

2022 OUTLOOK: Marketing Agency Leadership Report

What Agencies Are Expecting for the Year Ahead: Growth, Operations & Morale

Deltek.

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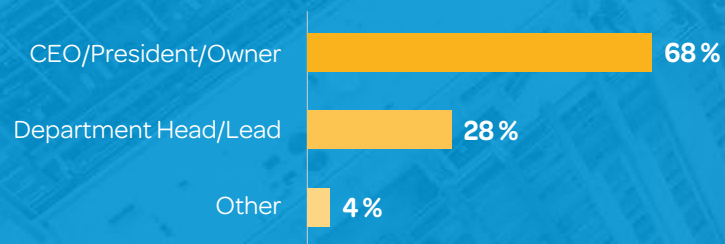


Table of Contents

The 2022 Marketing Agency Leadership Survey reveals that for the year ahead we are seeing an emphasis on profitable growth, streamlining operations and talent retention/acquisition. At the same time, the continued drain on talent expected as many agencies struggle mightily with efforts for both retention and attainment

The following pages of this report serve as a precursor to the year ahead – helping you understand the mindset of hundreds of agency leaders, what keeps them up at night and the challenges they expect to overcome in order to grow.

Participants Profile



- 03** Executive Summary
- 04** Top Goals
- 05** Top Challenges
- 06** Income Growth Projections
- 07** Income Growth Sources
- 08** New Client & Opportunity Types
- 09** Profit Projections
- 10** What Will Impact Profits
- 11** Client Spending Confidence
- 12** Health & Well-Being Initiatives
- 14** Annual Turnover Rate
- 16** DE&I Progress & Priority
- 18** Agency Efficiency Progress
- 20** Areas of Investment
- 21** Worries for the Year Ahead
- 23** Conclusion

Executive Summary

Overall, agency leaders who participated in this survey are optimistic about 2022 – citing confidence in the market to have increased needs (and budgets) while presuming the worst of the talent flight is behind them.

Ahead of them, are challenges in penetrating new verticals for new biz, streamlining their operations for better margin, developing skillsets to keep them on top and creating a DEI culture that is authentic and ever-evolving. A few key takeaways to consider are:

- **Agency CEOs are confident client spending will increase** at its current rate (or better) in 2022.
- **A focus on more profitable bottom-line growth** than previous years is evident as concerns about operational efficiency are increasing and multiple comments relating to “lack of systems” found.
- **Improving systems and processes will reduce dependency on your people.** Invest in systems, software and tools to make your people more productive. At the same time, when people leave, the IP remains in the agency system, not with that individual walking out the door.
- Yet, many agencies are **still relying heavily on “profitable new business wins”** to improve the margin while, at the same time, expressing concern for how they will do that and make their brand position stand out from “a sea of sameness.”
- **The industry is going through its own “supply chain” issues.** Part of what the industry provides is professional services, which require talent to execute. When asked about talent issues (Health and Well-being, Retention, DE&I), respondents gave themselves high marks, but had little detail to back up the idea of having actionable plans in place with measurable goals.
- **Agencies are focusing more on professional development.** Up skilling with the day-to-day and strategic skills and new capabilities that will be of greatest value to clients. We see this as a health, wellness and retention strategy.
- **Many expect health and well-being to improve with the reduction of external pandemic stresses** and the “worst” of the turnover is behind them.

Top Goals

While the answers offer no surprise, the order does.

Pushing for ever-increasing profits via new client wins or 'more logos' is almost always the number one answer. However, the impact of the past two years on businesses and the priorities of its workers (e.g. 'The Great Resignation') has caused a wave of upheaval with deep ripples in the agency industry people supply chain – moving talent issues to the top of the answer pile and the top of everyone's mind.

