

AGENCY INVESTMENT IN NEW BUSINESS AND MARKETING: SURVEY RESULTS



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Agency investment in new business and marketing: Survey results

Getting an informed sense of how your own new business investment, resources and activity measures up against the rest of the agency market helps new business budget planning and provides valuable management information for agency leaders. Yet, benchmarking their own resources against their peer group, and the market as a whole, is one of the most difficult challenges for those responsible for new business and marketing in agencies. Indeed, getting any kind of handle on the new business market and how it is experienced by other agencies is no easy task.

To try to make this easier, AAR intermittently carries out a survey of the agency market, inviting agencies of all sizes and locations to respond to questions on a broad range of topics such as the number of staff employed in new business/marketing and the budgets allocated within their agency, through to their pitch activity in the previous twelve months, including sources and types of pitch and the involvement of procurement.

The tables of results and key findings, broken down by the disciplines of Advertising, Digital, Media and Integrated (which also includes PR), are published here alongside some of our perspectives on some of what we found.

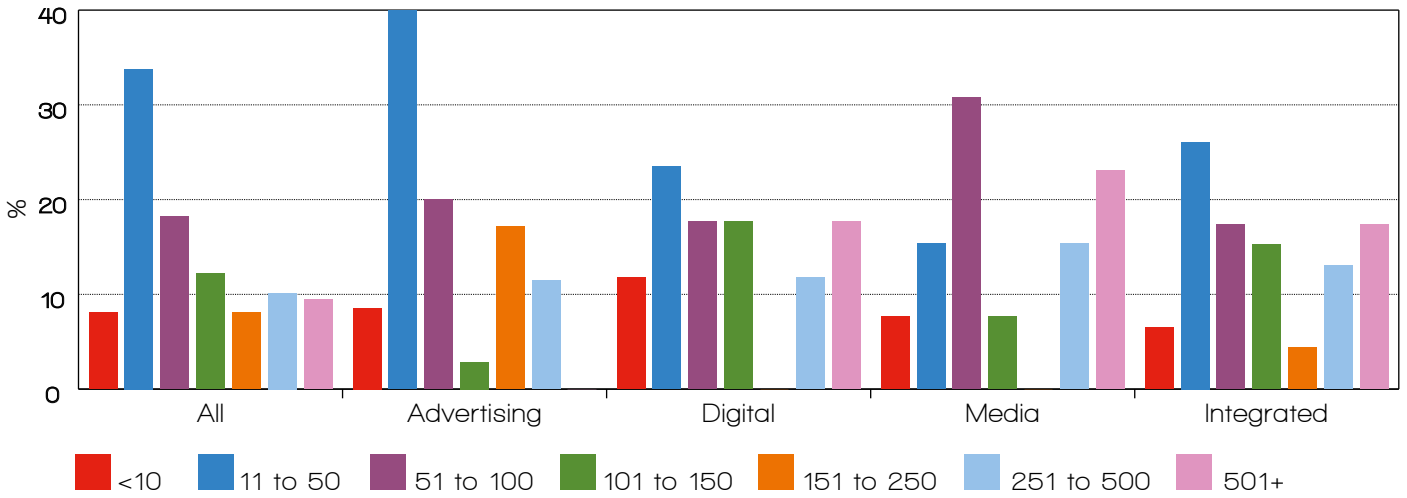
1. RESOURCE IN NEW BUSINESS AND MARKETING

Team sizes

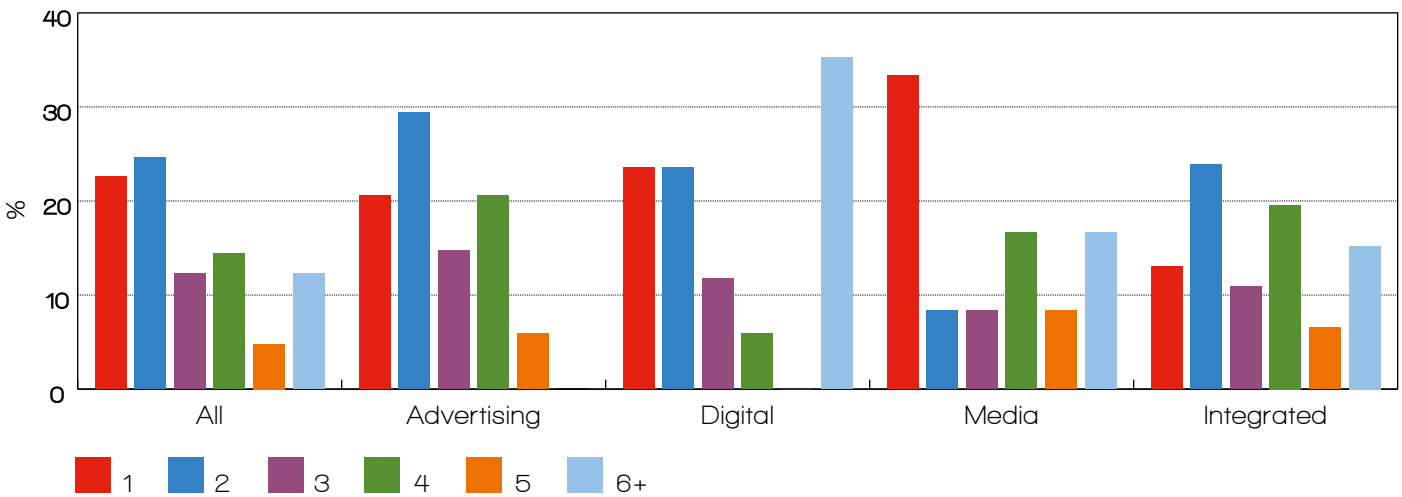
Two is the magic number for most agencies - nearly half of the agencies surveyed had teams comprising one to two people. Some do have larger teams: 12% of the respondents have teams of six people or more. Interestingly, digital agencies employ the largest number of new business specialists; a trend that is likely to be driven by the fact that digital agencies undertake the greatest number of competitive pitches as a single discipline, with an average of 20 per year. At the other end of the scale, 9% had no-one dedicated to working in new business and marketing.

