



Annual marketing budgets range from under \$250K to \$15-\$20M, with over half reporting marketing budgets under \$250K.

### Annual marketing budget





**Relationship Builders** and **Savings Seekers** are **statistically more likely** to have annual marketing budgets under \$250K.

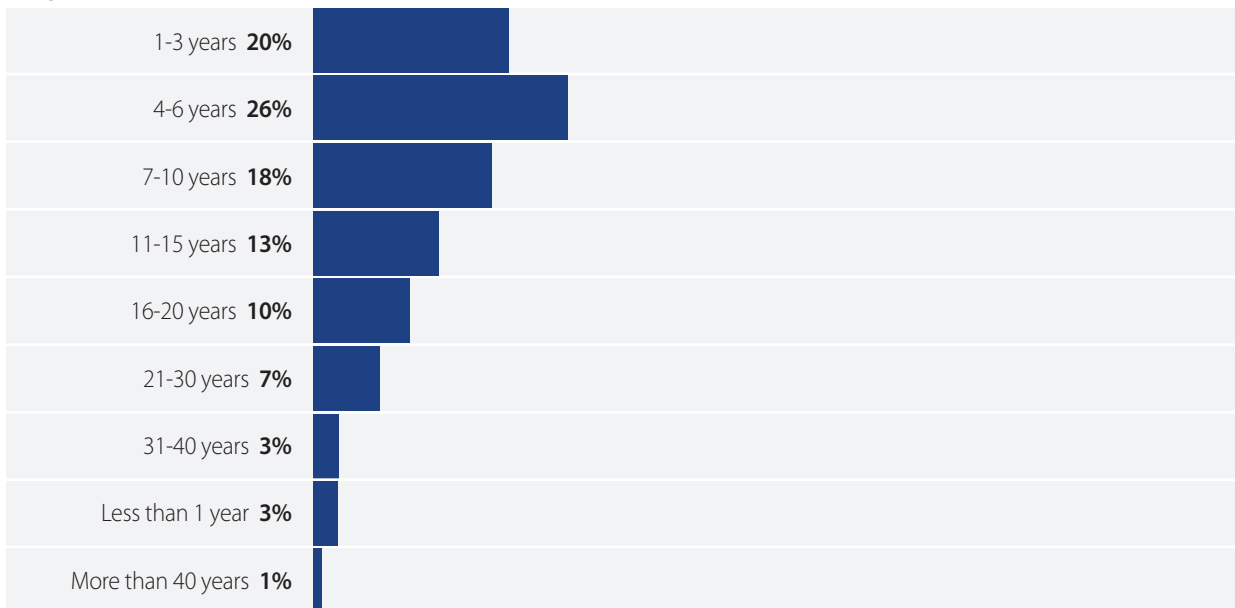
**Annual Marketing Budget**



Respondents represent a range of leadership roles at their organizations. **Staff Prioritizers** are **statistically less likely** to be Founders, partners, or owners.

And about half of the respondents have been in their role for six years or fewer.

**Length in current role**





Most of our respondents (81%) are involved in marketing activities, resources, and spending decisions. The remaining 19% are in charge of marketing spend and budget decisions.

**Marketing DM role**

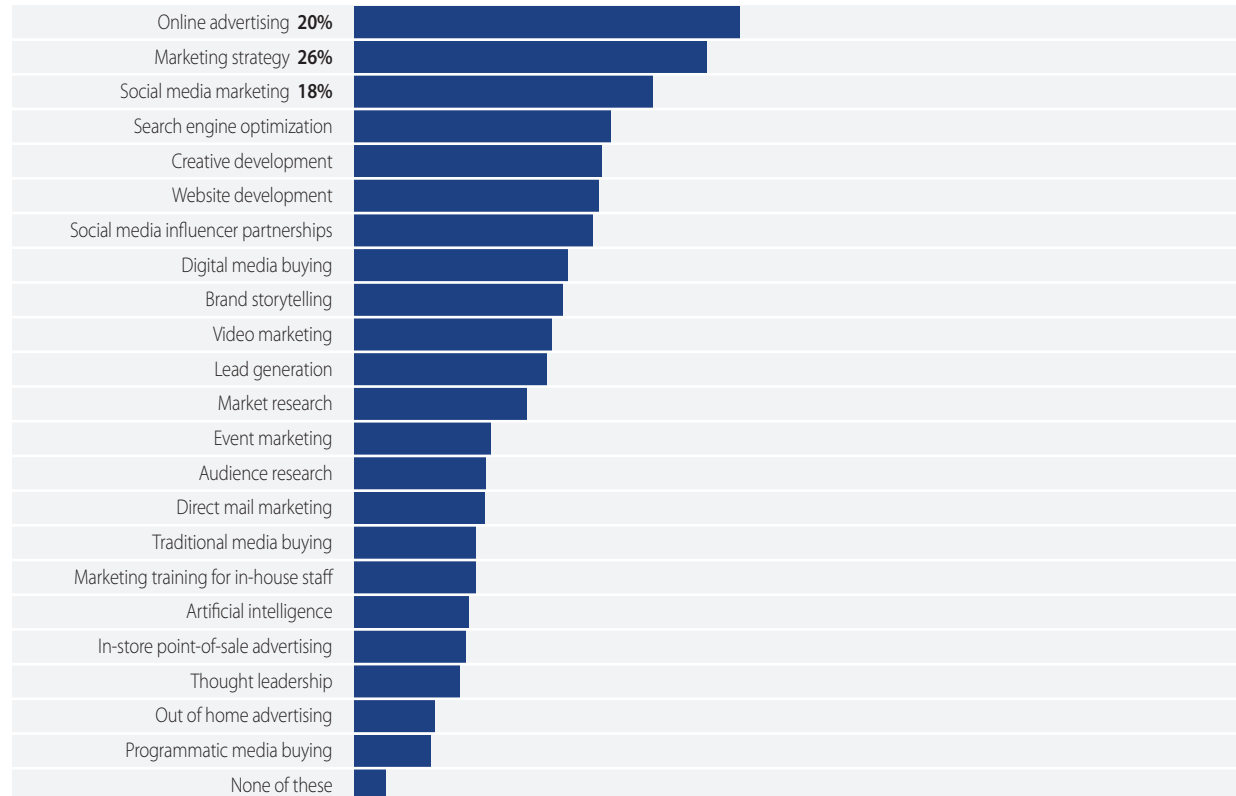




About one in five respondents have worked in an agency before, so most of the decision makers that agencies interact with have no prior agency experience, only understanding the organization's perspective. **Staff Prioritizers** are statistically more likely than **Relationship Builders** to have this experience.

Many respondents say they want to pursue online advertising (43%), marketing strategy (39%), and social media marketing (33%) in the next two years. However, **Relationship Builders** are more likely to want to pursue a range of marketing initiatives in the next two years, and **Staff Prioritizers** are often less likely.

### Activities pursued in the next two years



## Drew's Take

As usual – the data in this study suggests that it's dangerous to use demographics to try to categorize prospects and clients. We see all three segments scattered throughout. It is worth noting that the percentage of Staff Prioritizers increases significantly as the budgets increase.

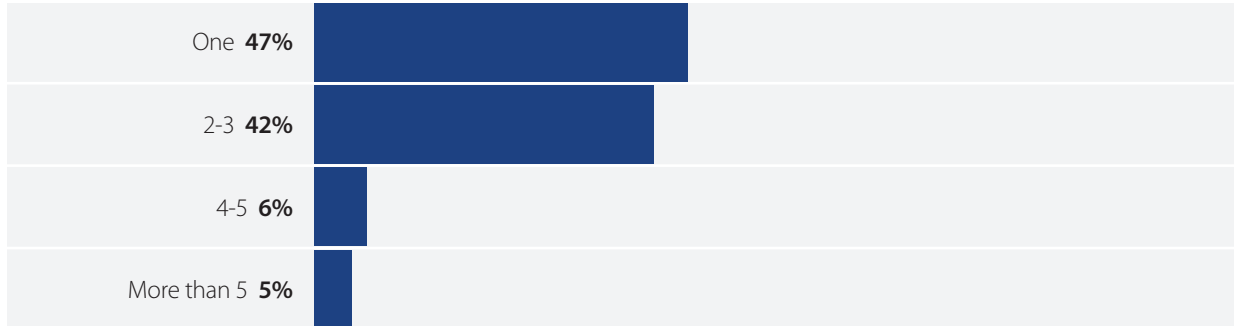
This study should help you create a list of questions to ask and behaviors/choices to watch for that will be a much better indicator of which segment your client or prospect falls into, what matters to them and where to put your emphasis.



## Agency Relationship Basics

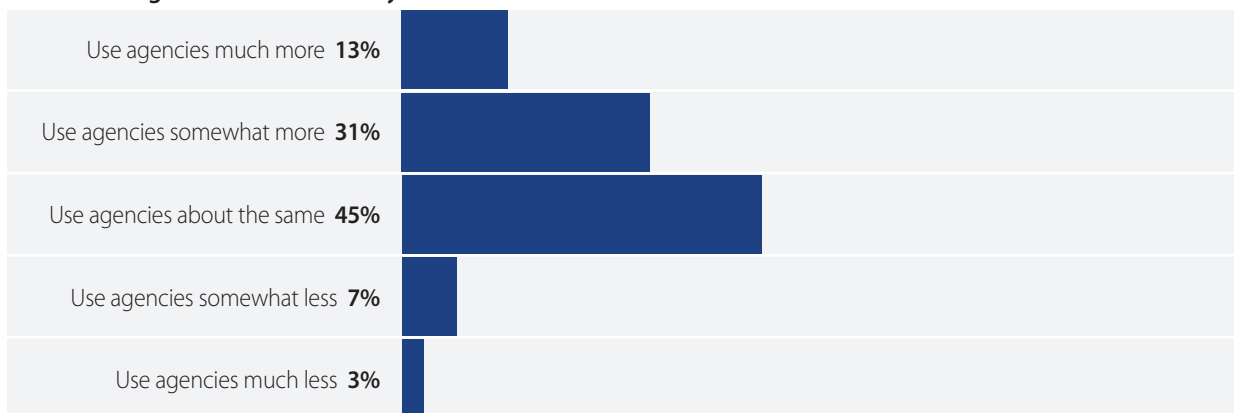
Over half (53%) of respondents say their organizations work with more than one agency.

### Number of agencies



And many (43%) think their organizations will rely on marketing or advertising agencies more in the next two years.

