



PUBLISHED

August 2019

The State of Client/ Agency Relationships; A Perspective

How Social Media & Marketing
Has Changed the Landscape

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ABSTRACT

The function of social media and marketing today is transforming agency relationships unlike any area of marketing before.

Its ubiquitous visibility across organizations leaves it open to many questions. In some companies, the goals and direction of social and digital are either unclear or just broadly understood.

While larger organizations have been confronting these challenges for years, many smaller companies are just now beginning to face them resulting in recent agency relationship changes at these smaller businesses.

While the focus on social and digital marketing has taken attention away from other areas of communications in recent years, those other functions may soon see renewed attention. As organizations refocus efforts to more traditional communications areas and review agency relationships, tepid views of agency performance, especially among larger organizations, coupled with a greater priority placed on measuring results and agency accountability, may continue to cause upheaval in the industry.

300
INDIVIDUALS
SURVEYED

\$15M
MINIMUM
ANNUAL
REVENUE

Background

As a full-service provider of communications services, we often find ourselves in conversations about how businesses evaluate their agency relationships, and how a greater understanding of this can help us do a better job of serving them.

Previous research on the subject does not provide a lot of guidance. Studies were either dated due to the rapid change in the communications industry, done outside the U.S. or limited in their perspective. So, we decided to conduct the research ourselves.

We surveyed 300 individuals responsible for managing an outside or in-house marketing agency in the areas of Traditional Media, Digital Media, Creative, Social Marketing, Content Marketing, Public Relations, Direct Marketing, Marketing Services, Shopper Marketing and Packaging Design/Development. Each of the individuals involved worked at a company with an annual revenue of at least \$15 million per year.

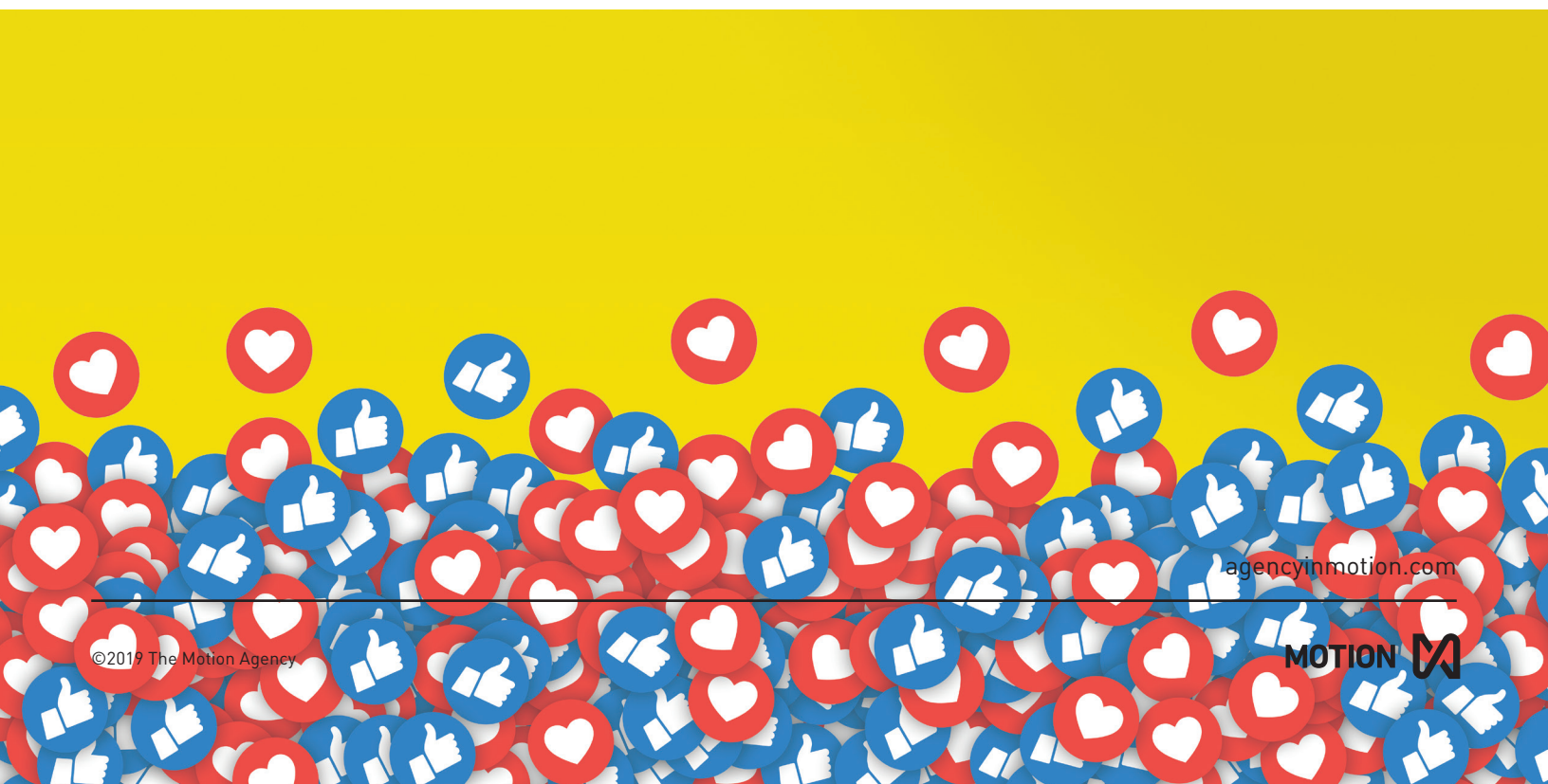
We conducted this survey in spring 2019 and focused on 24 question areas. What we learned both confirmed some of our assumptions agency/client relationships and some surprised us.