In terms of who these people are, there has been a growing trend for agencies to move senior account handlers into new business roles. A tour of duty in new business is seen as valuable preparation for future senior management positions but is also likely to be a response to the continued shortage of experienced new business managers and executives available in the market.

HOW MANY STAFF ARE EMPLOYED AT YOUR AGENCY, WHETHER ON A FULL TIME, PART TIME OR FLEXIBLE BASIS?



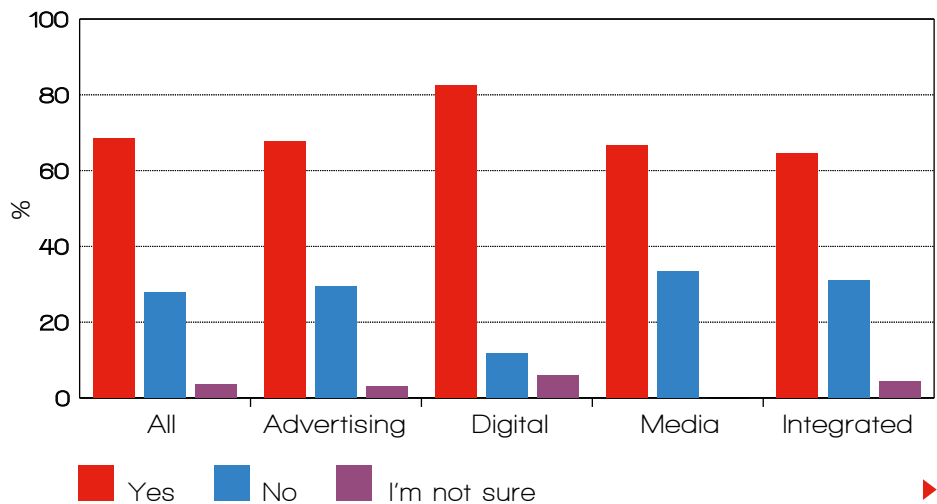
HOW MANY PEOPLE ARE IN YOUR NEW BUSINESS/MARKETING TEAM?



Board representation

Overall, over two thirds of the agencies surveyed had a senior new business person in post who sat also on the agency board, with this rising to over 80% amongst digital agencies.

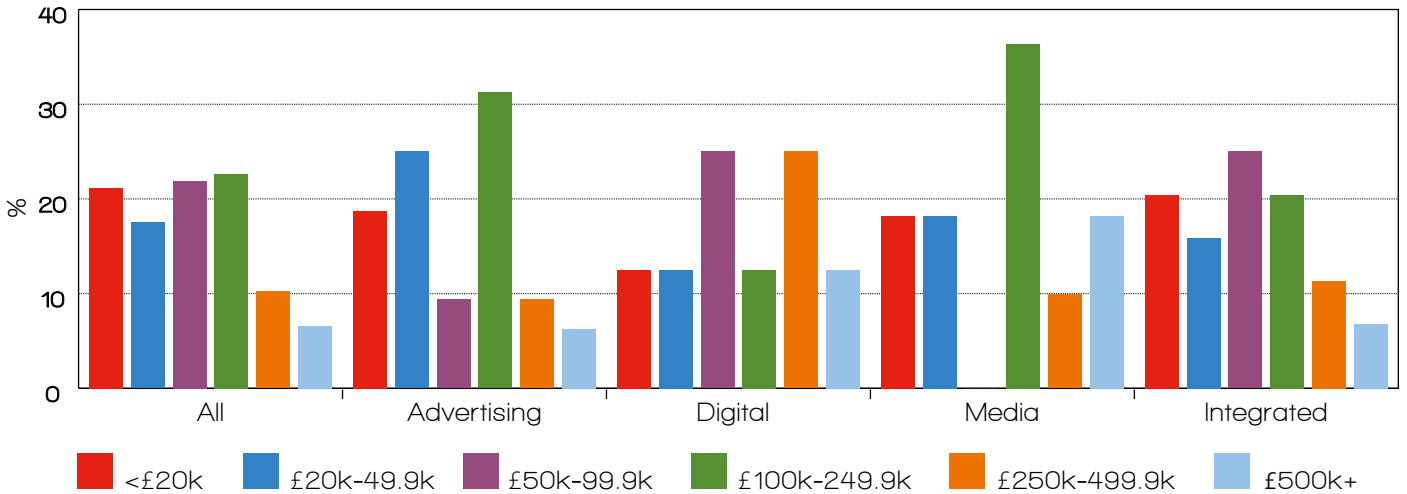
IS NEW BUSINESS/MARKETING DIRECTLY REPRESENTED ON YOUR MAIN AGENCY BOARD?