Top three most important business goals for the year ahead

1



**Talent Acquisition
and Retention**

2



**Driving
New Business**

3



**Operational Efficiency/
Process Improvement**

Answer Choices	Responses
Resource Planning: knowing I have the right amount of full time and freelance staff to match my new business pipeline and expected revenue	34.02%
Financial Forecasting: transparency and confidence in expected revenue	15.46%
Financial Forecasting: maintaining/Improving cash flow	6.19%
Clients: accounts leaving the agency	6.70%
Clients: budget cuts resulting in reduced work	9.79%
Clients: budget cuts resulting in reduced fees	6.70%
Clients: work moving in-house	10.31%
New Business: no system or process in place to consistently bring in new business	21.13%
New Business: have not yet made the required investment in resources/staffing	5.67%
New Business: difficult to break through agency "sea of sameness"	18.56%
Competitive Reviews/RFPs: fewer invites	4.64%
Competitive Reviews/RFPs: low win rate	10.31%
Organic Growth: account teams not assertive enough	14.43%
Organic Growth: not using a consistent system or process	6.19%
DE&I: making meaningful progress to staff/agency partners	8.76%
Talent: turnover	25.77%
Talent: finding the right talent	35.05%
Talent: managing teams effectively when they're remote/in-office	10.82%
Talent: health and wellbeing	13.92%
Agency Leadership: improving the effectiveness of my personal leadership	5.67%
Agency Leadership: improving the effectiveness of my management/leadership team	22.68%
Other	3.61%

Top Challenges

The top challenges broadly represent process, workflow and client retention – with talent clearly in the lead.

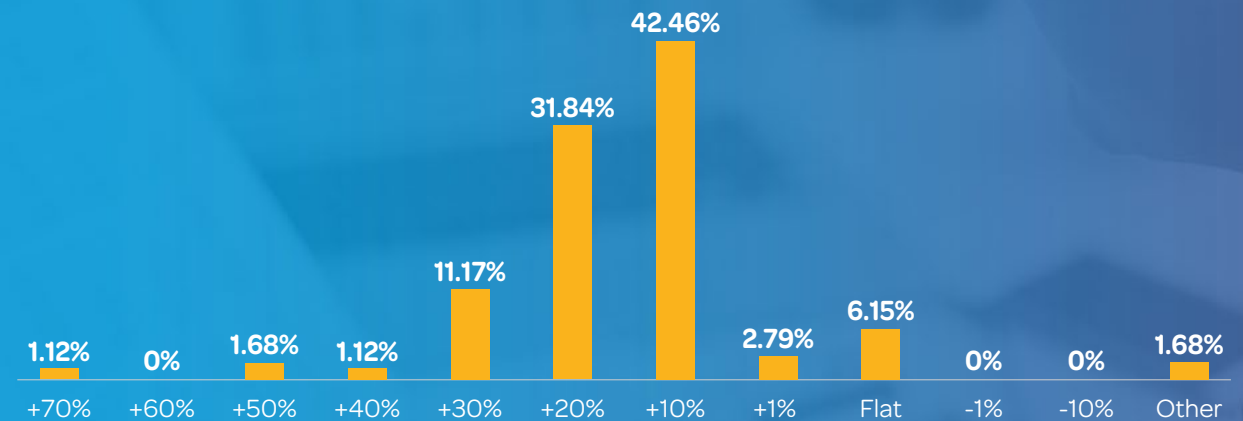
As previously highlighted in the first question, the talent supply chain has diminished and the acquisition and management of new and existing people is top priority. As we look deeper, we see challenges centered on resource planning, revenue forecasting/management and other operational issues that may be alleviated by operational upgrades. In addition, process improvements around onboarding, leadership and new business could further reduce friction and have a lasting impact on agency culture.

Income Growth Projections

With the continued expanding economy and budgets, these high growth numbers aren't surprising, and even more encouraging when you consider them compared to 2020, which already had high growth.

