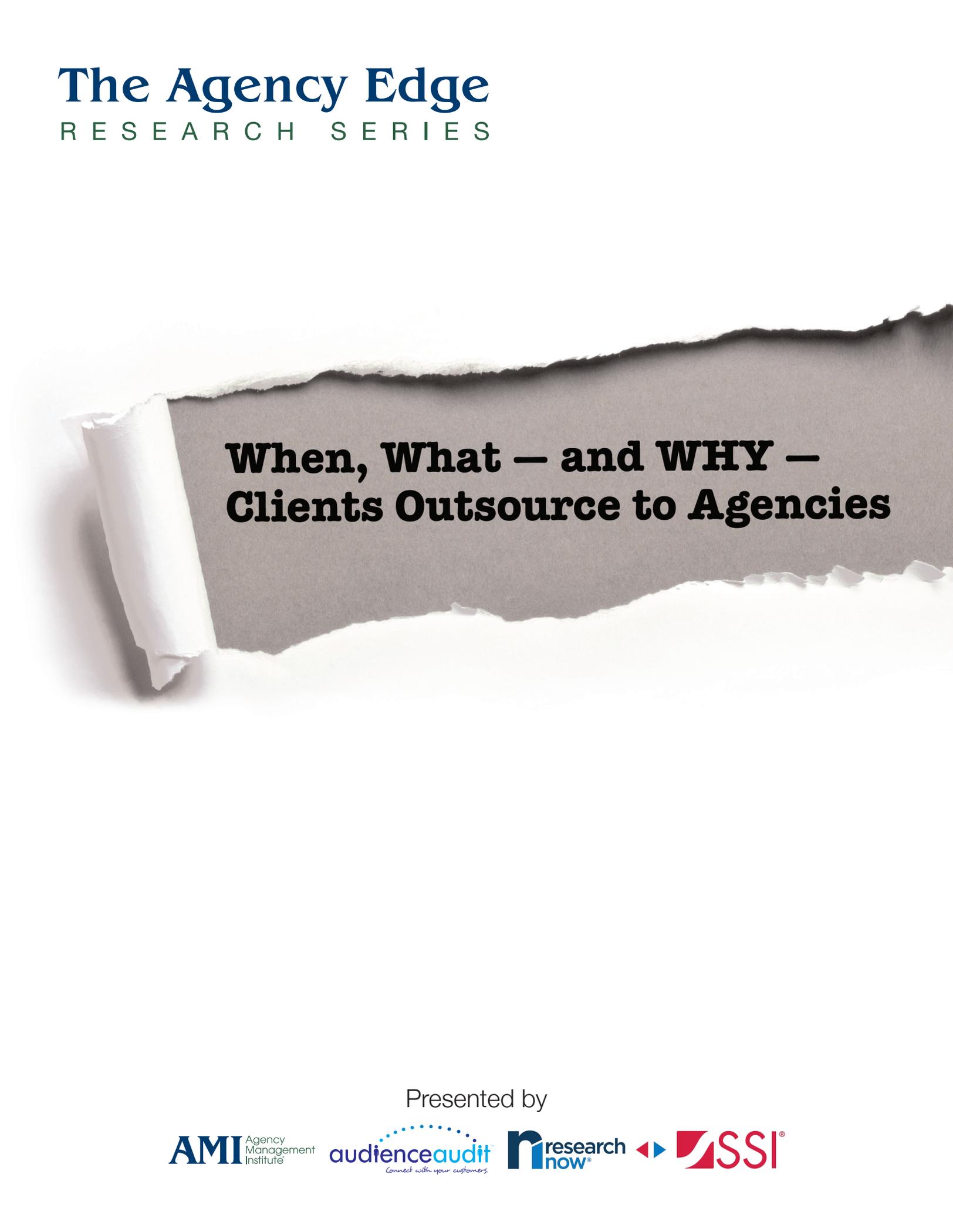


The Agency Edge

RESEARCH SERIES



When, What – and WHY – Clients Outsource to Agencies

Presented by





Introduction

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 what work organizations keep in house, why they choose to outsource, and how they decide on the right partners to do that work.



The Problem

The business of outsourcing marketing work is cyclical. Clients engaged in large-scale cost control initiatives decide to bring their marketing efforts in-house, only to find their own teams overwhelmed, spread too thin and unable to bring the necessary specialized expertise to bear on an increasingly complex marketing environment. They outsource, then again are pressured to reduce marketing budgets.