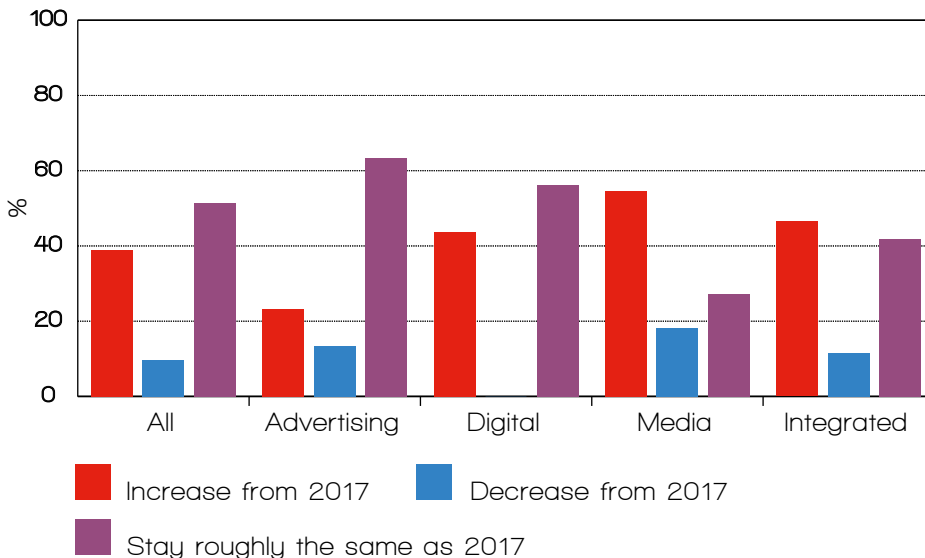
Budgets

The new business and marketing investment reported by agencies – excluding time and pitch costs – ranged from £20K to £500K plus per annum. 20% was the magic number in terms of how this broke down across the respondents, though only 7% enjoyed the benefit of a budget larger than £500K to commit to their efforts.

WHAT IS YOUR TOTAL ANNUAL AGENCY BUDGET FOR NEW BUSINESS/MARKETING (EXCLUDING TIME)?



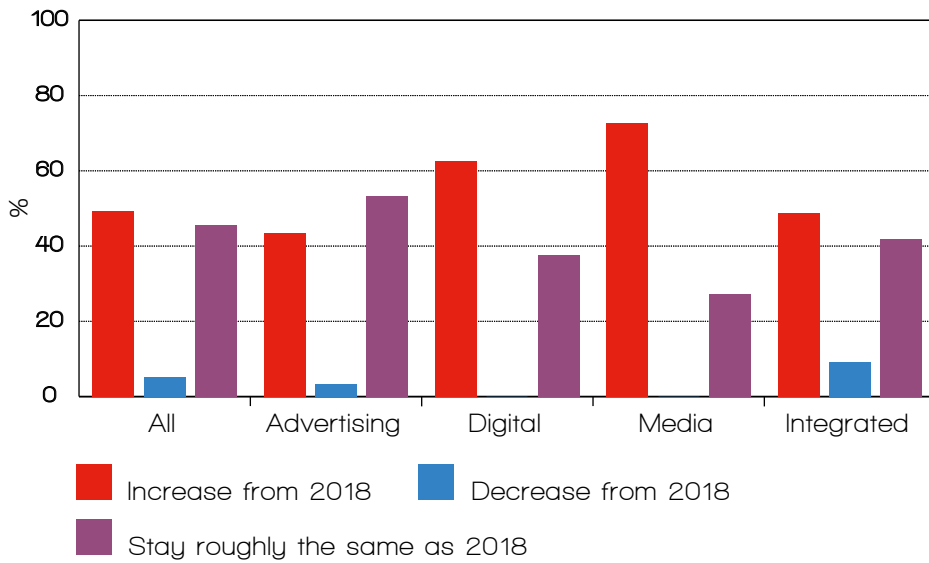
THINKING ABOUT 2018, DID YOUR NEW BUSINESS AND MARKETING BUDGET:



Reassuringly for most, budgets are also hanging on in there despite the overall pressure on costs within agency businesses.

Reassuringly for most, budgets are also hanging on in there despite the overall pressure on costs within agency businesses. When asked to say whether they had seen either an increase or decrease in their new business and marketing budgets in 2018 versus the previous year, only 10% of agencies reported a decrease, with 51% remaining roughly the same, and 39% reporting an increase.