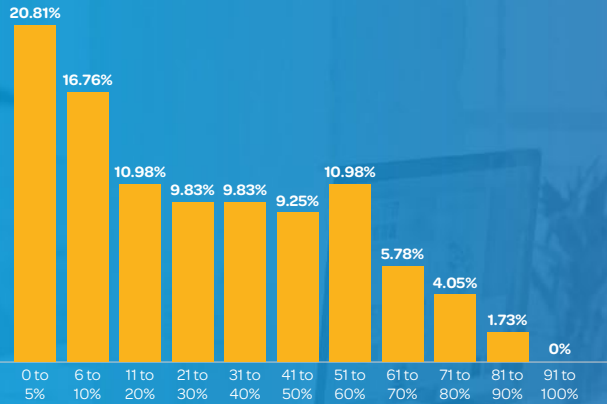
More than 90% of participants expect income growth in 2022. However, when you compare this against the bottom line growth, the responses are similar, which means top-line and overall profits are growing, but client margin percentage is not. Perhaps this is a signal for better-detailed scopes, improved communications, or even a review of the current service agreement with key clients.

For the year ahead, how do you project your gross income will change? (not including media billings)

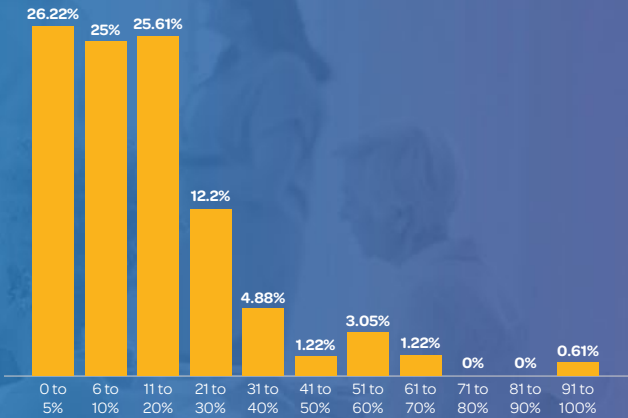


SOURCES OF TOP-LINE GROWTH

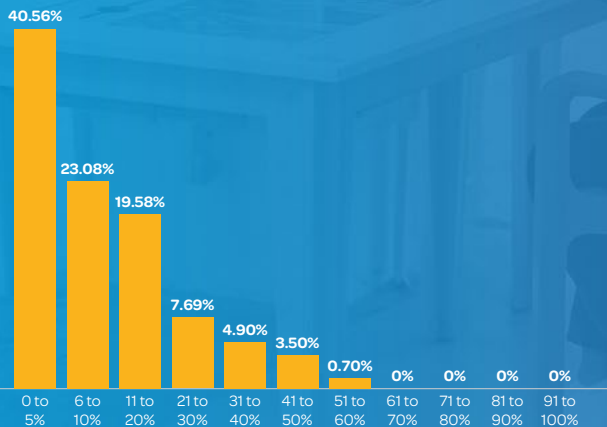
Growing Current Clients (%)



Proactive Prospecting (%)



Competitive Reviews/RFPs (%)



Referral (Resulting in a New Project, not an RFP) (%)



Income Growth Sources

We see a new focus on Organic Growth and Prospecting as revenue, as opposed to pitching new business.

This is a big shift from just a few years ago, when focus was on pitching with heavier reliance (or confidence) on RFP opportunities and wins. Many agencies will need to address immediately which clients and projects are truly profitable and which unique skillsets set it apart (e.g. positioning) to better focus their efforts and increase their chances to grow from within.

New Client & Opportunity Types

"Fewer clients, appropriate budgets, more aligned with our values and expertise."

"More sizable, recurring project work, expanding our representative footprint, growth in new categories."

"Progressive companies, integrated mandates (multi-disciplinary)."

Top Client Verticals



Healthcare



Financial Services



Tourism



Higher Education



Hospitality

Top New Work Initiatives



Performance based projects



Expand creative service offerings



Increased digital marketing (paid, owned, earned)