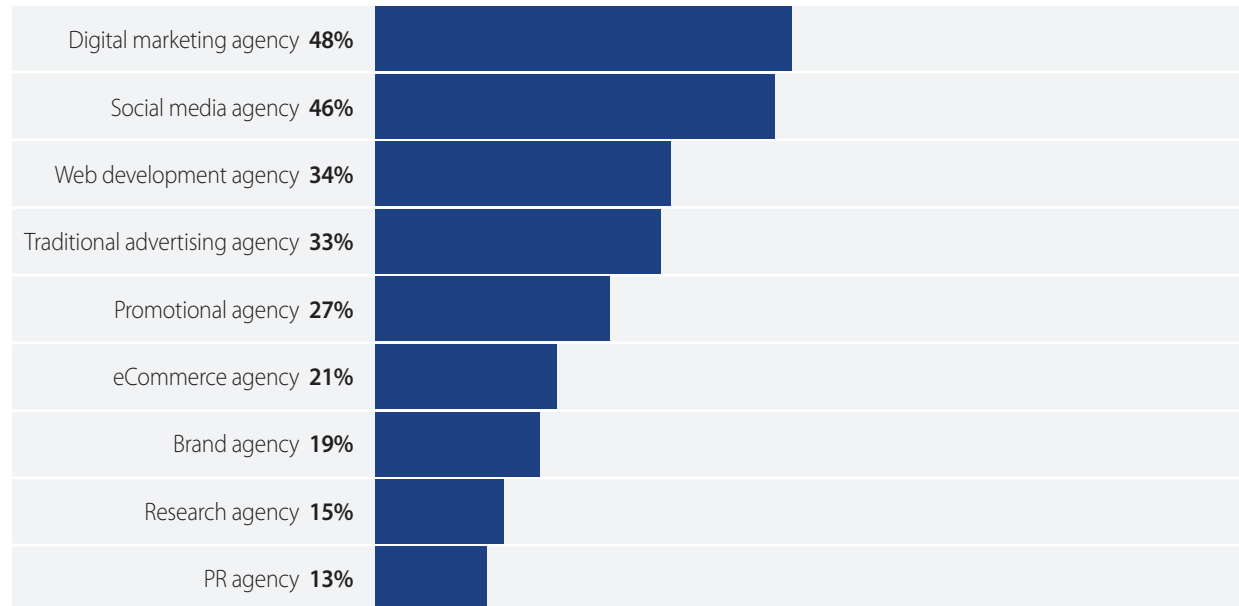
### Reliance on agencies over next two years





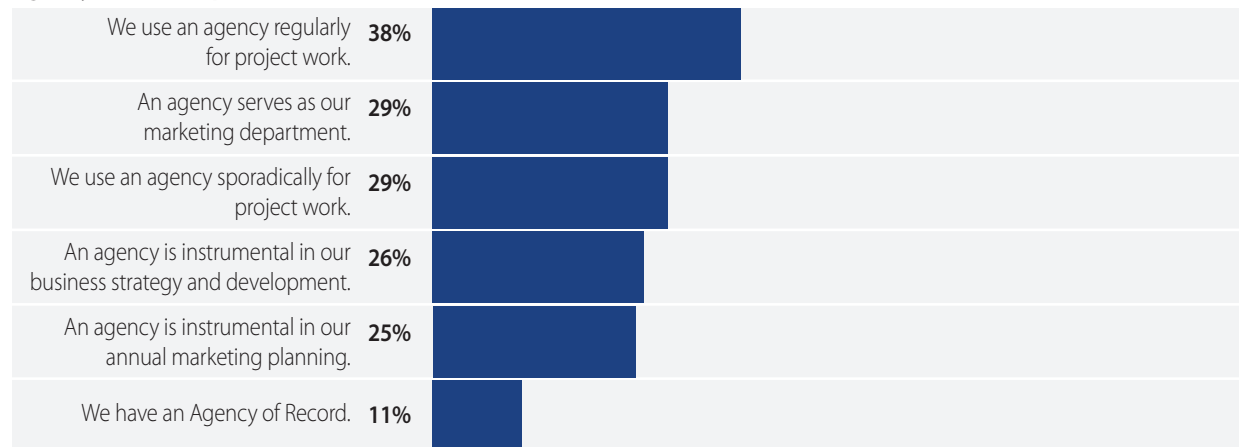
Respondents say their organizations work with a range of different types of agencies, with **Relationship Builders** more likely to work with digital marketing, web development, and traditional advertising agencies.

### Types of agencies



One in three respondents uses agencies for regular client work. And under one in three say an agency serves as their marketing department.

### Agency relationship

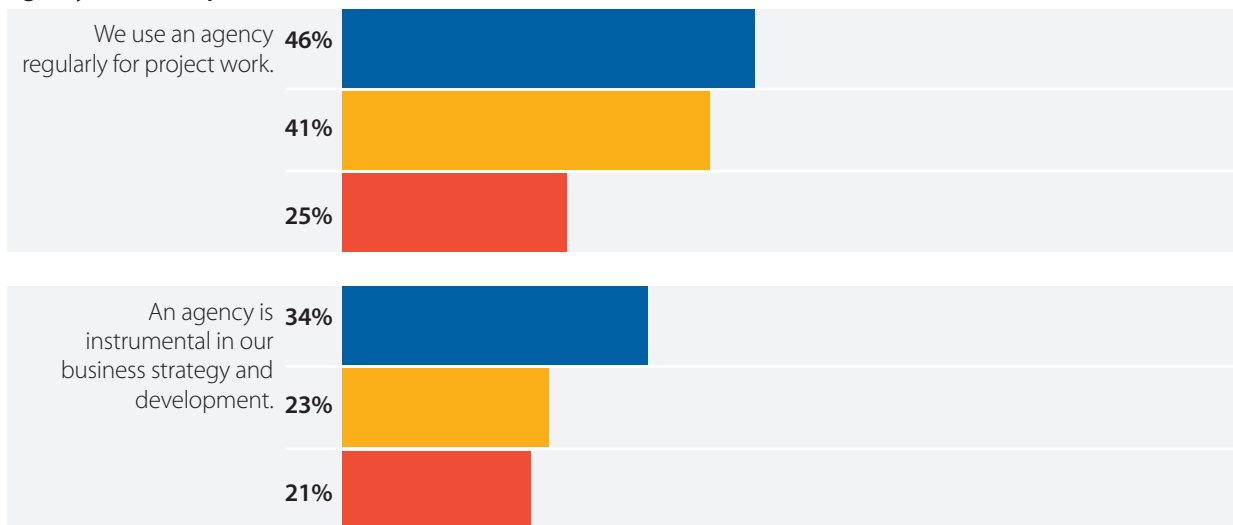






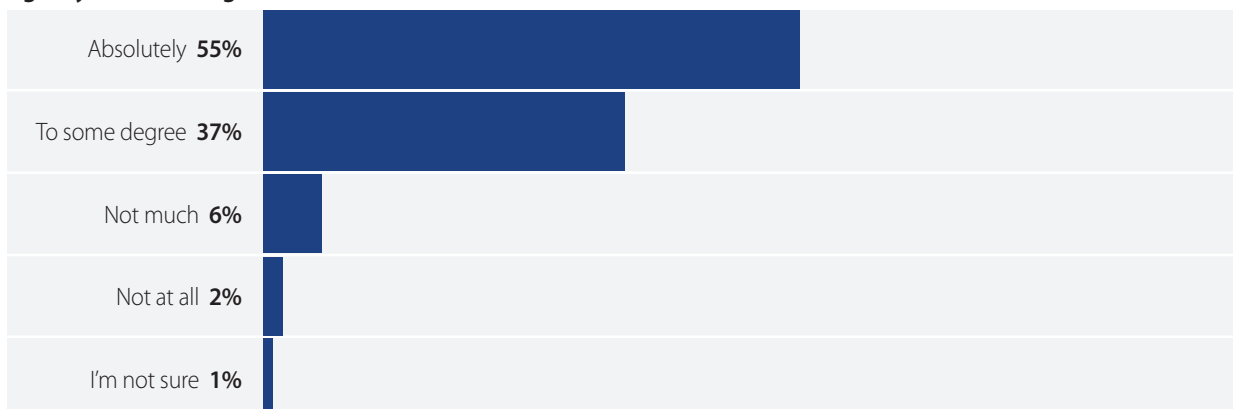
**Savings Seekers** are **statistically less likely** to use an agency for project work (remember, they trust their in-house expertise), and **Relationship Builders** are more likely to use an agency for business strategy and development.

### Agency relationship



Over half (55%) say their agency/agencies absolutely care about their organization's goals. Very few feel a lack of caring in this area.

### Agency cares about goals

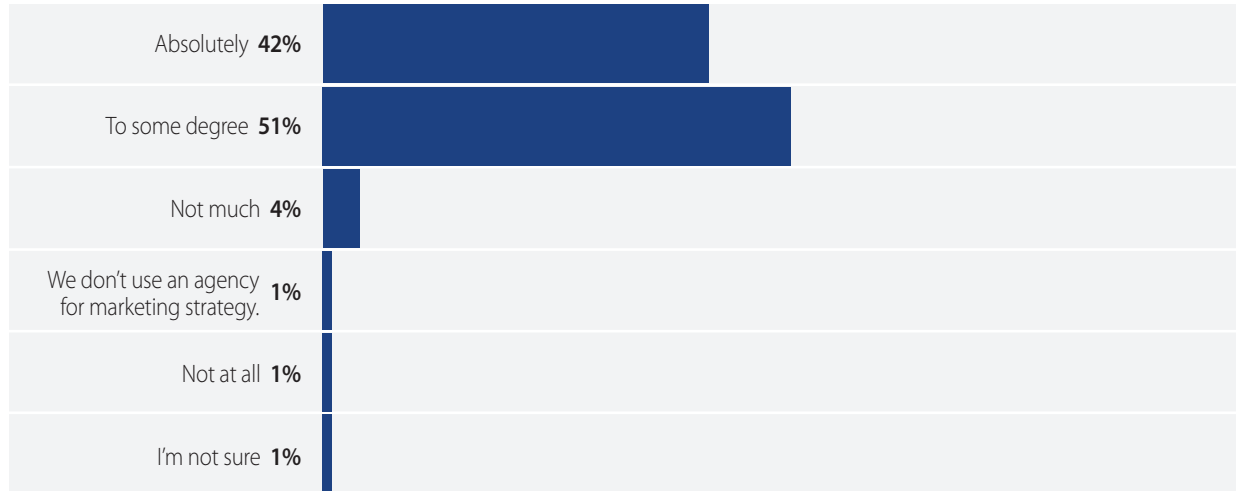




**Relationship Builders** are statistically and significantly more likely to feel this investment from their agency/agencies.