The Social Media & Marketing is a Revolution Unlike Any Other

If you've been in communications long enough, you've seen the many changes in available media and the adoption curve of each. Each new medium has caused a revolution in how businesses approach communications. It wasn't long ago that the revolution was cable television. And, though cable TV is better understood today, there are still questions of how, when, where and why as it relates to measurement and benefits.

Moving ahead to the last decade or so, the revolution has been digital media. While digital media use and the employment of outside agencies to help with it are virtually ubiquitous (94 percent of respondents report using an outside agency for Digital Media), its measurement and true benefits are still being defined.

More specifically, the revolution of social media is much different from its predecessors due to its availability in so many places and forms—computers, smartphones, tablets and more—as well as how quickly it changes and how businesses are leveraging it.



More Titles Claim Responsibility for or Decision-Making Involvement in Social Marketing Than Any Other Area

81 percent of respondents said they are responsible for or involved in the decision-making process for social media (14 percent higher than public relations, the area with the second-highest portion). In addition, we found a wide range of titles from Marketing Manager to President claiming some high-level oversight for social. Unlike many other marketing areas, managers have nonstop access to social media on their personal devices and can see what their company, competitors, marketing leaders and industry innovators are doing. Because of this access and visibility, every title can be involved in social decision-making. In other communications areas, executive and senior management oversight happens in the form of episodic reports created by mid-level managers who have regular involvement or responsibility.



81%
OF RESPONDENTS
CLAIM RESPONSIBILITY
FOR **MAKING DECISIONS**

39%
OF AGENCY/
CLIENT CHANGES
WAS RELATED TO
SOCIAL MEDIA &
MARKETING

Social Media Is Driving More Frequent Changes in Agency/Client Relationships

Nearly three-quarters of respondents (74 percent) reported making a change in at least one agency relationship in the past two years, either replacing an agency with another one, adding an agency or dropping an agency. Among those respondents, the single largest area of change identified was social media (39 percent of agency changes). Social media's high visibility and high levels of claimed oversight for it, may be leading to questions of agency performance that are driving relationship changes at a higher rate than in other categories.

Digital media, where 34 percent of respondents reported agency changes, may be affected by the same phenomenon. Though fewer respondents claimed decision-making involvement in digital media, it is nonetheless highly visible and subject to the scrutiny of marketers across the organization.



Smaller and Mid-Size Companies Appear to Be Playing Catch-Up

Companies with smaller communications budgets use fewer agencies overall but drove most of the agency changes in social and digital media over the past two years. In many cases, they replaced in-house services with outside agencies. Firms that have larger budgets made fewer changes in social and digital, likely because they were earlier adopters of both. We foresee that as new agencies take over social and digital marketing at smaller organizations, the rate of agency churn in these areas will decline.