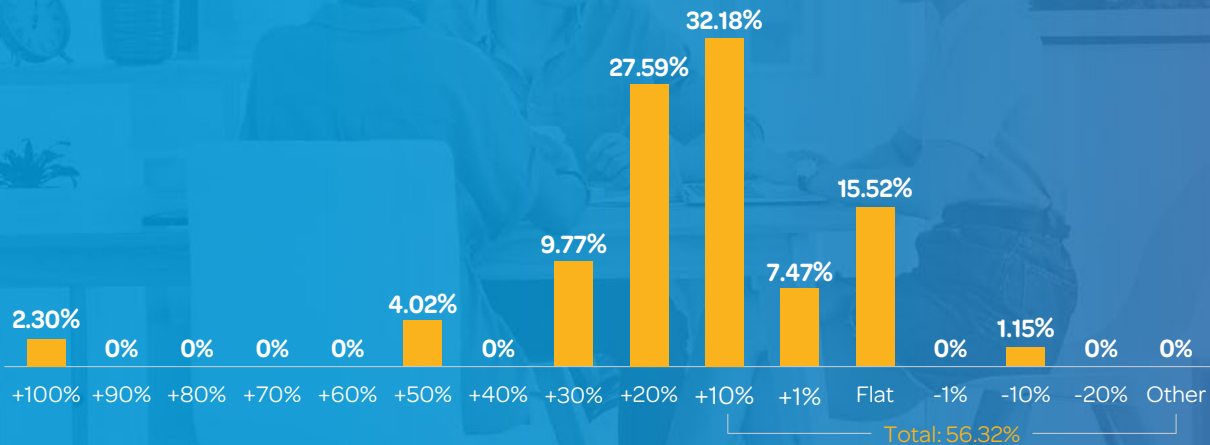


Experience design



Brand definition and activation

For the year ahead, how do you project your agency profit will change?



Profit Projections

When comparing responses for top-line vs bottom-line growth, we see agencies projecting higher growth in opportunity, but have lower confidence in their ability to profit more.

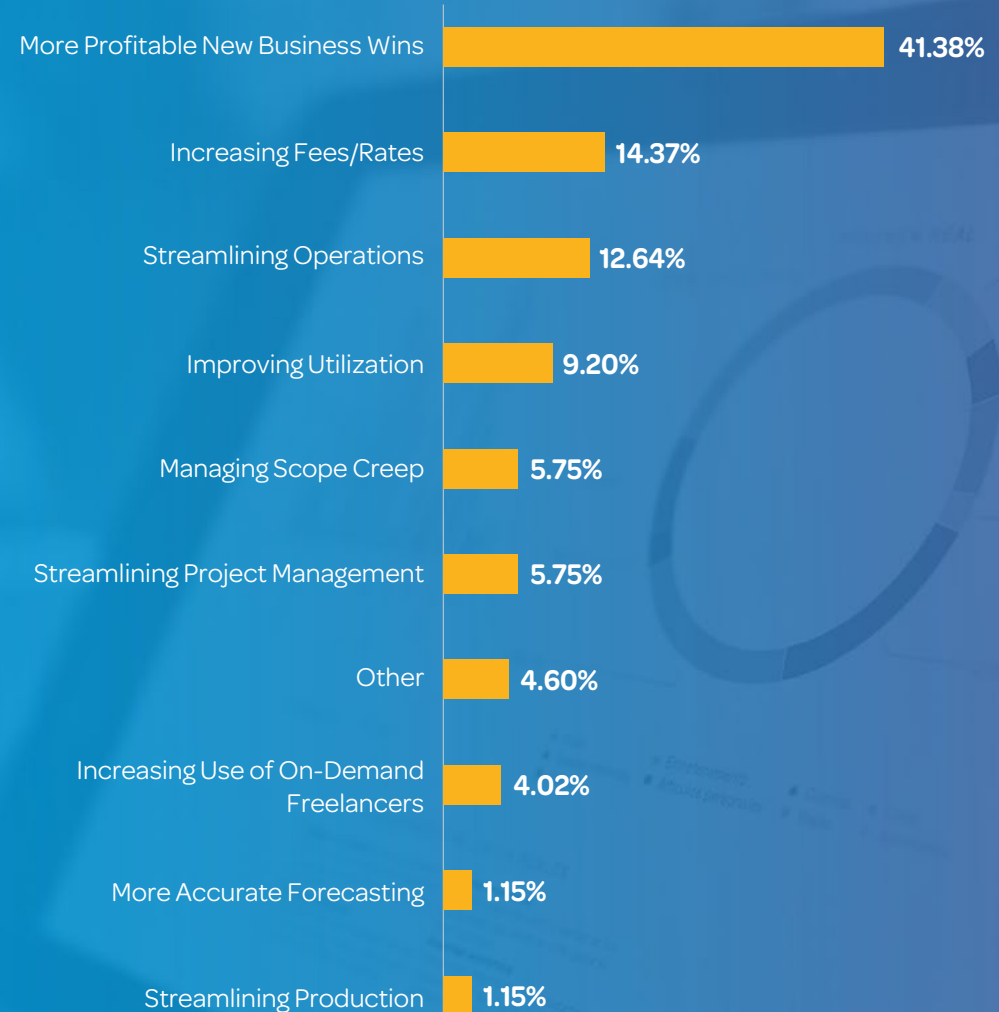
Of those reporting > 50% top-line growth, nearly 2/3 expect less than 20% profit growth. Of those reporting > 40% top-line growth, half expect less than 30% and half expect less than 20% profit growth. Perhaps this is a signal to revisit (increase?) fees for the upcoming year or expose those project bottlenecks adding hours and killing profits.