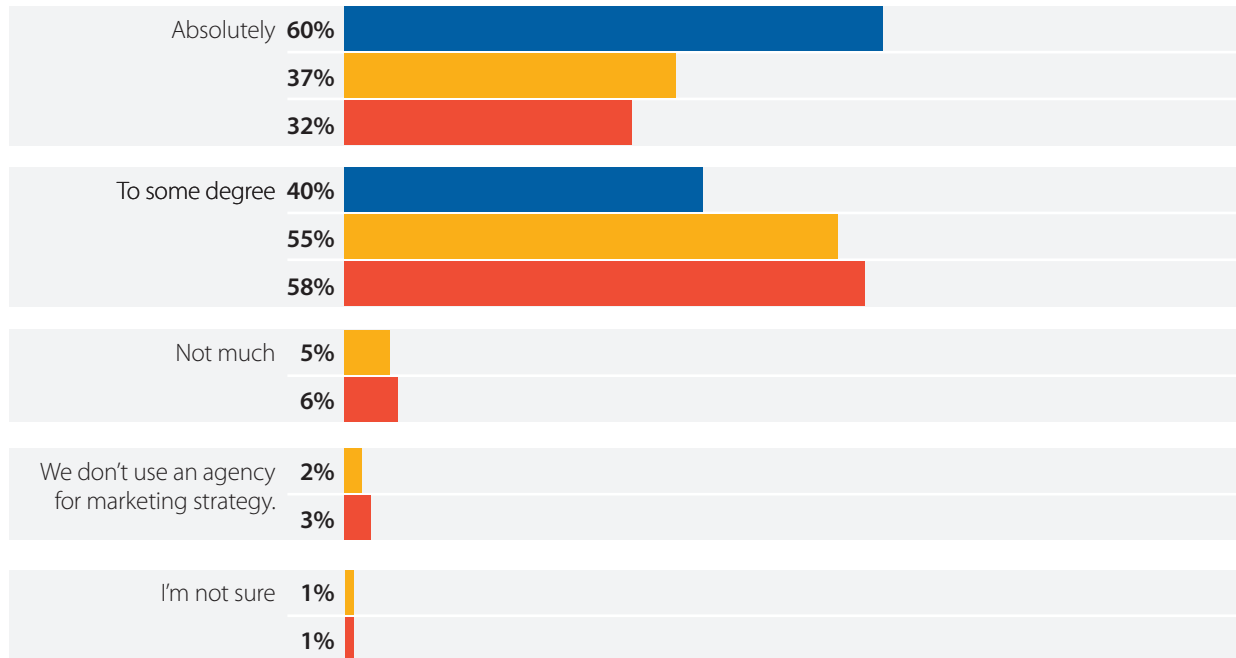
Many (42%) say they absolutely trust their agency's/agencies' strategic recommendations; 51% say they do to some degree. And if your clients only trust your agency to some degree, there's still work to be done.

**Trust agency recommendations**



**Relationship Builders** are significantly and statistically more likely to trust their agency's/agencies' strategic recommendations.

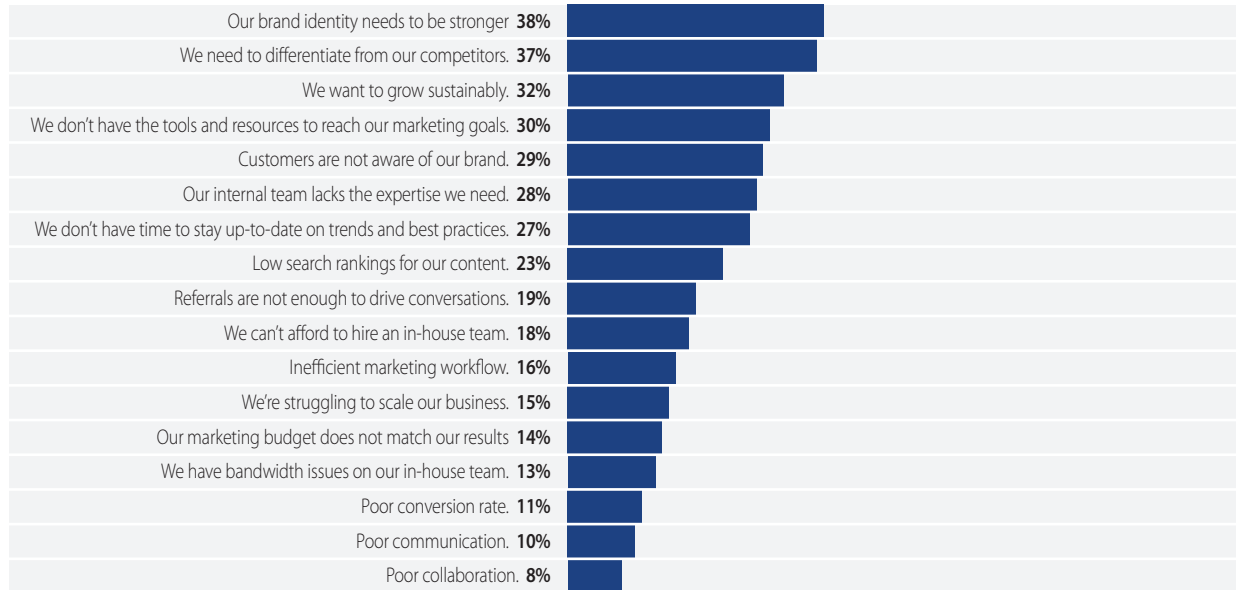
**Trust agency recommendations**





Respondents are most likely to say agencies solve the following problems for their organizations: strengthening their brand identity (38%), differentiating from competitors (37%), and growing sustainably (32%). **Relationship Builders** are more likely to cite strengthening their brand identity, differentiating from competitors, and their internal team lacking the expertise it needs.

**Agency solved problems**



One in five have ended a relationship with an agency in the last two years. Those who ended a relationship, about half say they ended that relationship because the work was not up to their standards, emphasizing the importance of understanding your client's expectations.

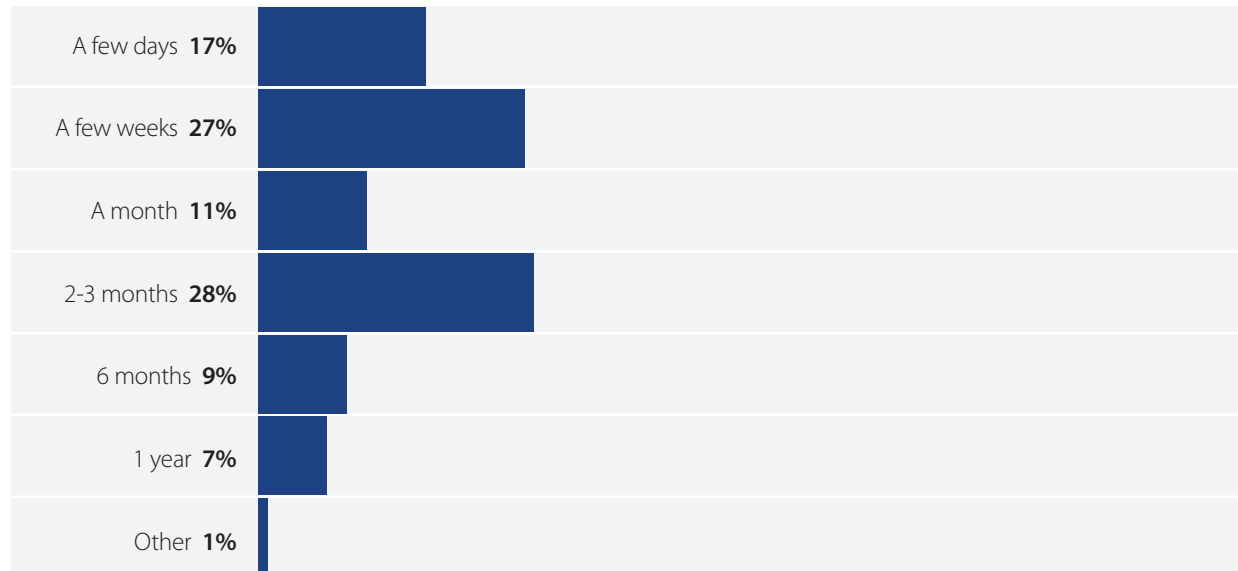
**Why end relationship**





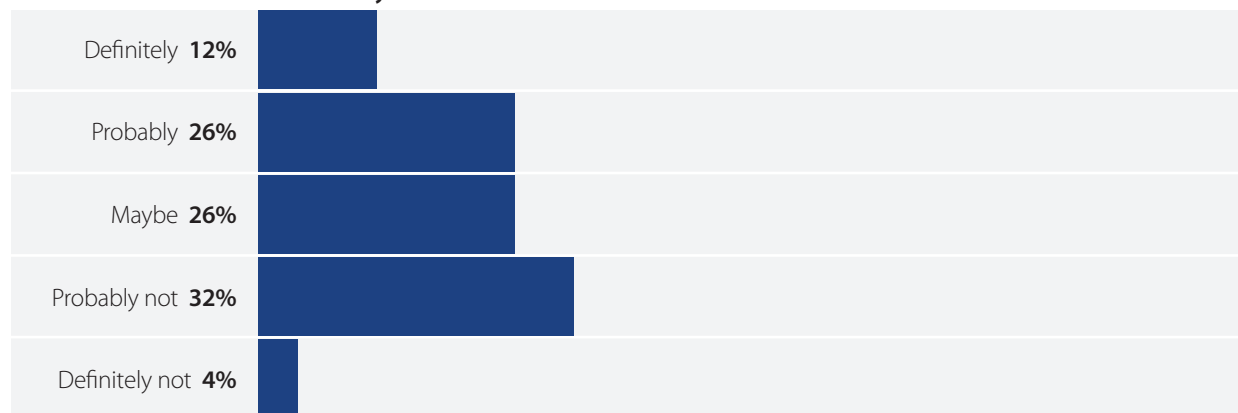
Many say they ended that relationship within a few weeks of starting to consider ending it, which means agencies have a short window to turn relationships at risk around.

### Length to consider ending relationship



Only 12% of respondents definitely believe relying solely on an in-house marketing department would provide their organization with a better ROI on marketing activities than working with an agency.

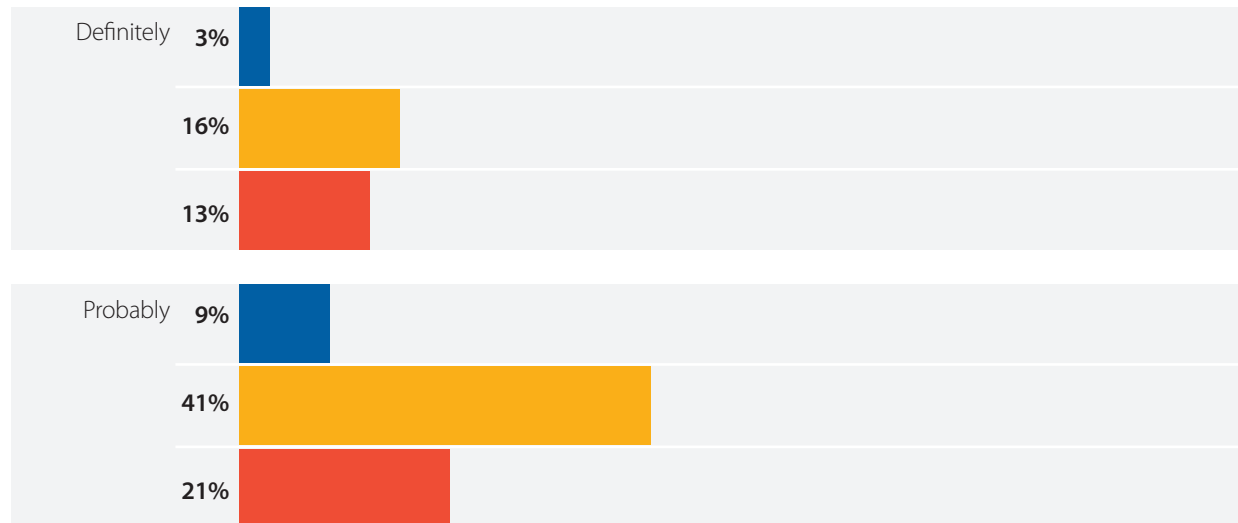
### Better ROI with in-house-team only





Unsurprisingly, **Staff Prioritizers** are statistically more likely to believe this.