In addition, the ever more diversified and crowded market of providers, software tools and automated solutions give agencies a run for their money in gaining the attention of clients who may be more inclined to try flashier, “high-tech” options for getting the work done.

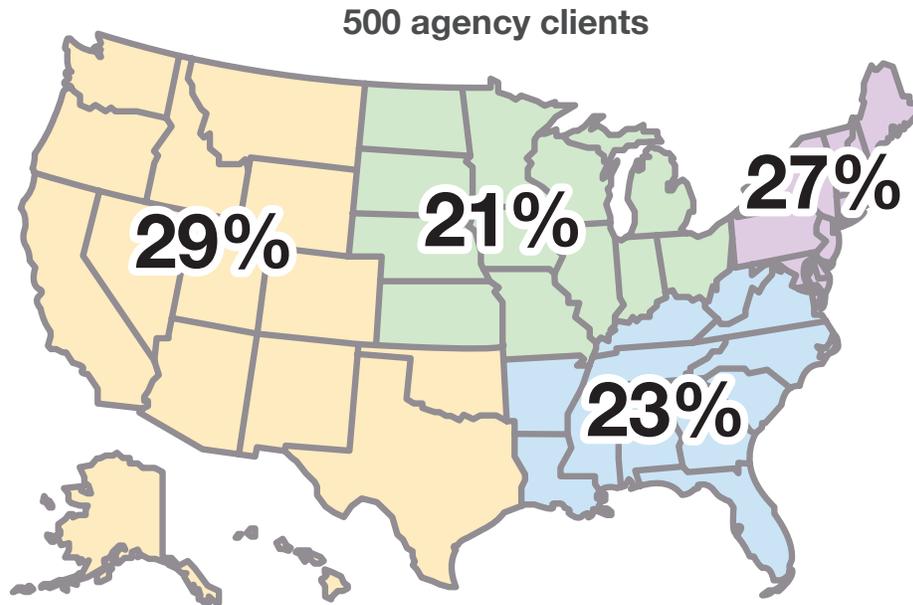
Our goal in this study was to understand who is making these decisions, why they choose to outsource aspects of their marketing activity, and how agencies can structure their own messaging to communicate their value to the clients they want to serve.



The Research

AMI and Audience Audit developed an anonymous online survey to respondents who are decision-makers when it comes to outsourcing marketing work.

Working with leading online sample provider Research Now SSI, we gathered survey responses from 500 respondents across the U.S.

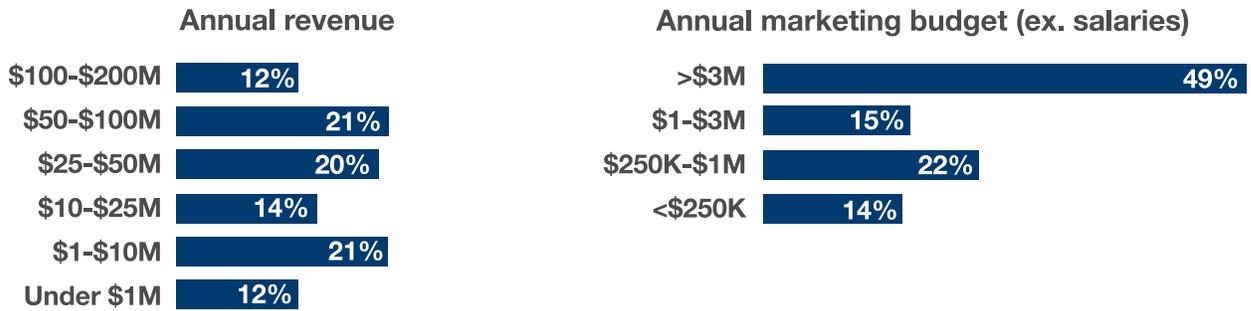




The Respondents

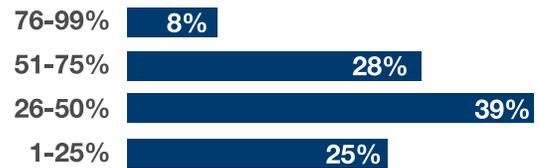
Their Organizations

Respondents report working for organizations generating less than \$1 million annually to those generating up to \$200 million. They report gross marketing budgets up to \$10 million, with nearly half saying they have a budget of \$1 million or less.