What Will Impact Profits

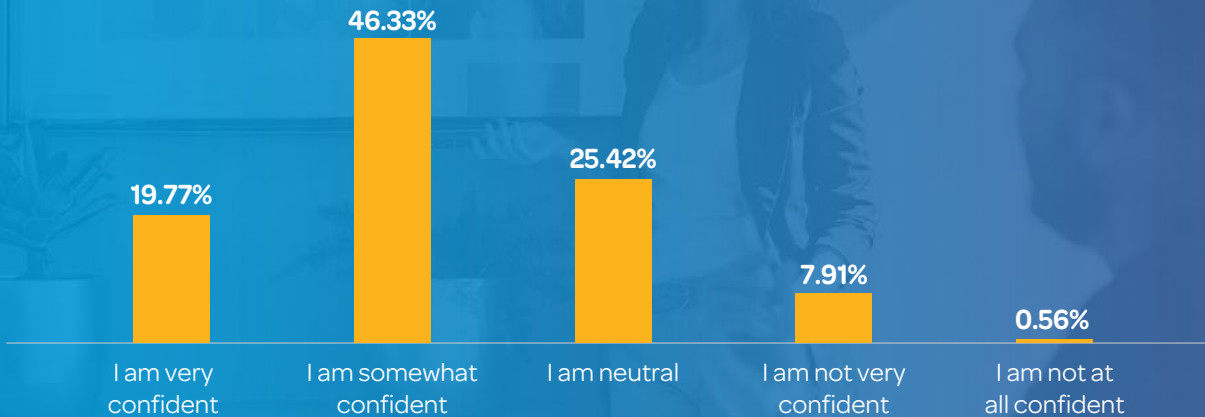
New business above all, increased fees and better operational management are dominant themes.

The surprise here is that agency respondents have ranked first “more profitable new business wins” - the most unpredictable of all means for improving margins. Not only do they need to prevail in the win, they also need to negotiate favorable fees to preserve that increased profit. This could be a huge blind spot for growth versus more controllable methods like streamlining operations (better project management, less scope creep, faster production) to find profits that are already there.

For the year ahead, what do you forecast will have the greatest impact on improving your profit?



How confident are you that client spending will continue to increase at its current rate in the year ahead?



Client Spending Confidence

Approximately 65% of responses signal confidence in increased client spending, with 25% remaining neutral on the topic.

With social media and influencer marketing spends expected to increase, in addition to travel, event and experiential spends, there are certainly plenty of signs pointing upward. For those with less confidence, there is little argument - considering the existing unknowns surrounding the pandemic, global supply chain issues and inflation.