LOOKING AHEAD TO 2019, DO YOU ANTICIPATE YOUR NEW BUSINESS AND MARKETING BUDGET TO:



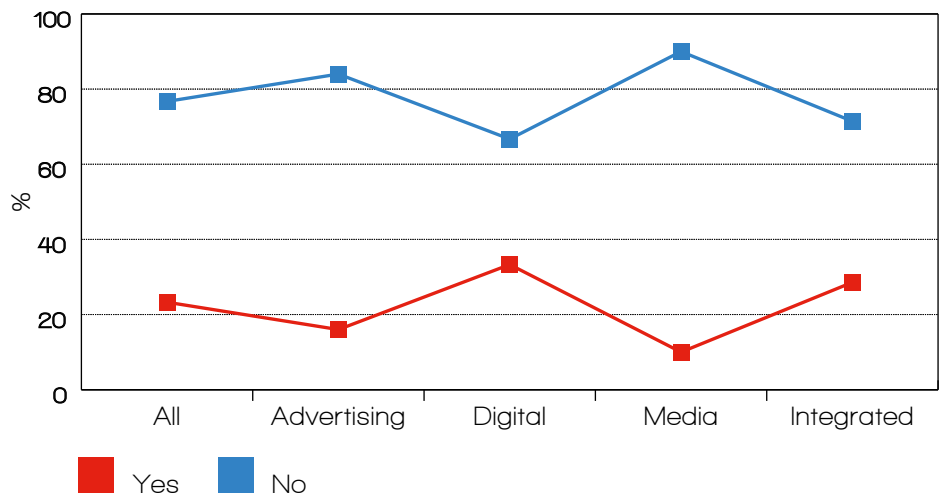
There was also a surprisingly positive outlook for 2019 too, with nearly half of all respondents anticipating an increase to their budget. Most of the other half believed that their 2019 budget would be consistent with 2019, with only 5% having to deal with a decrease.

This undoubtedly reflects a recognition within agencies that to genuinely compete in the arms race that is the new business market, agencies need to invest in dedicated new business budgets.

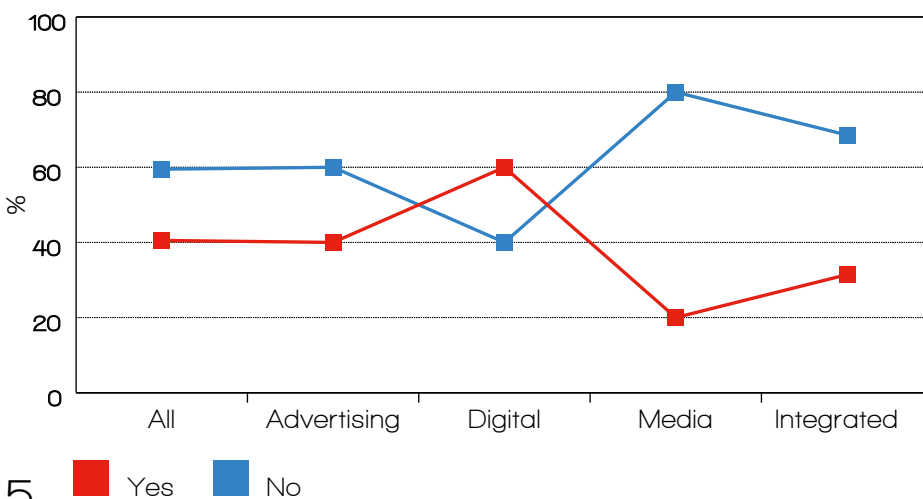
Outside resource

When we investigated what external resource agencies employed to support them in marketing and new business, 41% said they engaged some form of outside PR support, and nearly 80% revealed that they made no use at all of any external cold calling services. Of the 23% who did use cold calling services, digital agencies were the most likely to use them whilst media agencies were the least likely.

DOES YOUR AGENCY EMPLOY AN EXTERNAL COLD CALLING CONSULTANCY?



DOES YOUR AGENCY EMPLOY AN EXTERNAL PR AGENCY/CONSULTANT?



A similar pattern was seen in the use of external PR support, with 60% of digital agencies using them as opposed to only 20% of media agencies.