**Better ROI with in-house team only**



## Drew's Take

This section of the research is a little like trying to unravel the complexities of a romantic relationship. On the one hand, they believe agencies genuinely care about their business and their goals. On the other, they'll break up with an agency within a few weeks of the idea crossing their mind.

If you're not doing regular client satisfaction surveys or having in-depth conversations with your clients about their perceptions – you're missing the boat. How they see and experience their agencies is very fluid and more dynamic than we might believe. It's easy to see how a misunderstanding or a bumpy week could be very costly to an agency that doesn't uncover and resolve the issue quickly.

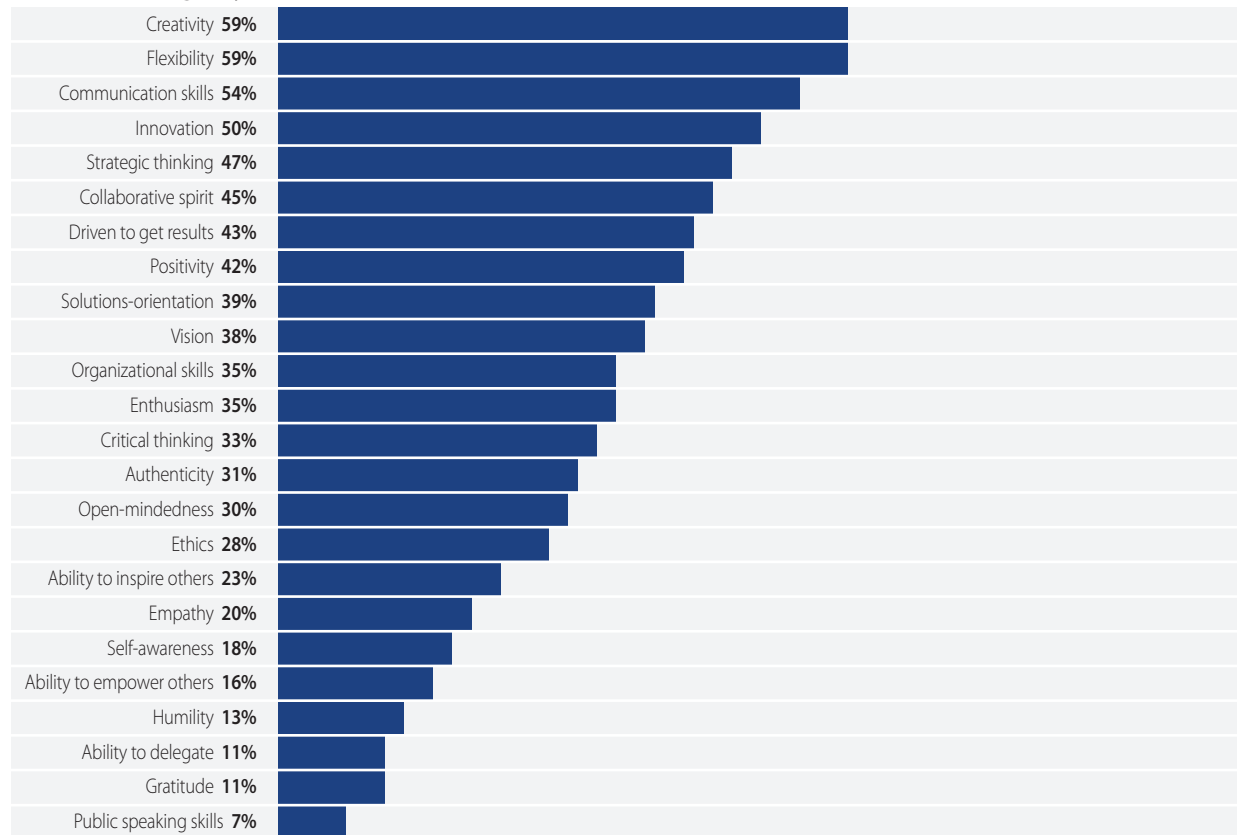
Use the answers to these questions to build your onboarding day with your new clients. Talk openly about their past relationships. Ask what transparent and honest means to them and how you can better demonstrate it. Don't be shy about digging into these hard to define/describe needs until you truly comprehend what is going to exceed that client's expectations.



## Ideal Agency Qualities & Characteristics

Respondents say it's essential for their agency/agencies to be creative (59%), flexible (59%), and have communication skills (54%). However, it's less critical for their agency/agencies to express humility or gratitude.

### Qualities in an agency

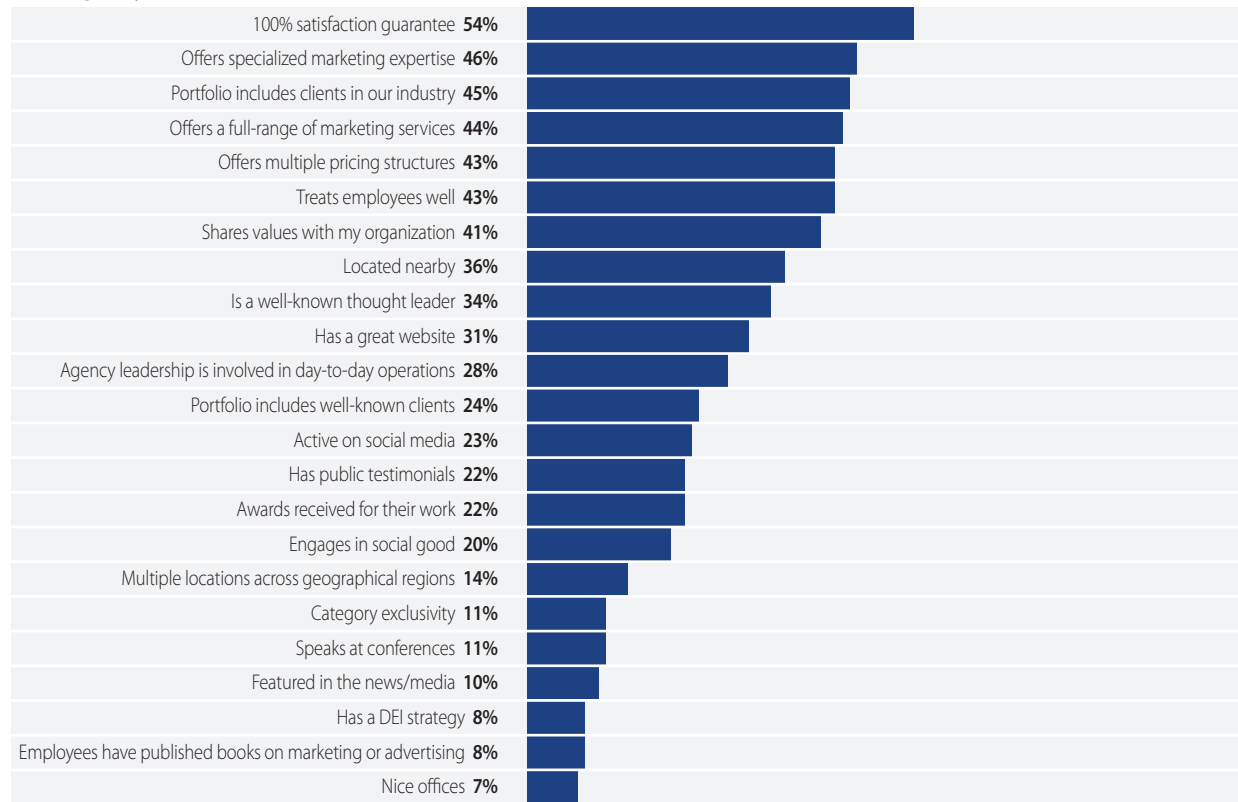




**Relationship Builders** are **more likely** to cite any agency qualities than the other two segments.

Most (54%) respondents want their agency/agencies to have a 100% satisfaction guarantee. Additionally, they say an ideal agency should offer specialized marketing expertise (46%), a portfolio serving clients in their industry (45%), and to offer a full range of marketing services (45%).

### Ideal agency characteristics

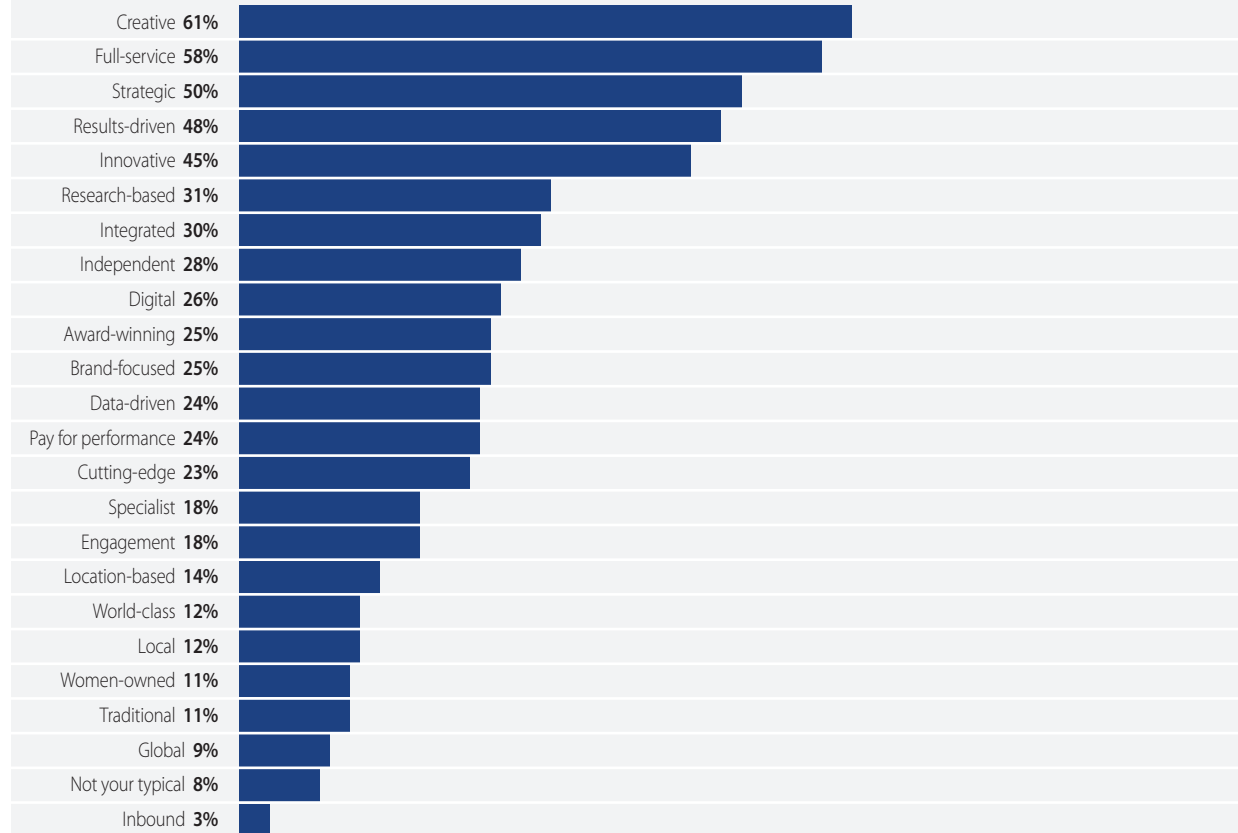




**Relationship Builders** are **statistically more likely** to cite specialized expertise and a full range of marketing services, plus multiple pricing structures and agency leadership involved in day-to-day operations. These respondents want a lot out of their agency relationships.