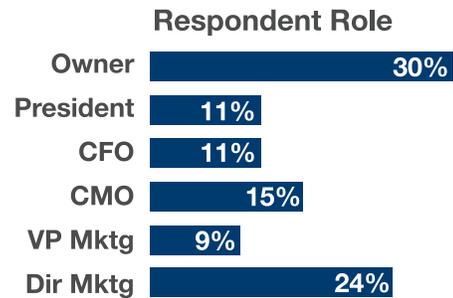
All outsource some percentage of their marketing work, and handle the rest in-house.

% of marketing work outsourced



Their Roles

Survey respondents held a range of senior roles in their organizations, from senior executives to Marketing Managers. 30% are owners.





Attitudinal Segments

Fundamental differences between respondents were revealed through the process of attitudinal segmentation. Every respondent was asked to rate the extent to which they agree or disagree with each of a list of 28 statements. The list included statements such as:

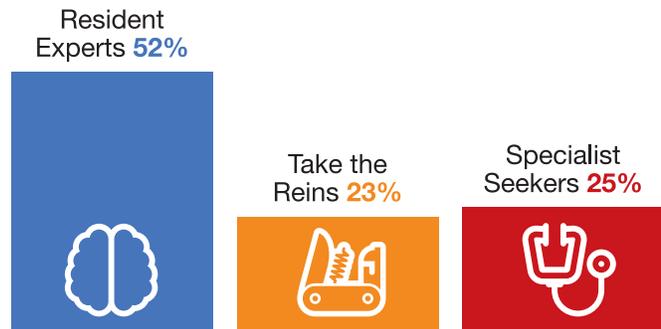
- Marketing today requires a lot of specialized expertise.
- Outside marketing help costs more than it should.
- Marketing isn't that difficult.
- I'd never trust an agency more than I trust my own marketing ideas.

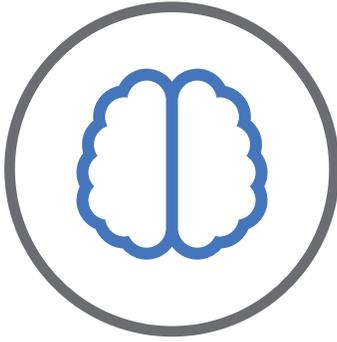
These ratings were analyzed statistically to identify those statements which, for a significant number of respondents, are fundamentally related in terms of how those respondents feel about them.

This approach allows us to look beyond the respondents' demographics or company characteristics and see how they view agencies and the role they play.

The results revealed respondents who feel very differently about the value of agencies and when they make sense for their own organizations.

Attitudinal segments





Segment 1: Resident Experts (52% of respondents)

This is by far the largest group of respondents in the study, representing over half of respondents. Resident Experts are dismissive of their organization's marketing capabilities and efforts:

- My organization thinks it's better at marketing than it really is.
- My organization doesn't consider marketing a high priority.
- My organization has no idea what to do when it comes to marketing.

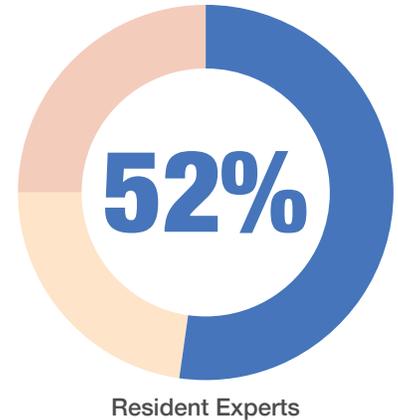
However, they also say:

- Marketing isn't that difficult.
- I'd never trust an agency more than I trust my own marketing ideas.
- I worry that outside marketing providers won't give my organization the attention it deserves.
- Outside marketing help costs more than it should.

In short, this group feels that while their organization isn't great at marketing, they themselves know what needs to be done and that providers should be able to easily carry out their vision.

The majority of bigger budgets are held by the Resident Experts in our study — they command 61% of the budgets over \$3 million, and 56% of those between \$1 million and \$3 million. 58% of these respondents have a budget over \$3 million, compared to 47% of the Specialist Seekers and only 31% of the Take the Reins respondents. Amplified by the fact that they are more than half of respondents in the study, and by the fact that they outsource more of their marketing activities than the other segments, Resident Experts command the vast majority of projects and dollars available for agencies.

Resident Experts are, on average, younger than the other segments — 76% of them are under 40, compared to 52% of Take the Reins respondents and 62% of Specialist Seekers.