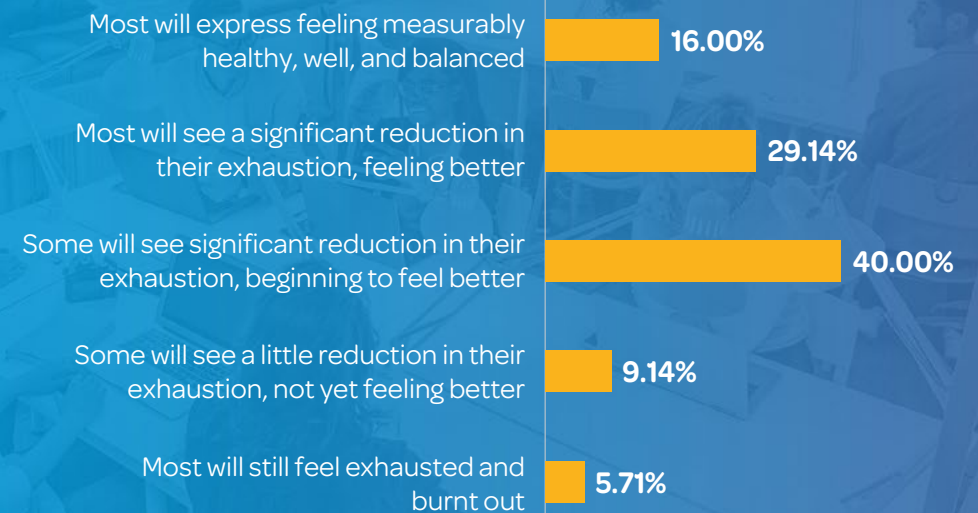
Health and Well-Being

Focus on work-life balance has increased over the past two years as we have all been dealing with continued unusual and unknown situations regarding the pandemic.

Are the pandemic-era pressures and uncertainties behind us? Employer efforts to enhance the health and well-being of its employees have increased, but has it been enough? For most answering this survey question, there is confidence that the worst is behind us and efforts to 'feel better' are working. Perhaps there is a sense that we've finally accepted our new normal and have found ways to adapt to this ever-changing environment.

"We have allowed our team to decide what their working scenario is for the future. Whether it's in-office, at-home, or hybrid, the past 18 months showed us we can function best when we're functioning based on our individual needs, while keeping what is best for our company and our clients at the heart of decision-making. We are thriving and will continue to do so."

In the year ahead, how much progress do you expect to make against this priority with your staff?



WHAT RESPONDENTS ARE SAYING: HEALTH AND WELL-BEING

“Improving our internal process and providing clear expectations for each role. Staffing is at 110% to avoid unnecessary pressure on the team.”

“Forecasting workload and resourcing to match forecasting of revenue, standing up resource management and workflow tools, creating consistent processes to avoid churn in the work, increasing profit margin to support adding staff.”

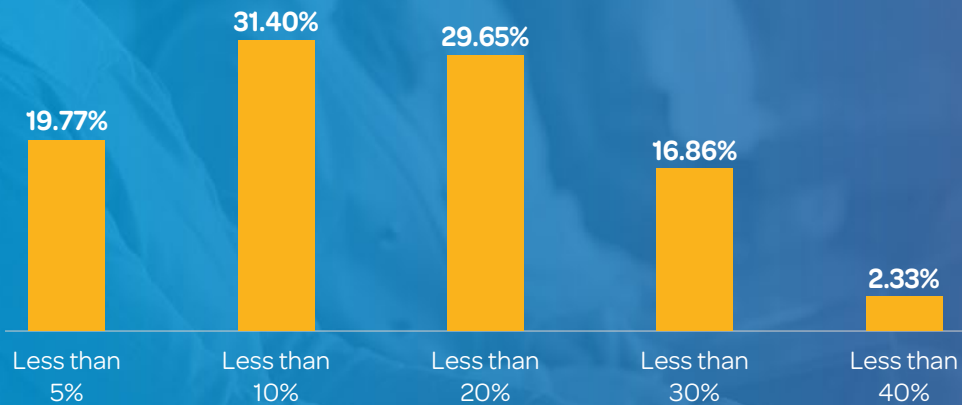
“Staffing and talent acquisition has been the #1 priority (and challenge) in 2021 to accommodate tremendous new business growth. We are finally right-sized against our SOW projections so employee utilization should be much better.”