The agency descriptors that appeal most to respondents are creative, full-service, strategic, results-driven, and innovative. **Relationship Builders** are **statistically more likely** to cite any of these top five descriptors. Agencies can skip calling themselves traditional, global, inbound, and not your typical agency — few respondents resonate with these descriptors.

### Appeal of agency descriptors





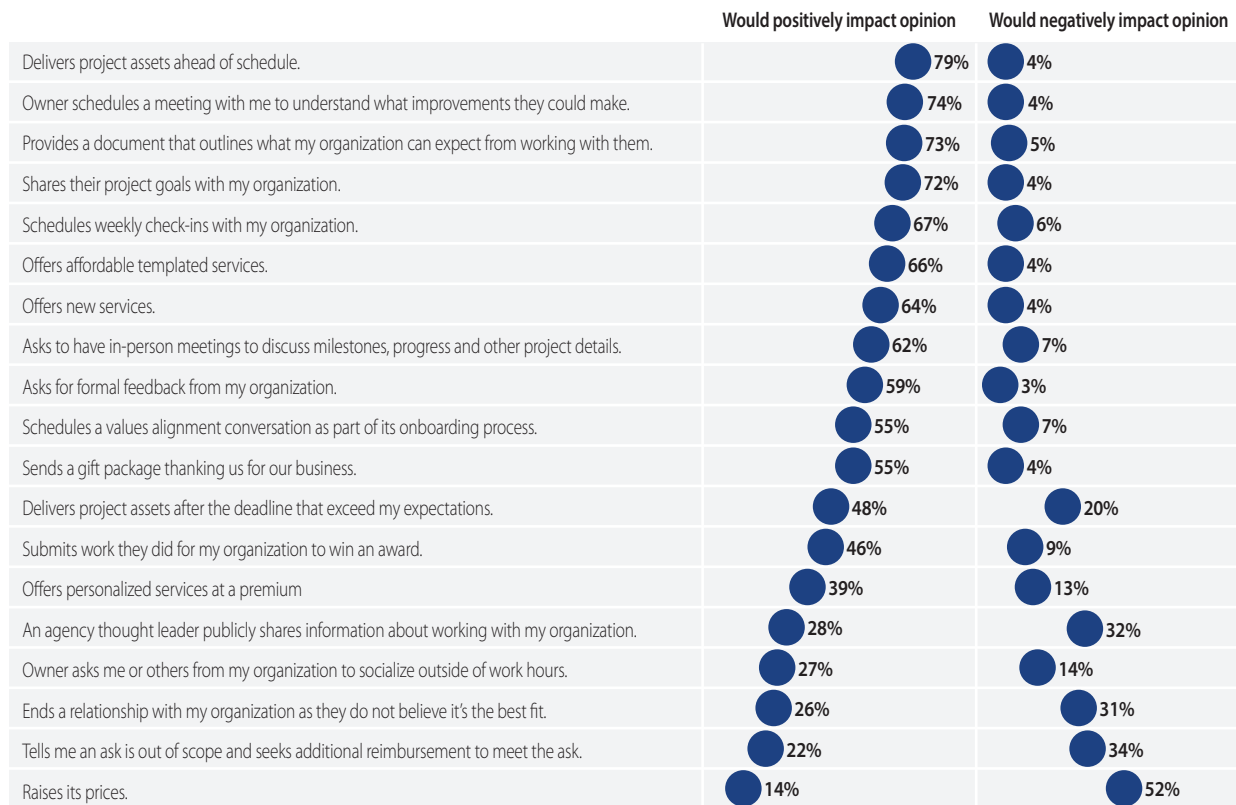


Understanding their organization’s goals and objectives, consistent quality, and regular communication are consistently rated very important for respondents’ agency/agencies to offer to their organizations to keep working with them.

**Relationship Builders** are more likely to say many of these factors are extremely important for their agency/agencies to offer, and many **Staff Prioritizers** say it’s extremely important to have personal relationships with agency leadership and employees, which is consistent with their overall attitudes.

About three in four respondents say delivering project assets ahead of schedule, the owner scheduling a meeting to understand what improvements they could make, a document that outlines what their organization can expect from working with an agency and sharing project goals with their organization would all positively impact their opinion of an agency.

One in two respondents say an agency raising their prices would negatively impact their opinion of them.

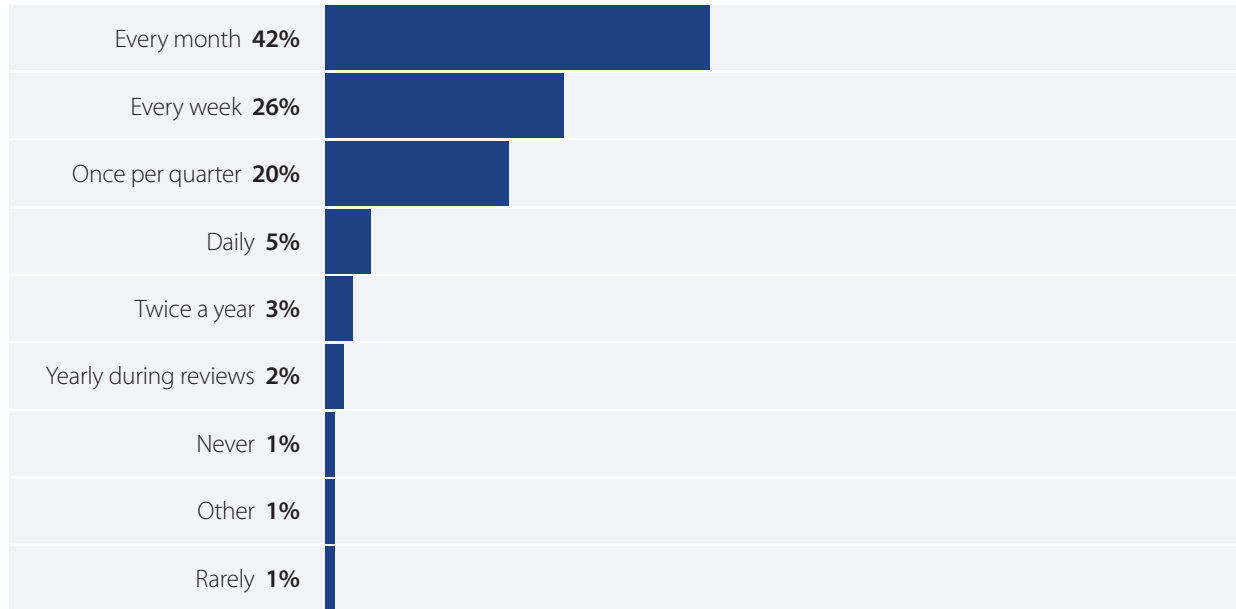




**Relationship Builders** are more likely to say many of the top listed factors would positively impact their opinion of an agency. Comparatively, these respondents are more likely to be receptive to influence from their agency partners.

Many (42%) respondents want in-depth monthly reports from their agency/agencies.

**Preferred frequency of in-depth reports from agency**



**Staff Prioritizers** are more likely to want in-depth reports daily or every week. These respondents need their agency/agencies to show results regularly since they say there's a lot of expertise on their in-house team already.



## Drew's Take

This section reminds us that how we communicate with clients can be a one size fits all solution. Yes, it's valuable to standardize in some ways, but we also have to customize to serve the person on the other end of the relationship. Account service people need to genuinely understand their clients, their work style, the expectations and demands they need to meet internally, and how they learn/retain information.

We also need to realize that different clients value different things. Ironically – the answer to hitting the mark on communication is to communicate. Ask. Experiment and then ask again.

Don't waste your time doing what your clients don't value.



## Agency Budget

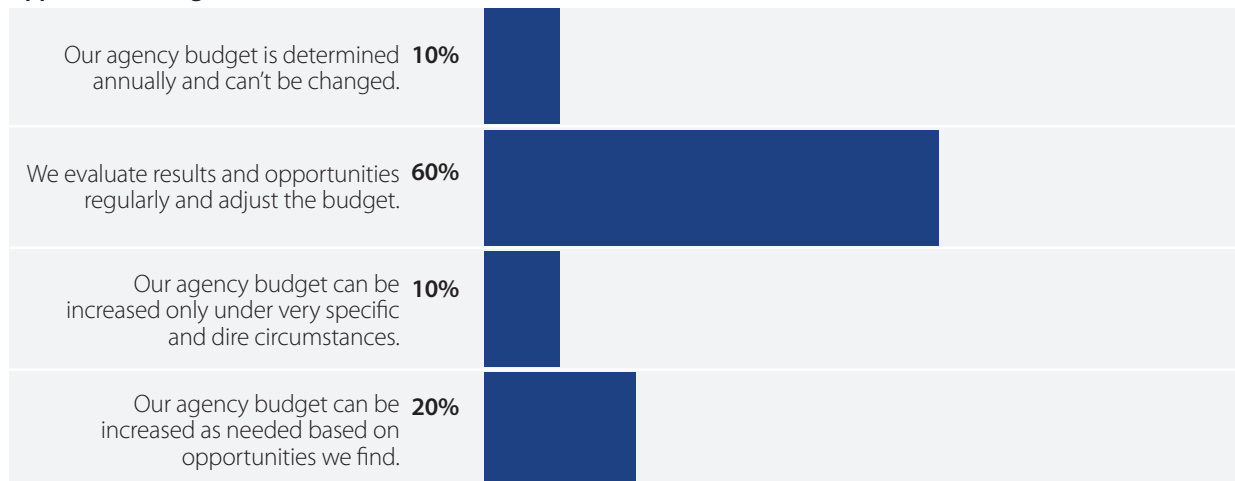
Two in three respondents say their organizations set a fixed dollar amount when establishing a budget for working with agencies.

### How establish agency budget



And just under two in three describe their organization's approach to its annual budget as evaluating results and opportunities regularly and adjusting the budget accordingly. Only 10% say their budget is determined annually and cannot be changed. So, for most agencies, there's plenty of flexibility in the budget to sell clients on additional services — as long as you can generate results and pitch enticing opportunities.

### Approach to budget





Moreover, 59% of respondents say their organization has increased an agency’s budget allocation mid-year. **Relationship Builders** are statistically more likely to say they’ve adjusted their agency budget, but most respondents have done so.