Pitch costs

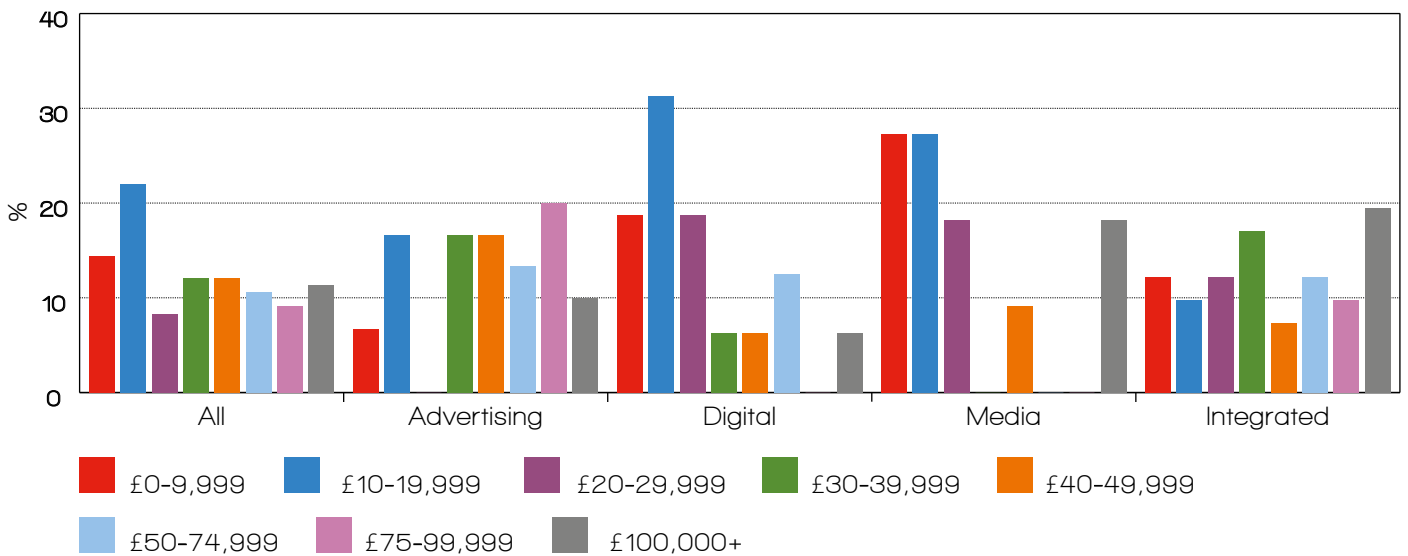
It is always critically important to understand the numbers around the perennial debate on the cost of pitching; the opportunity cost being a perpetual consideration for any agency invited to participate in a pitch.

Realising that the size of opportunity does vary, we asked respondents for what they thought was their 'average' expenditure in money and time on a pitch, so the following figures are an indication rather than an absolute guide.

Across all disciplines the most common band of average expenditure on a pitch opportunity reported by 22% of the responding agencies was between £10-£20K, which surprised us in that it was lower than we expected for that percentage of agencies. But high average pitch costs are still alive and well. 12% of agencies spent between £30-£40K on an average pitch, with another 12% reporting an average of £40-£50K. At the top of the scale, 11% of agencies reported an average investment of just over £100K in each opportunity; opportunities where, one hopes, the prize involved warranted these extreme levels of investment. At the bottom end of the average expenditure scale, a sizeable 14% estimated that a typical pitch for them cost them less than £10K.

Ad agencies remain the highest investors in average pitch costs.

ON AVERAGE, WHAT IS THE AMOUNT OF MONEY YOUR AGENCY SPENDS ON A TYPICAL PITCH, INCLUDING STAFF TIME?



Across all disciplines the most common band of average expenditure on a pitch opportunity reported by 22% of the responding agencies was between £10-£20K.

One of the key reasons for asking the question about average pitch expenditure in the first place was so that we can actively share the findings with brand owners, ensuring that they are cognisant of the commercial consequences of asking agencies, most of whom would be categorised as SME's, to compete for their business.

2. PITCH ACTIVITY

Volume

Overall, the average number of pitches participated in over the last twelve months was 18, but this average varied significantly by discipline in one area: advertising. Whilst media, digital and integrated agencies had an average of around 20 pitches, advertising was much lower at 11.

This discrepancy is likely to be accounted for by a trend we have observed amongst advertising agencies who actively seek to control the number of pitches they participate in simultaneously, aiming for no more than one a month. When you overlay the finding that ad agencies invest more overall in their average pitch costs than other disciplines, the decision is clearly a sound one.

HOW MANY COMPETITIVE PITCHES HAS YOUR AGENCY UNDERTAKEN IN THE LAST 12 MONTHS?

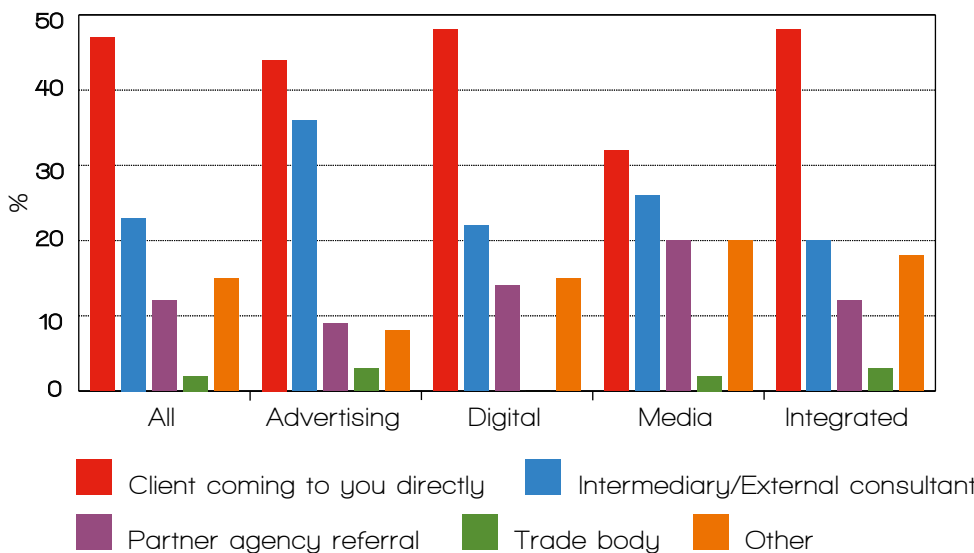


Sources

Considering the sources of opportunities, 47% of agencies said that clients approaching them directly was the biggest source, with the second largest being intermediaries or an external consultant at 24%, with less than 2% indicating that opportunities had come via a trade body.