SMALLER BUDGETS
DROVE
MORE
AGENCY/CLIENT
CHANGES



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Social Media Is a Double-Edged Sword

Successful social media marketing requires an understanding of the rapid evolution of opportunities that exist and the company's business. Organizations made changes to their social agencies to either hire an outside agency to stay abreast of changes or, alternatively, bring social in-house because internal teams are believed to better understand the company's business.

AGENCIES
STAY ON TOP
OF TRENDS AND CHANGES

IN-HOUSE MARKETERS
KNOW THEIR
BUSINESS
BETTER THAN ANYONE

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Slightly Better Than “Meets Expectations”: Agency Performance Causing Additional Change

Agencies' performance in communications areas that respondents deemed important is slightly better than expected, but not great, demonstrating (almost obvious) reasons for agency relationship changes.

Survey respondents were asked to rate the importance of certain factors in agency relationships on a five-point scale (5 being the most important.) These factors included:

- Being a valued business partner
- Measuring the results of efforts
- Taking accountability for results
- Working well with other agencies
- Delivering strategic and unique ideas
- Delivering superior creative
- Understanding of the company's business

Respondents were then asked to rate agency performance based on those same factors, using a similar five-point scale. The difference between these ratings shows where there are significant issues in agency performance.



While agency performance ratings were consistently low, the problem areas varied across the five different agency relationship changes we studied:

1

When a new agency was added without replacing another (the largest percentage of relationship changes): The ability to work well with other agencies and taking accountability for results received both high rates of importance and low rates in agency performance.

2

When an agency was replaced with another agency: The greatest discrepancies between importance and agency performance were found in: providing strong, usable direction; meeting deadlines; being a valued business partner; and taking accountability for results.

3

When an outside agency was replaced with in-house services: A lack in understanding the company's business was the most significant issue.

4

When in-house services were replaced by an outside agency: In-house agency performance ratings were low for the following capabilities: helping the company stay abreast of new marketing and communications opportunities; providing strong, usable direction; and having a superior creative product.

5

When an agency was dropped: The most significant issues with agency performance were being a valued business partner and understanding the client's business well.



The Larger the Company, the Broader the Perspective...But Bigger Doesn't Mean Happier

Larger companies tend to have larger budgets and therefore are working with more agencies than smaller companies. In addition, internal priorities shifted based on company size. Large organizations are focused on being prepared for the future and long-term agency integration. Mid-size companies reported prioritizing agencies that give them results that enable them to compete with larger businesses. Smaller companies are more focused on agency partners helping them get things done.

Interestingly, smaller companies reported being “happier” with the performance of their agencies, having the smallest differentials between importance ratings and agency performance ratings. The largest discrepancies are among the largest organizations, almost double those of the smallest companies. Larger businesses may have more agencies, but they are, in general, less satisfied with the performance of those agencies.

VALUE

IS ASSOCIATED
WITH RESULTS

Being a Valued Business Partner Requires Measuring and Taking Accountability for Results

Across survey responses, three key factors were identified as either priorities or key issues in agency relationships and performance:

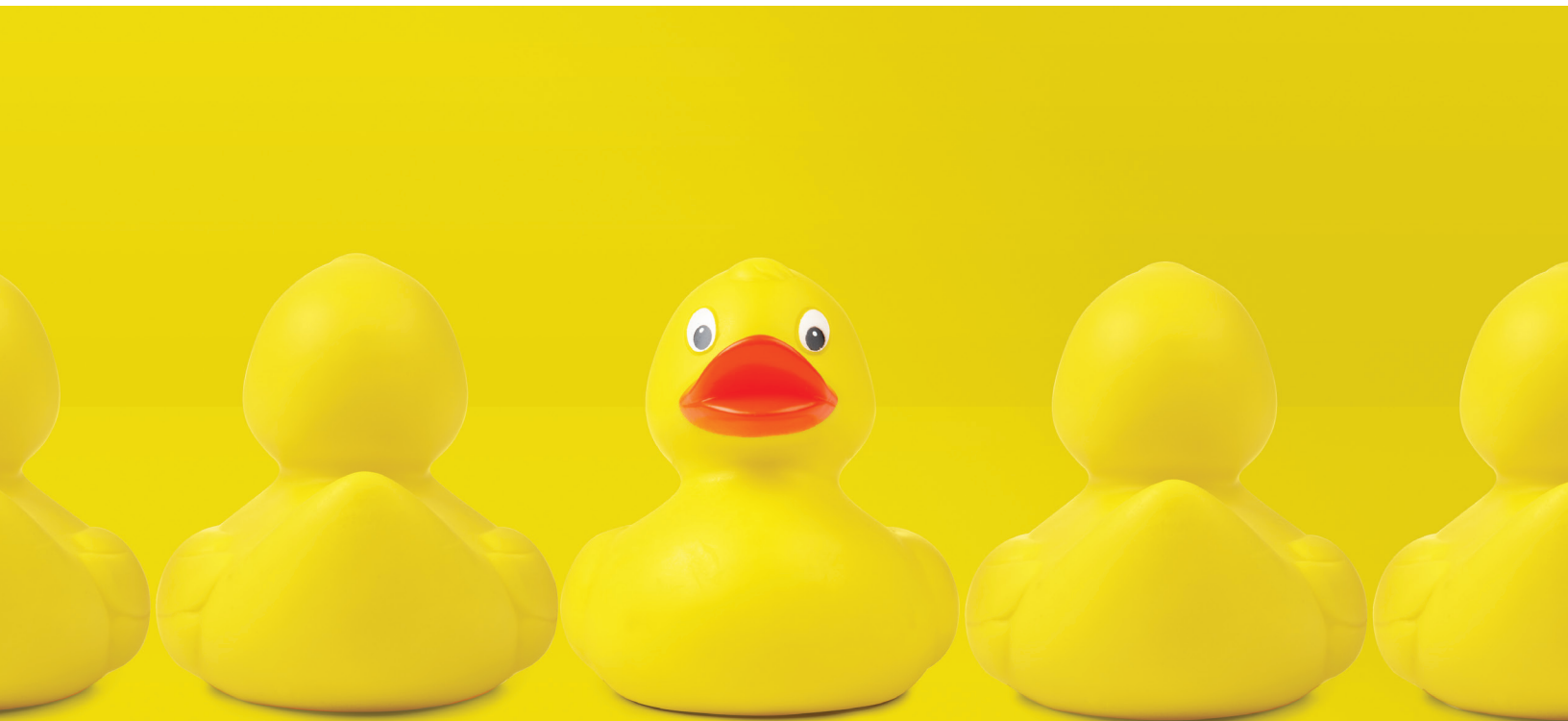
1. Being a valued business partner
2. Measuring the results of efforts
3. Taking accountability for results

Being a valued business partner is not about the agency participating in the strategic direction of its client. Instead, it was more often associated with results: measuring and taking accountability for them.

The truth is, despite this being the era of “big data,” measuring the effectiveness of communications efforts has few standards and, in many cases, little precision. Perhaps because of that, agencies appear to fall down on being willing to own measurement and results, leaving the basis of the relationship on softer areas of performance. This was a perception shared among participants across all titles, company sizes and changes in relationships.

As Dust from the Disruption of Social Media & Digital Marketing Settles, More Traditional Areas May See Renewed Focus

While respondents foresee more agency relationship changes related to social and digital marketing than any other area, they also expect an uptick in agency changes in other areas: Shopper Marketing, Content Marketing, Direct Marketing, Traditional Media and Marketing Services. Many businesses have likely spent the last few years getting their digital ducks in a row, and they may soon be ready to refocus on improving performance in those more traditional areas.



What's Next?

The visibility and value of social and digital marketing have driven the most recent revolution in marketing communications. Their fluidity and constant change as well as their universal access will command the attention of marketers for years to come. It will also impact the challenges of agency performance, with businesses placing a greater focus on measuring results and holding agencies accountable for them.

And just a cursory glance at headlines packed with tech acronyms—5G, AI, VR, IoT—signals more changes ahead. Stay tuned for more.



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