The top reasons that those who report mid-year budget allocation adjustments give are: they saw success on a particular marketing activity and elected to spend more on it (36%), they launched new products or services (33%), and they identified an opportunity they couldn’t pass up that required more funds (31%).

**Reasons for budget increase**





**Relationship Builders** are more likely to increase budgets to take advantage of new opportunities or capitalize on successes.

So, when agencies see an opportunity to approach a client with additional services, they should do so. Most organizations are open to expanding their budget if agencies can make a compelling case for it.



### Drew's Take

Why is it we're so reluctant to talk openly about money and budgets? And no wonder clients often think they can push back on our pricing. We come in so apologetically – we transit our own discomfort.

Agencies need to talk about money more often, more openly and much earlier in the process. One of the biggest takeaways from this year's research is that when a client tells us what their budget is... It is their budget for today. But when we present good ideas with a compelling argument for either experimentation or implementation, the budget number that was fixed a few days ago suddenly has some built in flexibility.

Nowhere in this study does it suggest you lead with budget increases. You lead with the idea or the insight. But then you need to quickly get to the money side of things because your clients expect you to do so. It's a reasonable value exchange. We have to stop being afraid of potentially offending our clients by asking for more money in exchange for more work. It's clearly there. And they want us to keep bringing them good ideas and new options.

Because they have the money to spend.

The other key takeaway here is that we have to collaboratively define success on the front end of any project or work. If we don't have a shared vision of what constitutes a good outcome, it's much more difficult to define that midway or at the end of the effort. Our clients need to merchandise the success internally and they need to manage expectations early on. We can and should be their partner in doing all of that.



## Purchasing Additional Agency Services

Over one in three (39%) say their organization purchased additional services from their agency/agencies in the last year. **Savings Seekers** are less likely than **Relationship Builders** to have purchased additional services, which makes sense since this segment is cost-conscious; agencies have to convince them a new service will make a difference for them to part with their money.

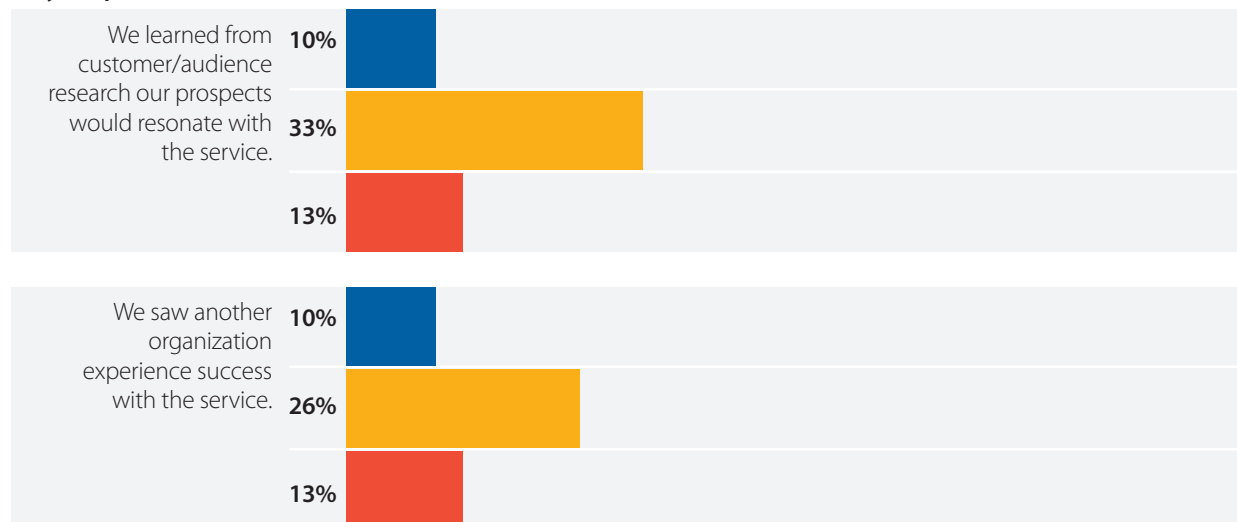
Of those that did purchase additional services, it was most likely because they were launching a new product/service and needed additional marketing resources to do it or because they wanted to try a fresh, new approach to their marketing.

### Why did purchase additional services



**Staff Prioritizers** are statistically more likely than **Relationship Builders** to have purchased additional services because they learned from customer/audience research that their prospects would resonate with the service, or they saw another organization experience success with the service.

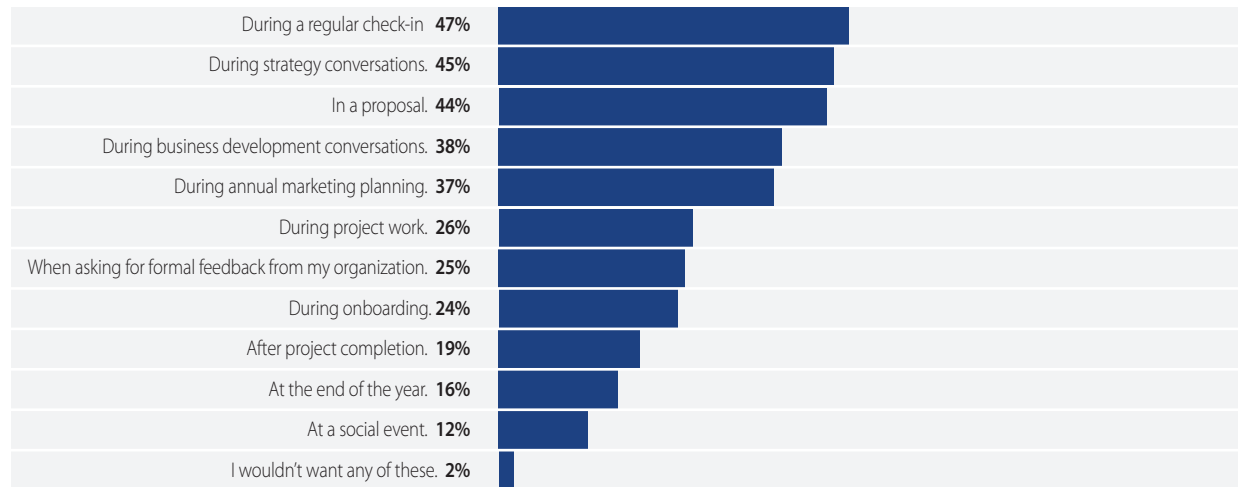
### Why did purchase additional services





Most respondents want their agency/agencies to approach them with new offerings/services during regular check-ins (47%), a strategy conversation (45%), or in a proposal (44%). Very few want agencies to proposition them during social events.

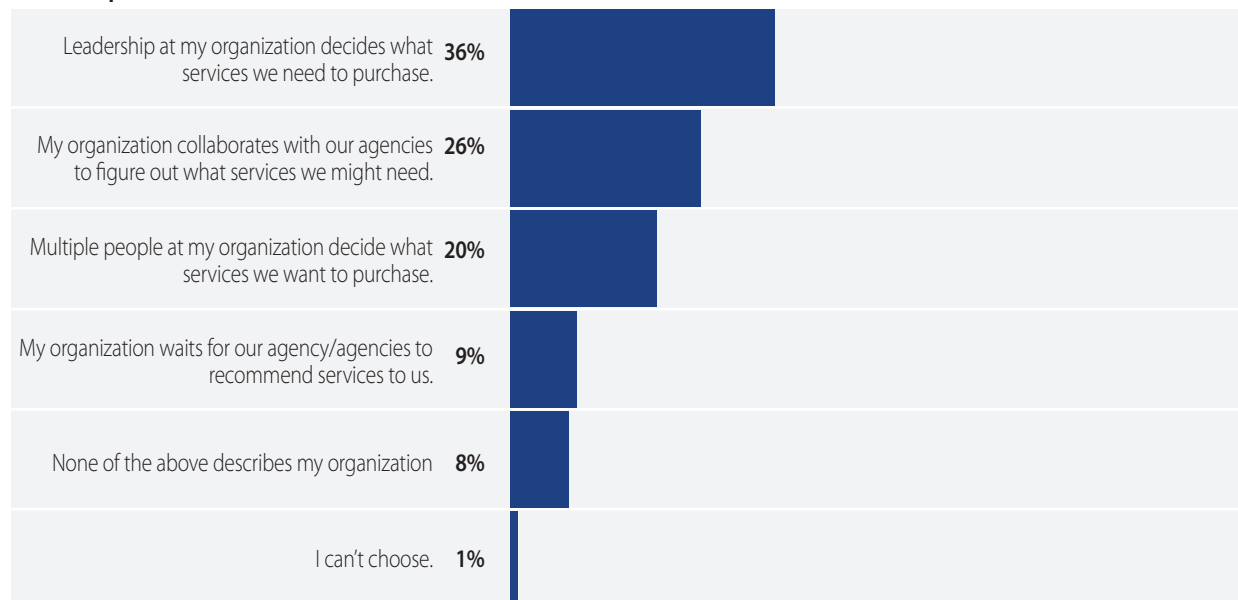
**When to approach with new offerings**



**Relationship Builders** appear more likely to be open to hearing about new offerings/servings in various circumstances. Either way, most respondents want to learn about new services during regular touchpoints, as outlined above. Organizations expect marketing agencies to be innovative and creative, so telling your clients you have a novel way to solve their problems is par for the course.

One in three say leadership at their organization ultimately decides what services they need to purchase. And one in four say they collaborate with their agency/agencies to decide what services they need.

**Decision process for additional services**





**Relationship Builders** are statistically more likely than **Staff Prioritizers** to collaborate with their agency/agencies in this way. Therefore, if you identify **Relationship Builders** amongst your clients, you can work with them to define the relationship.



## Drew's Take

The bottom line here is that we don't bring our clients enough new ideas with the frequency they'd prefer. They're asking for more. In a past study, clients revealed one of the reasons they fire an agency is because they don't feel like the agency is working hard enough to keep wooing them with big ideas. They're not going to sign off on every one, but they remember that you made the effort.

There is clearly no single way clients like to be exposed to new ideas or offerings. This is where your AEs being very dialed into their clients and their day-to-day workflow can make a huge difference. Pitching a brilliant idea at the wrong time or in the wrong way could result in that idea being lost in the noise.