“We are now in a place where our health and well-being has become a priority and have a team in place to look at an in-house programming. Recruitment is key to help move forward with everyone working at capacity.”

“Process optimization project in place, to help with better role clarity and effectiveness. Additional well-being benefits being put in place to help employees navigate through these difficult times; well-being allowance.”

“Proactively offering mental health resources, more regular manager-employee 1:1’s, more fun, informal virtual events so employees get to know each other better as people vs. coworkers.”

For the year ahead, what do you expect your annual turnover rate to be?



Talent Retention

Staff retention has always been a predominant issue at agencies.

However, never has it been more important than the past two years, as so many employees are moving on to new ventures more in line with their life goals or taking advantage of new opportunities with better salaries and working environments. The good news for this survey is 50% of respondents expect less than 10% turnover in 2022, signaling a slowdown in the turnover chaos and improved confidence in retention efforts.

“Focus is on getting the right people in the right seats from day-one, support them with a great onboarding experience and ongoing support, stay focused on professional development and personal reflection/time off to tend to self, family.”

WHAT RESPONDENTS ARE SAYING: TALENT RETENTION

“Stay interviews; exit interviews - analysis of trends and staying nimble to adjust and scale as we invest in employee development, reignite the company culture to create a sense of community/belonging.”

“Competition is fierce in our local market, currently. The need for experienced talent is great. We continue to offer competitive wages, benefits, a flexible work environment and the opportunity for team members to get in at the ground level with ideas for business improvement and growth.”

“We have focused on a major bonus incentive plan based on performance and sales goals. We are adding “perks” to our benefits program such as one wellness day off per month.”

“We value our people and are proactively thinking through plans to manage their time, socializing with other colleagues and prioritizing their well-being.”

“Working hard at this! Defined and tracked employee growth plans, lots of freedom to do work autonomously, 100% remote org structure with quarterly in person group summits, 2x/year company in person meetings incorporating business, fun and experiences.”

“We will be hiring additional team members to help alleviate over-work for existing employees. We’ll streamline processes where we can, and offer a flexible hybrid work from home/office model.”

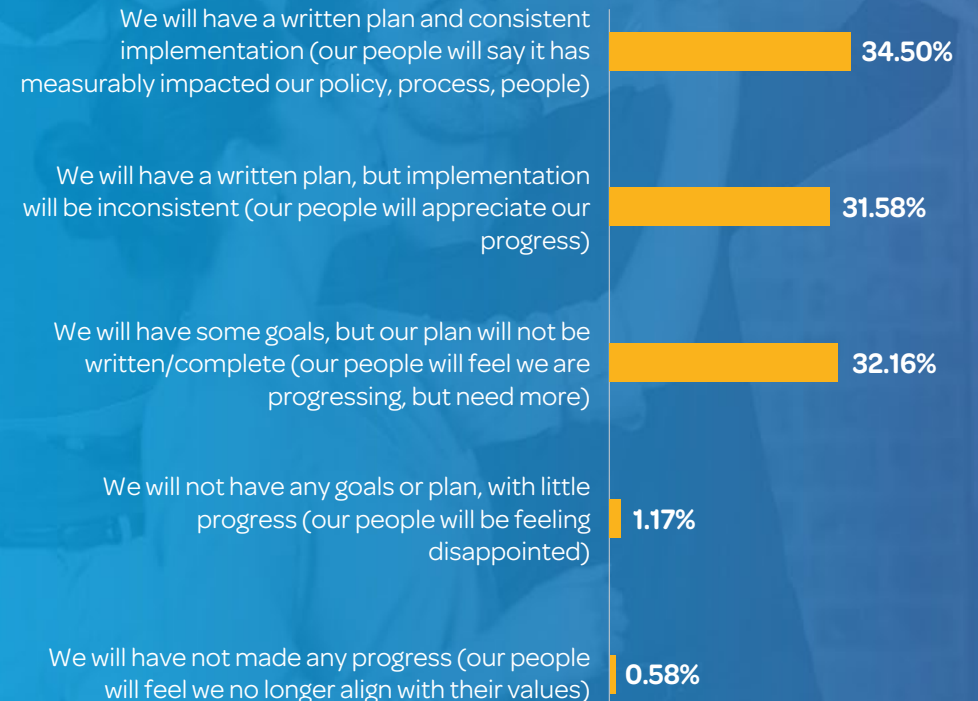
Diversity, Equity, and Inclusion

Equally important to the hiring and retention of staff are the many DE&I efforts that agencies are focusing on.