Resident Experts



Segment 2: Take the Reins (23% of respondents)

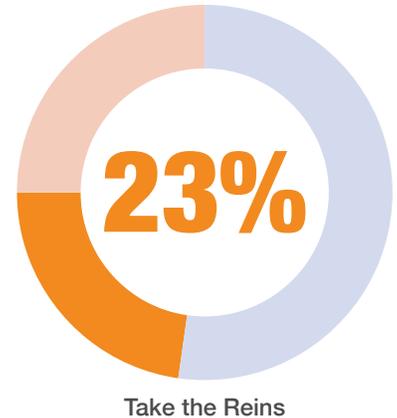
This group of respondents readily admit that their organizations need outside marketing experts to:

- Determine their marketing needs;
- Coordinate all of their marketing activities and providers;
- Generate fresh ideas;
- Assess the effectiveness of their marketing activities.

They are seeking partners who can strategically advise them, coordinate their efforts and the efforts of other providers and execute their marketing initiatives.

One telling characteristic of this group is the fact that they command far fewer dollars than the other two segments. They hold 46% of the budgets under \$250K, despite the fact that they represent only 23% of the respondents in the study.

These respondents represent 42% of the respondents 60 years or older. While we see representatives of all three segments in this age group, Take the Reins respondents are twice as likely to be in this age group as their representation in the study would suggest.



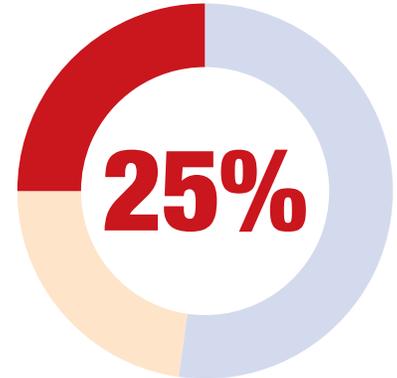
Take the Reins



Segment 3: Specialist Seekers (25% of respondents)

These respondents work in an organization that already does a good job of marketing.

- They can handle most of their marketing needs in-house;
- They keep up to date on new marketing tactics and approaches;
- The organization develops effective marketing strategies in-house;
- They understand today's marketing environment well.



Specialist Seekers

They also acknowledge that marketing today requires a lot of specific technical expertise and value partners who can provide specialized capabilities and know-how that falls outside their organization's own scope.



Other Differences

Age Differences

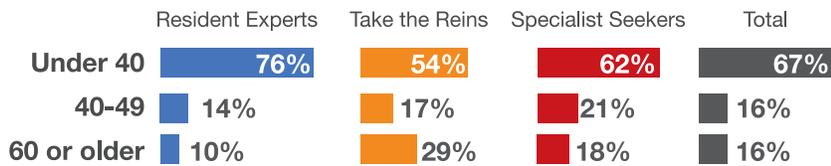
A whopping 67% of the decision-makers in our study are under the age of 40. This is the youngest group of decision-makers we've seen and represents a significant change for agencies vs. prior years.

Respondent age



76% of Resident Experts are under 40, compared to 54% of the Take the Reins respondents and 62% of Specialist Seekers.

Age by segment

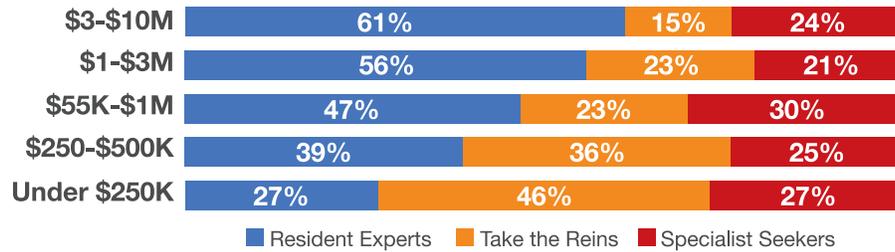




Other Differences

Budget Differences

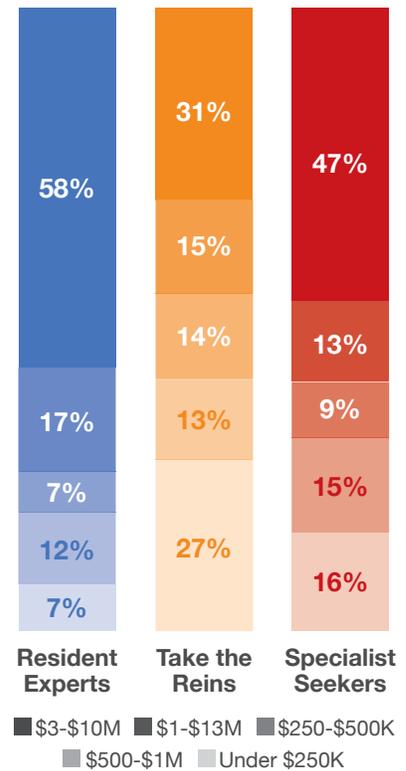
Resident Experts control the majority of budgets over \$1 million.