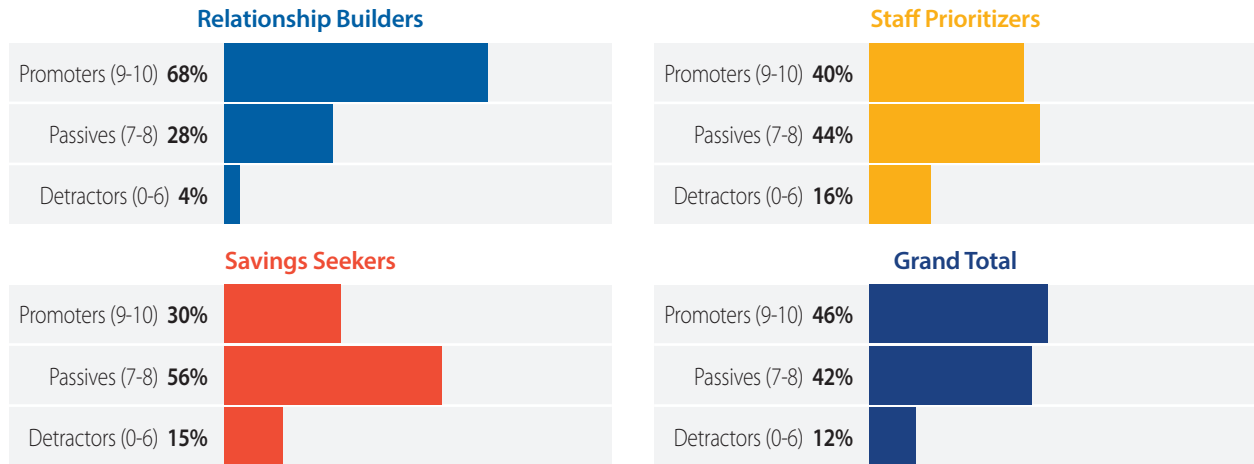




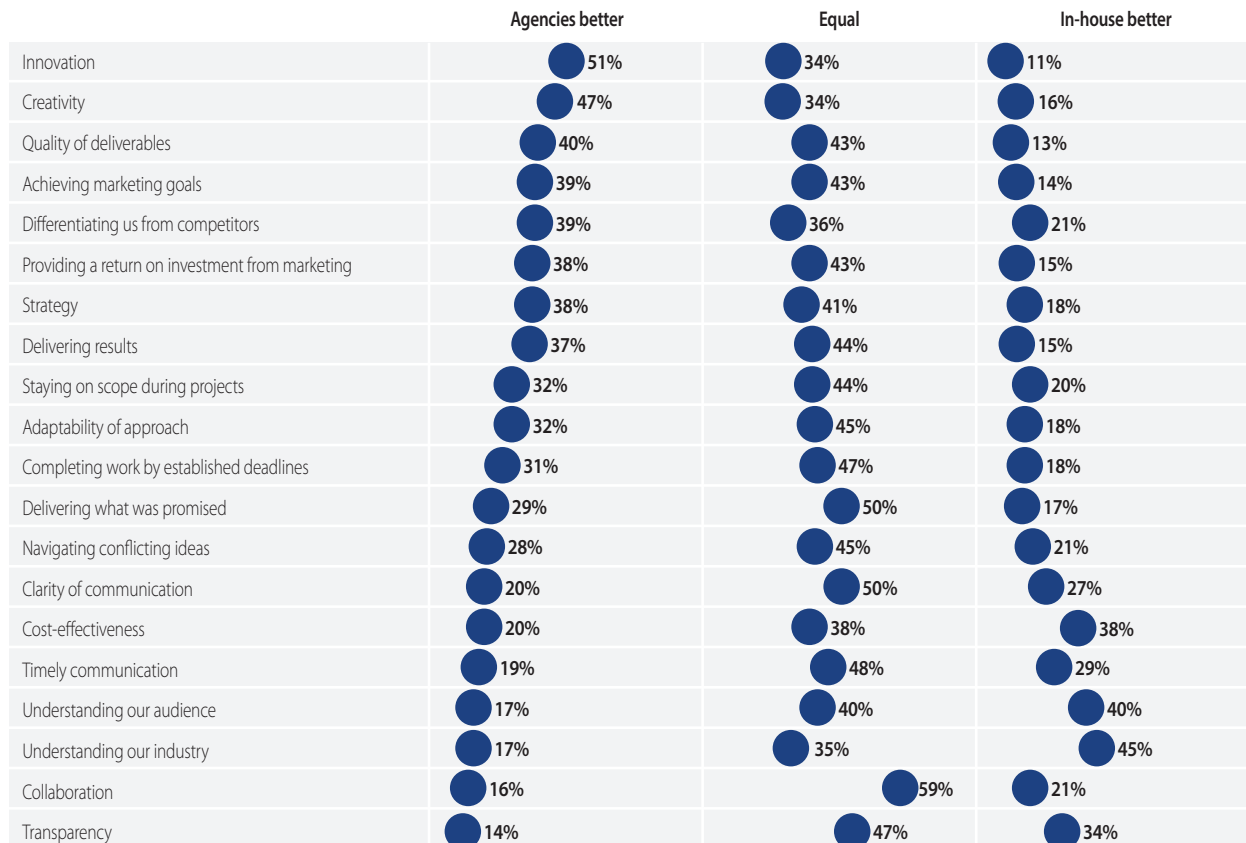
## Giving Agencies a Grade

**Relationship Builders** are the **most likely** of all three segments to recommend their best agency to another organization. Two out of three would be Promoters for their agency/agencies.

How likely would you be to recommend your best agency to another organization?



Respondents rate agencies better than in-house marketing departments at innovation, creativity, quality of deliverables, and other factors. On the other hand, in-house departments receive higher marks for cost-effectiveness, understanding of the audience, understanding of the industry, and other factors.





## Drew's Take

We have much room for growth here. The good news is – the research gives us all of the ingredients. Now you just need to determine which mix of ingredients matter to your client. The upside of the NPS is that most agencies are at least in the mushy middle. I would interpret this data as a “we’re doing fine.” Not good but not horrific. But it does make it easy to see why a client could fire their agency only weeks after first considering it. The 42% of passives aren’t invested because they don’t feel a deep enough connection.

Our task is be essential to them, as opposed to a nice to have. What essential looks like is quite clearly defined throughout this research. Interestingly – in most cases it’s about the relationship more than the work. And yet, 95% of the conversations our AEs have with clients are about the work, not the relationship.

If we want our clients to rave about it, we have to go beyond good work. Remember, that’s the given. When we only deliver what they’re paying for, we can’t expect them to throw us a parade.

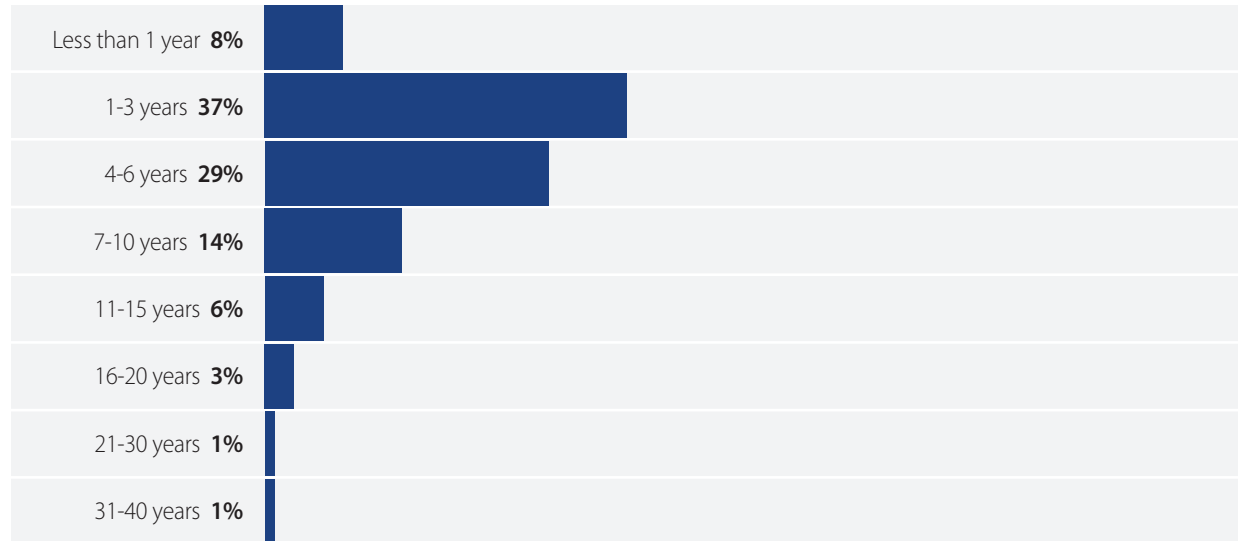




## Agency Clients' Best Agency

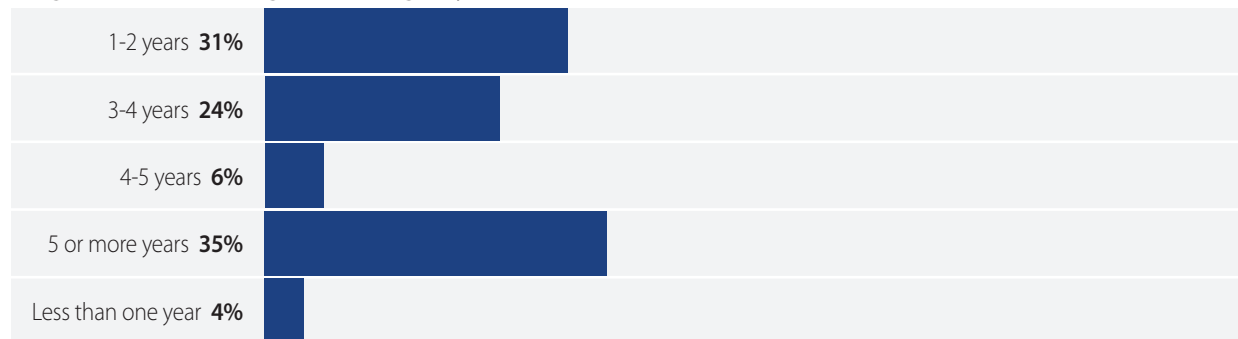
Many (45%) respondents say they've worked with their best agency for three years or fewer.

### Tenure with best agency



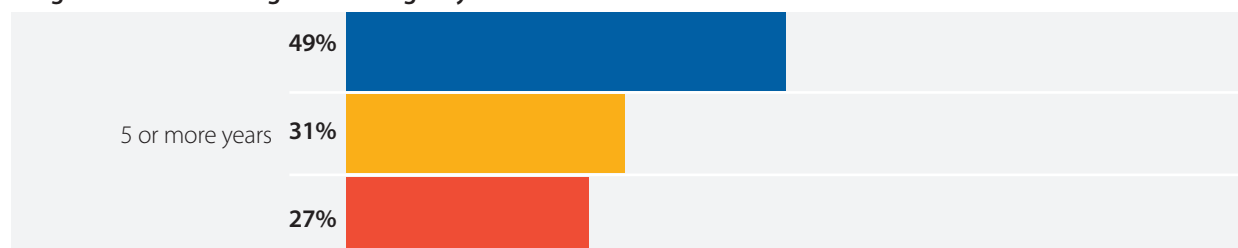
Over one in three respondents say they plan to continue working with their best agency for five or more years.

### Length continue working with best agency



One in two **Relationship Builders** anticipate a long-term relationship with their best agency and are statistically **more likely** to be in it for the long haul than the other two segments.