12% highlighted partner agency referrals, and 15% mentioned 'other sources'; a general mixed bag of lead generation campaigns and outbound activity, colleague contacts, personal networking, email, cold calling, SEO and events.

OF THE COMPETITIVE PITCHES UNDERTAKEN BY YOUR AGENCY IN THE LAST 12 MONTHS, PLEASE INDICATE THE SOURCE OF THE OPPORTUNITY



One general observation we would make about sources of new business is that, whilst not equally celebrated, business development where additional projects are won from existing clients is just as important for agency growth as new business is. And within new business itself, long term engagement with a prospect over time rather speculative cold calling is also the new effective norm.

3. TYPES OF PITCH

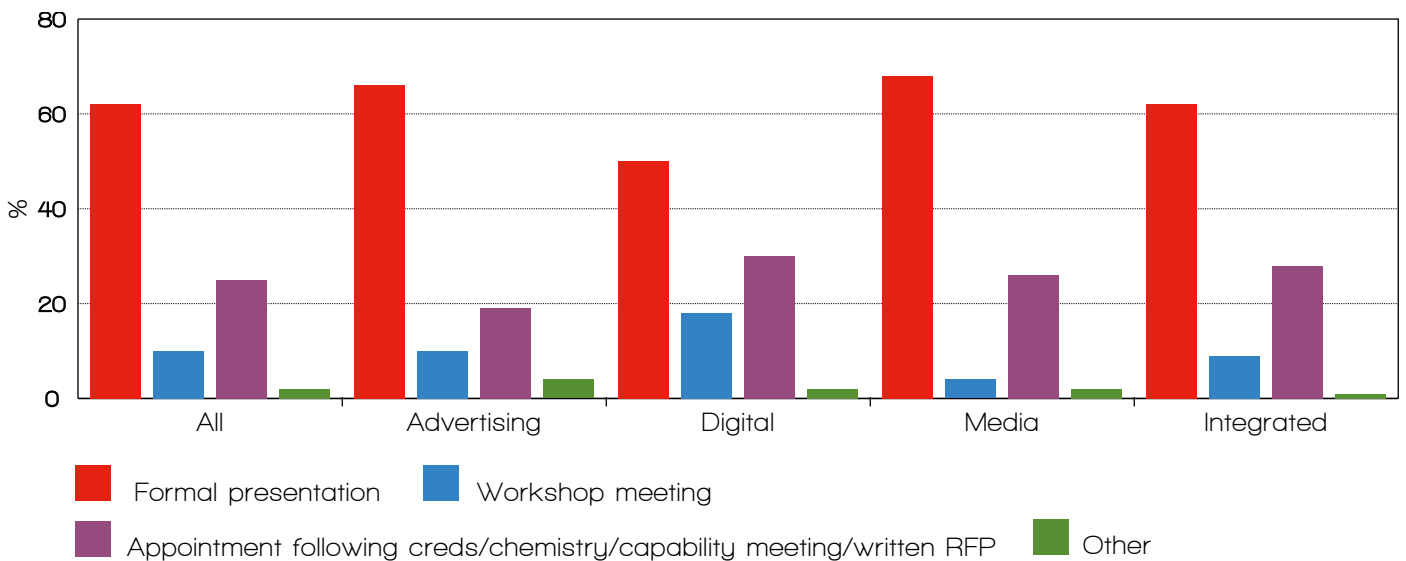
Despite the rumbling bandwagon claiming the pitch process is broken throughout a good part of 2018, reports of its demise have been rather over-exaggerated. Pitch processes resulting in a formal final presentation topped the list as the most common method of appointing an agency, with respondents telling us that this was how 53% of their prospective clients went about it.

Having said this, 22% of pitch processes appointed after having had chemistry/ creds/ capability meetings or written RFP's, and workshop-style final presentations accounted for a further 9% of competitive pitches.

So the pitch process isn't broken – it's just the final task prior to appointment that varies.

Whilst brand owners are often happy to look at different ways of appointing an agency, our experience tells us that one of the key reasons that they still opt for a traditional comparative pitch approach is in order to de-risk the appointment. This de-risking is often from a personal as well as corporate perspective. Appointing a new agency exposes CMO's and Comms Directors to internal scrutiny, invariably at C-suite level, and it is, therefore, unsurprising that a brand owner will opt for an evidently robust process which not only delivers the appearance of a level playing field and democracy of decision-making, but can also facilitate the involvement in senior management in that decision-making.