58% of Resident Experts have budgets between \$3 and \$10 million. Take the Reins respondents, on the other hand, are just as likely to have budgets under \$250K as they are to have budgets in the higher range.

Other than the age and budget differences, we saw no demographic characteristics that could reliably be used to categorize a given prospect into a particular segment. And even with respect to age and budget, we see representation of all three segments across all ranges of those characteristics. As we find in many of our studies, it's their attitudes (and not their business or personal demographics) that represent the relevant differences between these respondents for marketing and sales purposes.

Budget by segment





Agency Assumptions That Need To Go Away

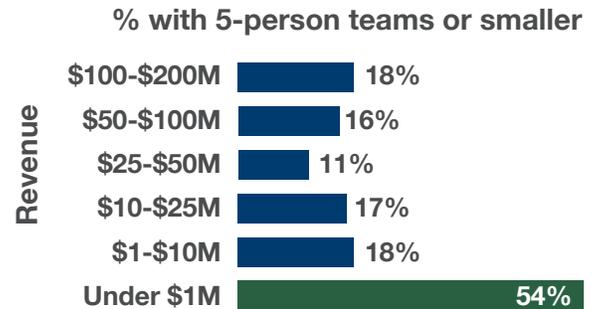
In light of these findings, we elected to explore three fundamental assumptions that agencies have about the organizations that offer outsourcing opportunities:

Assumption 1: Size Matters

This assumption has a number of common expressions:

1a) Smaller clients have the smallest in-house marketing teams.

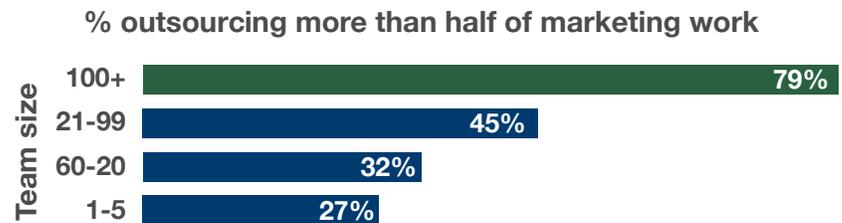
Other than the very smallest clients in our study — those generating under \$1 million in revenue annually — this assumption fails to hold up. Whether generating \$1 million or \$100 million, 11-18% of respondents in the study say their internal marketing team consists of 5 people or fewer.



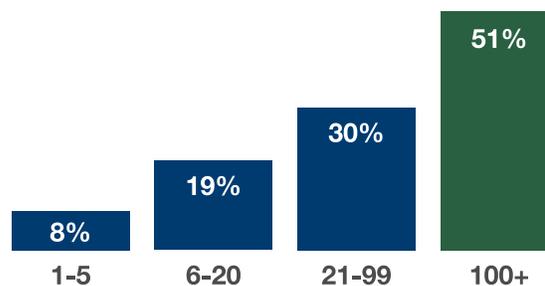
1b) The smaller the in-house team, the more the client will rely on partners to conduct marketing activities.

Our study also failed to substantiate this assumption. In fact, our respondents indicated that the group most likely to outsource more than half of their marketing work is, in fact, those with teams of 100 people or more. 79% of these respondents say their organization outsources more than half of their marketing, compared to only 27% of those with teams of 5 or fewer people.

In addition, 51% of respondents from the organizations with the largest teams say they wish they could outsource ALL of their marketing work, compared to only 8% of those with the smallest teams.



% always wishing that marketing work could be outsourced, by team size





Agency Assumptions That Need To Go Away

1c) The smaller the client, the more likely they are to outsource strategy.

A common assumption is that smaller clients are more dependent on outside partners for marketing strategy development. While we found high numbers of respondents saying their organizations outsource at least some of their marketing strategy, those with larger teams are more likely (84%) than those with the smallest teams (66%) to say they're doing so.