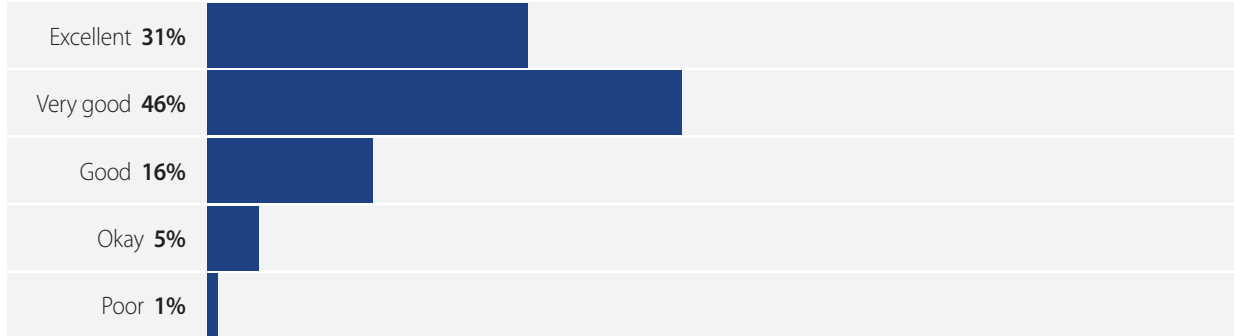
### Length continue working with best agency





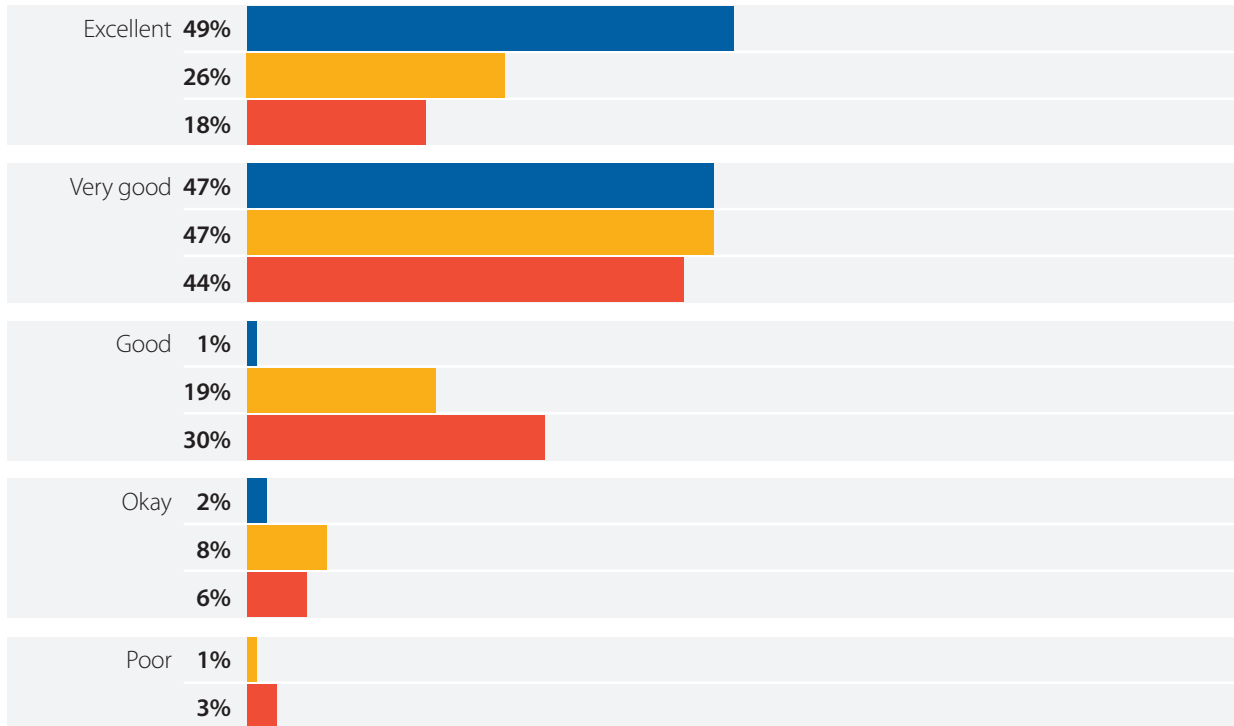
Three in four respondents say their experience with their best agency has been very good or excellent. So, the agencies these respondents consider the best are doing something right.

Experience rating with best agency



Relationship Builders are statistically more likely to give their experience high ratings.

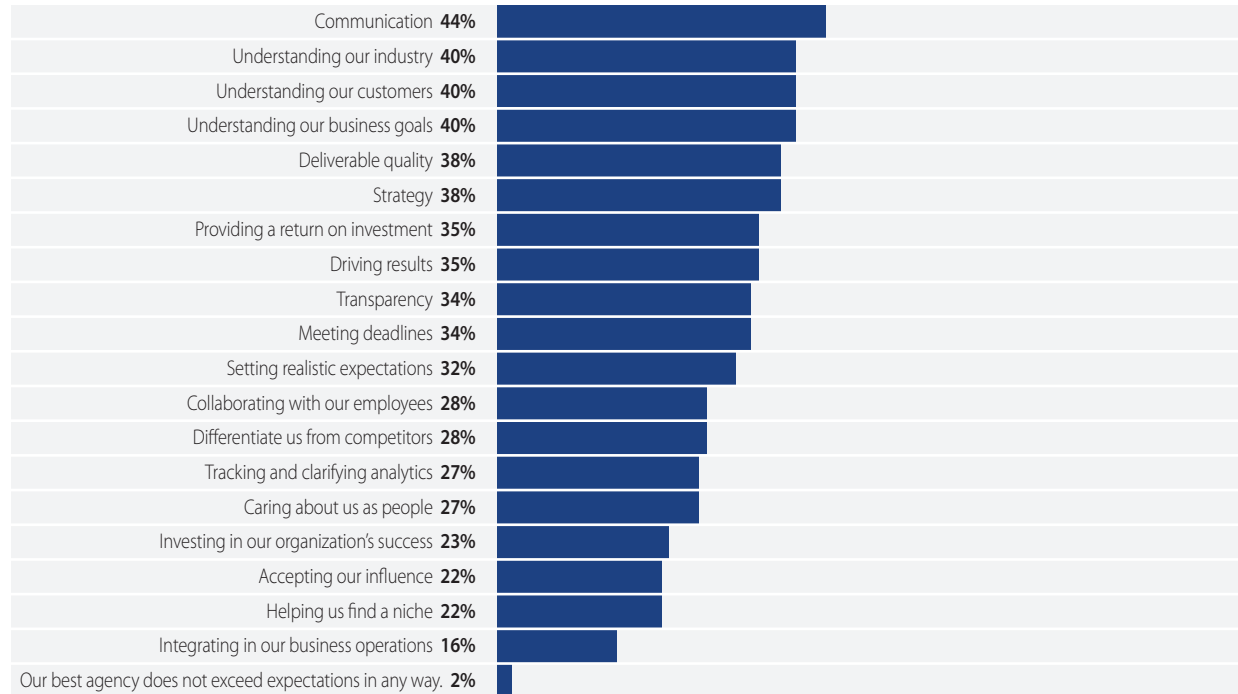
Experience rating with best agency





Respondents are most likely to say their best agency/agencies exceeds their expectations on communication (44%) and understanding their customers, industry, and business goals (40% each).

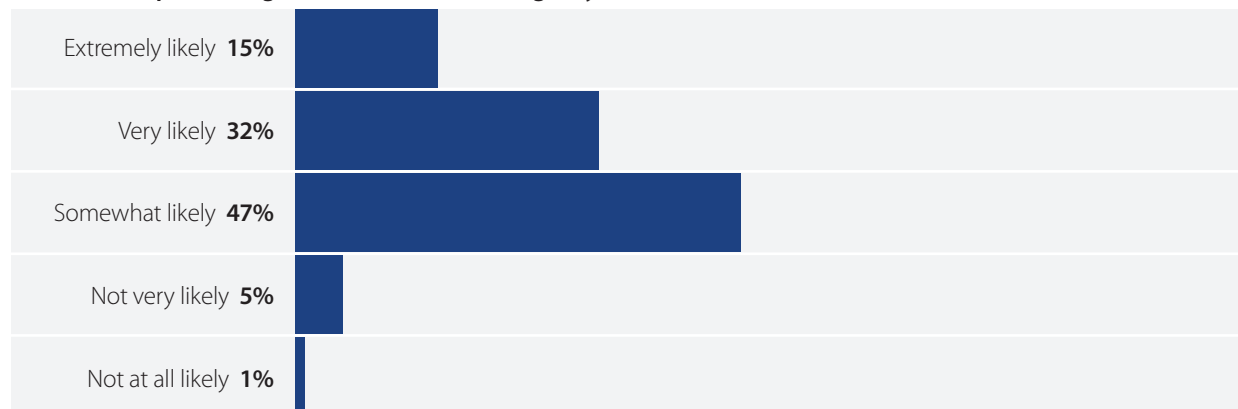
**Best agency exceeds expectations**



**Relationship Builders** consistently say their agency/agencies exceed their expectations on a range of factors compared to the other segments.

Nearly all (94%) respondents say they'd be at least somewhat likely to purchase a new service from their best agency. Agencies that become the best in their clients' eyes are better positioned to pitch additional services.

**Likelihood of purchasing new service from best agency**





## Drew's Take

We know our clients are going to work with more than one agency, as a general rule. But if we're their go-to agency, the one they count on, their thinking partner and idea generator – we can occupy a very different position than the others in the pack.

When there's a mutual respect and confidence that you have the client's back and they have yours – amazing work can be done. Relationships can far outlast the industry standard, and your client can become your new business secret weapon, both in terms of increasing their own budget and their willingness to make introductions, give you a testimonial, or advocate internally on your behalf.

While this research was very focused on increasing existing client budgets, it turns out that it also gave agencies very clear direction on how clients expect us to show up and what happens when we exceed those expectations.





## About the Agency Edge Research Series

### About Agency Edge

The Agency Edge is an annual research series from AMI that began in 2014. Conducted in partnership with Audience Audit, it explores the attitudes, challenges, and preferences of marketing agency clients and, occasionally, agency employees. The results are unveiled at the Build a Better Agency Summit and afterwards shared publicly to help agency leaders and their teams.

See all the Agency Edge studies here: <https://agencymanagementinstitute.com/agency-tools/agency-edge-research-series/>



### About Agency Management Institute

[Agency Management Institute](#) (AMI) was founded in 1999 and serves small to mid-sized privately-held agencies. AMI focuses on helping agency owners run their business more profitably so that they are more stable, sustainable and ultimately, more sellable. We focus on four areas of excellence -- leadership, business development, getting the work done (systems and processes) and financials.

AMI produces a weekly podcast, Build A Better Agency, and offers public workshops, remote and on-site consulting, and membership-based agency owner peer networks. AMI has conducted the annual Agency Edge research study in partnership with Audience Audit since 2014.

### About Audience Audit



[Audience Audit](#) is a research firm specializing in attitudinal segmentation audience research and strategy. Founded in 2009, the firm has conducted audience research for organizations including Gap, AT&T, Jayco, and many more.

### 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.