OF THE COMPETITIVE PITCHES UNDERTAKEN BY YOUR AGENCY IN THE LAST 12 MONTHS, HOW MANY WERE OF THE FOLLOWING TYPES?



Other routes to appointment cited by agencies included informal meetings, organic growth via business development, and ITT's. In some rare instances, no competitive meeting of any kind took place.



4. SOLUTIONS RESULTING FROM PITCH PRESENTATIONS

Accepting that any competitive pitch puts the participants in an unrealistic working situation with a prospective client that would never occur in a real life relationship, some work produced as an output of a pitch does occasionally see the light of day as the solution that the brand owner runs with once the agency appointment is made.

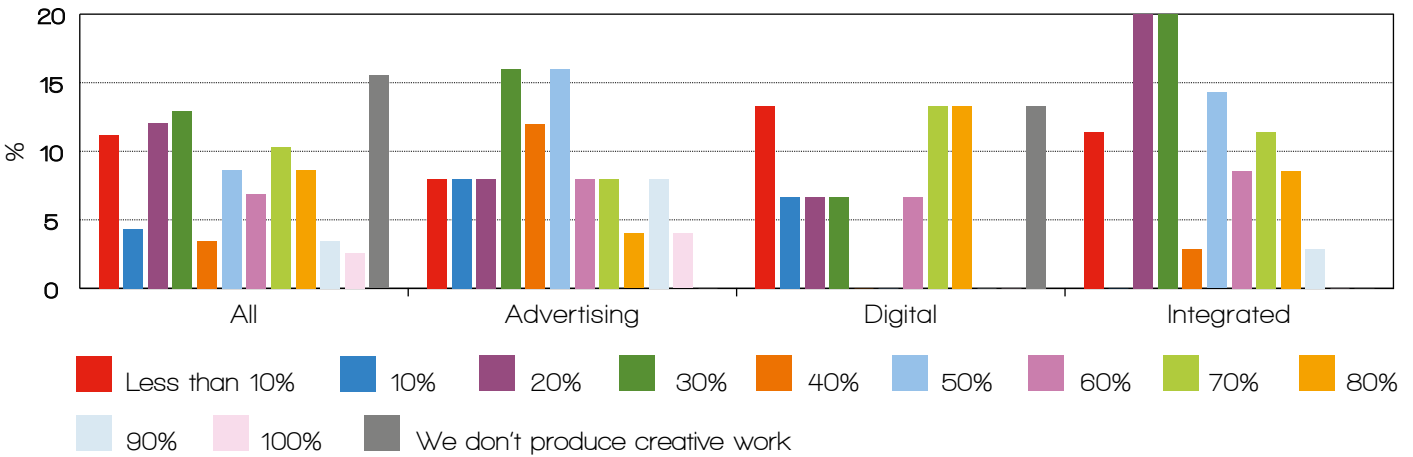
What we wanted to know was – how often does this actually happen? The truth is it varies significantly where the output of the pitch is a set of creative recommendations versus non-creative proposals.

In pitches where there is 'creative' output, 38% of all creative recommendations are implemented.

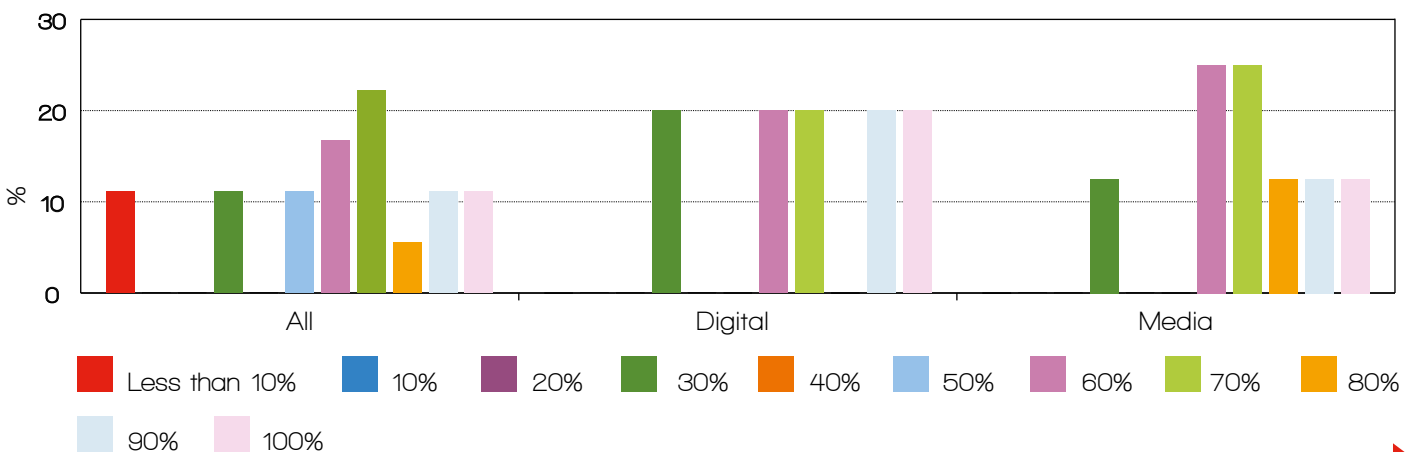
Contrastingly, for agencies who didn't produce creative work as part of the pitch output, e.g. where the pitch output was a PR or media strategy, the pitch recommendations were implemented in 64% of cases.