% outsourcing some marketing strategy development





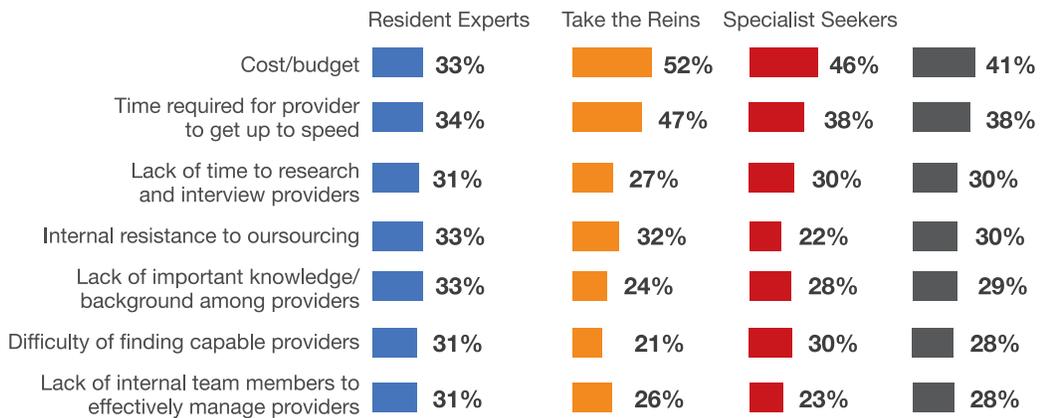
Agency Assumptions That Need To Go Away

Assumption 2: It's Always About the Money

2a) Cost is the biggest barrier to outsourcing.

Cost is definitely an issue when considering whether to outsource work — 41% cite it as a concern, followed closely by the time required for a provider to get up to speed, lack of time to research and interview providers and internal resistance to outsourcing.

Biggest barriers to outsourcing by segment



However, when respondents were asked about the most important characteristics of choosing a marketing partner, cost is far down the list of considerations. On a list of 20 potential qualities we listed, “low cost” was selected by only 32% of respondents, making it sixth on this list. More respondents chose “ability to get work done quickly”, “ability to handle difficult or complex projects”, and “ability to work with minimal oversight by us”.

Most important qualities in marketing providers



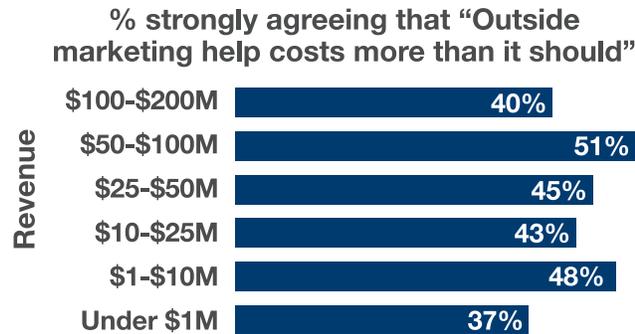
Overall, the distribution of votes across both the list of barriers and the list of important characteristics for outsourcing partners reveals that organizations have far more complex concerns and needs than just a simplistic focus on price.



Agency Assumptions That Need To Go Away

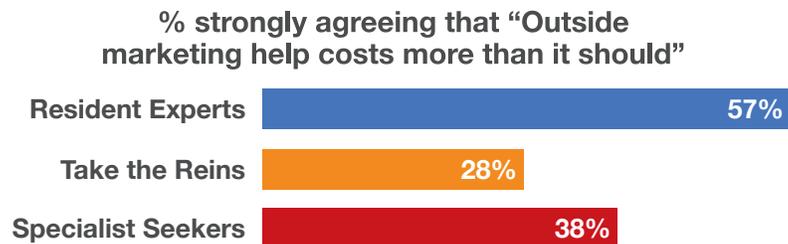
2b) Clients with smaller budgets and teams are more likely to feel outside help isn't worth the cost.

Overall, 51% of respondents in the study strongly agreed with this — but it doesn't vary substantially based on the size of budget. It does, however, vary by team size — but not as we might have expected.



65% of those with 100 or more people on their internal marketing team strongly agree that outside marketing help costs more than it should — but only 38% of those with teams of 5 or fewer feel the same. Generally, the larger the team, the more a respondent agrees with this statement.