This difference in successful adoption of creative recommendations comes down to a range of influencing factors - time available to pitch, the process itself, level of client involvement, and quality of brief, for instance – not least of which is the subjectivity of creative evaluation. We'll be looking at creative pitch outcomes further to gauge an average figure, which we think will be more useful.

OF THE "CREATIVE" PITCHES UNDERTAKEN BY YOUR AGENCY IN THE LAST 12 MONTHS, ROUGHLY WHAT PERCENTAGE OF PITCH WORK ACTUALLY RAN?



WHAT PERCENTAGE OF SOLUTIONS PRESENTED BY YOUR AGENCY AT PITCH OVER THE LAST 12 MONTHS WERE ACTUALLY IMPLEMENTED? (NON CREATIVE)



5. PROCUREMENT

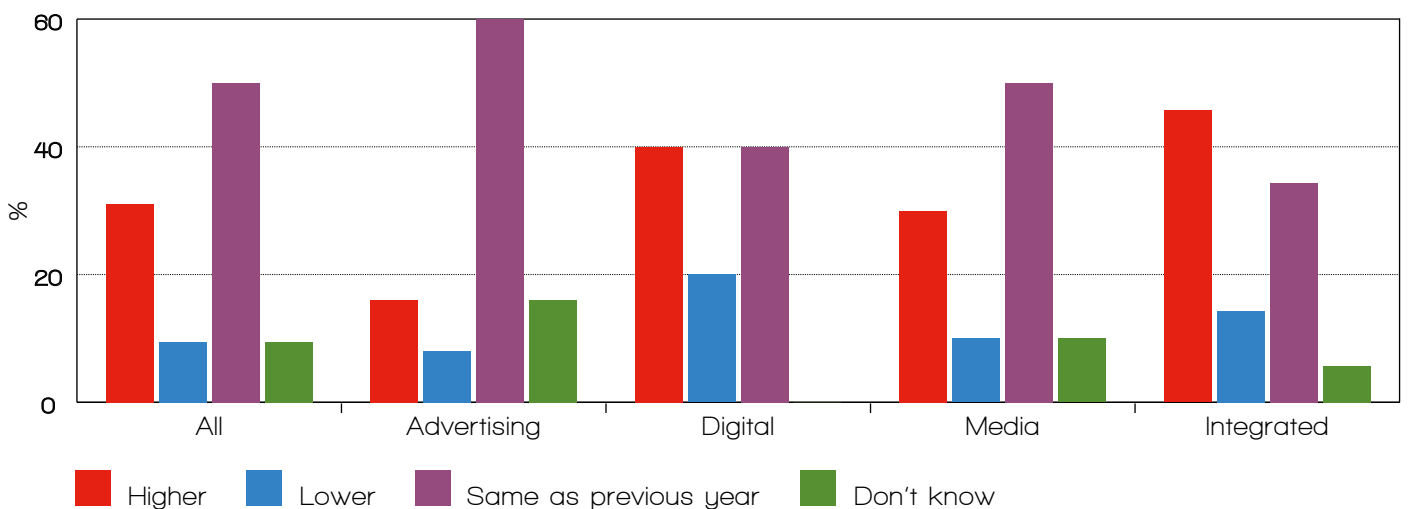
Quite a large percentage of the brand owners that AAR consults to for pitch management involve their procurement colleagues in the process but the pitch is, more often than not, led by the marketing team rather than the procurement team.

It is more common for agencies to experience pitches which are led by procurement rather than the marketing team and we wanted to understand whether or not this was something agencies felt was on the increase.

Overall, it would seem not; but the data does suggest that there are increases in the number of procurement-led pitches with 31% saying they felt that the number had increased year on year. The respondents who reported an increase were mainly in the integrated and digital area.

Only 9% of agencies were of the opinion that the number of procurement-led pitches had decreased.

OVER THE LAST 12 MONTHS, HOW DOES THE PERCENTAGE OF "PROCUREMENT LED" COMPETITIVE PITCHES IN WHICH YOUR AGENCY HAS BEEN INVOLVED (AS OPPOSED TO MARKETING/COMMUNICATIONS DEPARTMENT LED) COMPARE WITH THE PREVIOUS 12 MONTHS?



With thanks to everyone who participated in the survey. We hope the findings and perspectives are informative and will be useful to you. If you have any observations you would like to share or questions about the survey, please do get in touch.

Our plan is to repeat the survey in 2020 and we'll be in contact nearer the time to see whether there are any additional questions that you would like us to include. ■

AAR Group

26 Market Place, London, W1W 8AN

Tel: 020 7612 1200

email: info@aargroup.co.uk

www.aargroup.co.uk

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