However, opinion on this DOES differ significantly by segment. 57% of Resident Experts (who also believe "marketing isn't that hard") strongly agree, but only 28% of Take the Reins and 38% of Specialist Seekers do.





Agency Assumptions That Need To Go Away

Assumption 3: Clients Want Big Ideas

3a) Strategic insight is the most valued capability when considering outsourcing partners.

In fact, among our list of 20 qualities of marketing providers, “strategic insight” comes in at #17 — a poor showing, with only 16% of respondents identifying it as a most important characteristic.

Other qualities which agencies would likely consider elements of “strategic insight” do fare somewhat better — “fresh ideas” (34%), “understanding our target customers” (30%) and “understanding our industry or category” (26%) suggest that different terminology may be more appealing than the “strategic insight” umbrella.

Most important qualities in marketing providers



3b) Small clients want strategic insight more than large ones.

Regardless of revenue, budget or team size, this term was ranked far lower than the other strategy-related but more specific terms mentioned above.



Recommendations

General

- **Know Who You're Talking To**

Each of these three segments see their need for — and their relationships with — agencies very differently. While agencies (and their salespeople) may be targeting prospects based on industry, geography, revenue, budget or team size, it would benefit them to consider the attitudinal differences as well.

Agencies who want to “own” a client relationship, in effect becoming their strategic advisor and owning the lion’s share of their marketing work, need to recognize that the best opportunity for this will be with Take the Reins prospects — who also come with challenges, including smaller budgets.

Agencies looking for lots of work from a single client, and sizable budgets, need to prepare for Resident Experts who may balk at suggestions that the agency should be developing strategy.

- **Stop Going On About Strategic Insight**

Despite the fact that many of the respondents in our survey indicate that their organization is, in fact, outsourcing marketing strategy development, only 16% of them say that this is an important quality when considering outsourcing partners. Resident Experts and Specialist Seekers likely believe they are already doing this well, while Take the Reins respondents appear to be more focused on specific benefits such as understanding their target customers.

Our belief is that the discrepancy between the percentage of respondents identifying this as a key quality (low) and those actually outsourcing strategy work (high) is because of a developing level of trust between their organizations and their marketing partners. In selecting a partner, the ability to get complex work done quickly with minimal oversight trumps everything else — but once a relationship is formed and working well, clients are obviously allowing their partners to engage in more of their strategy development.

- **Understand Their Battles**

A whopping 84% of our respondents say key decision-makers in their organizations are actively trying to keep marketing work in-house. 75% say that these differences of opinion complicate decisions about whether to outsource marketing.

Convincing these forces that outsourcing benefits the organization and positively impacts the bottom line is an effort that must be won for agencies to get the work — meaning agencies need to provide content and evidence that supports their case.



Recommendations

Segment-Specific

- **Resident Experts**

Agencies wanting to work with Resident Experts need to keep their egos at bay. These respondents will want to guide the marketing strategy and tactics and agencies need to respect their ideas and partner with them to bring their vision to life.

Key for this group is to make it easy for them to work with you. These respondents have a lot of work going on and the easier you can make it for them to stay involved but not overwhelmed, the better partner you'll be.

- **Take the Reins**

For these prospects it's important to show the agency's smarts without sounding condescending. They are looking for guidance and they respect expertise, so providing insight as to how your recommendations are made and how they tie into an overall strategy are key.

They will welcome your ability to coordinate their various partners to ensure that work is aligned, so don't hesitate to offer that service.

And cost-saving for this group is key — providing various options to accomplish an objective will be appreciated.

- **Specialist Seekers**

A general “we can do anything” pitch will fall on deaf ears with this segment. They only need help with special projects or specific services they can't handle well — so agencies need to do their research before proposing their expertise.

These respondents also have a higher level of concern about the confidentiality of their information, so demonstrating how you handle highly sensitive background info and plans will be important.



Study Methodology

Respondents were secured through a Research Now/SSI panel and completed a 15-minute online survey. 501 respondents completed the survey, yielding an overall margin of error of +/- 4.3 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 BOLO, 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](#)



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 quantitative audience insights. We help organizations harness the power of custom 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 Research Now SSI

Research Now SSI is the global leader in digital research data for better insights and business decisions. The company provides world-class research data solutions that enable better results for more than 3,500 market research, consulting, media, healthcare and corporate clients. Research Now SSI operates globally with locations in the Americas, Europe, and Asia-Pacific, and is recognized as the quality, scale, and customer satisfaction leader in the market research industry.

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