Much said this past year about the overall lack of diversification among agency employee rosters, with many calling out their own lack of effort and the impact it has on the quality of work and offerings to clients. For 65%+ of our respondents a written plan is in place with more than half of those reporting confidence in implementation. An additional 32% report goals without a written plan, with some work to do. Less than 2% have made little progress.

“We already have a written plan that has been implemented and managed by a dedicated DEI committee on our team, and that is also backed by community members and an advisory council to ensure they are holding our feet to the fire to make changes. We have created an official affirmative action internship program in partnership with our local community college district to help change the face of what the marketing and advertising industry looks like in our region, and formed business partnerships with companies and agencies to hire our interns.”

For the year ahead, how much progress do you expect to make against this priority?



WHAT RESPONDENTS ARE SAYING: DIVERSITY, EQUITY, AND INCLUSION

“We have a new DEI effort that is formalized and communicated throughout the agency. We’ve also aligned with industry efforts, such as Google, to mentor and hire new talent from diverse communities.”

“We have made significant measure towards diversity and inclusion. We have pulled together a board for diversity and inclusion and meet regularly to discuss current environments and share our campaigns and strategies for advice on marketing to diverse audiences.”

“We created and implemented our first Diversity Action Plan in August of 2020. We have a committee dedicated to implementing the plan. We just launched our first affirmative action internship program with a local community college to help change the face of marketing and advertising in our region.”

“We are hiring a DEI consultant who will audit where we are and help us to develop a strategy and plan for moving forward.”

“Strong, consistent momentum in this area to hire key talent, communicate goals/measurement. Now the hard work is on inclusion and belonging, and measuring through retention and promotion of bipoc talent and expanding this communication to our clients.”

“We’ve found it hard to find qualified candidates from under-represented groups. Our commitment is solid and we will keep working towards ‘better’.”

In the year ahead, how much progress do you expect to make against making your agency more streamlined and efficient?



Process Improvement

As agencies adapt to pressures from clients, employees and outside conditions (i.e. pandemic and inflation), it has become increasingly important to better control people, projects and profits.

A plan for streamlined operations - including better talent utilization, cost control, pricing, real-time accounting and forecasting - finds bottlenecks, prevents burnout and exposes hidden profits. Over 60% of respondents have a written plan with an expectation to see better margins and happier employees in 2022, with an additional 33% "working on it."

"Process was a key initiative and had a committee assigned to it. We've made some progress through identifying key areas to streamline or optimize to reduce pain points and increase efficiencies. Regularly asking for specific examples that aren't working and brainstorm ways to make it better - always willing to test a new process for 3-6 months and then adjust from there."

WHAT RESPONDENTS ARE SAYING: PROCESS IMPROVEMENT

“Last year we made an investment hire in a VP of Operations whose sole focus was to streamline our workflow and PM system. We implemented that this year and are now focused on reporting and analyzing to ensure we are working in the most profitable and productive way as a company.”

“We’re currently working to overhaul an entire department to modernize the approaches and solutions, streamline the planning, buying and billing and reduce the amount of admin support needed.”

“Our plan has been in the works for 4 years and we have just completed the final milestone, formalized training. We are bullish on our approach and expect to see results in the bottom line.”

“We’ve invested in infrastructure marketing tech to support automation and systematizing our lead generation and marketing for ourselves and clients among many other improvements.”

“We’ve made a lot of improvements in recent years in terms of project workflows, estimates and collaboration. I think where we hope to optimize further is around new business, not just in terms of getting wins, but getting them in existing verticals on accounts that fit nicely into our existing operations so that we’re able to achieve operational efficiencies on top of simply adding gross revenues.”

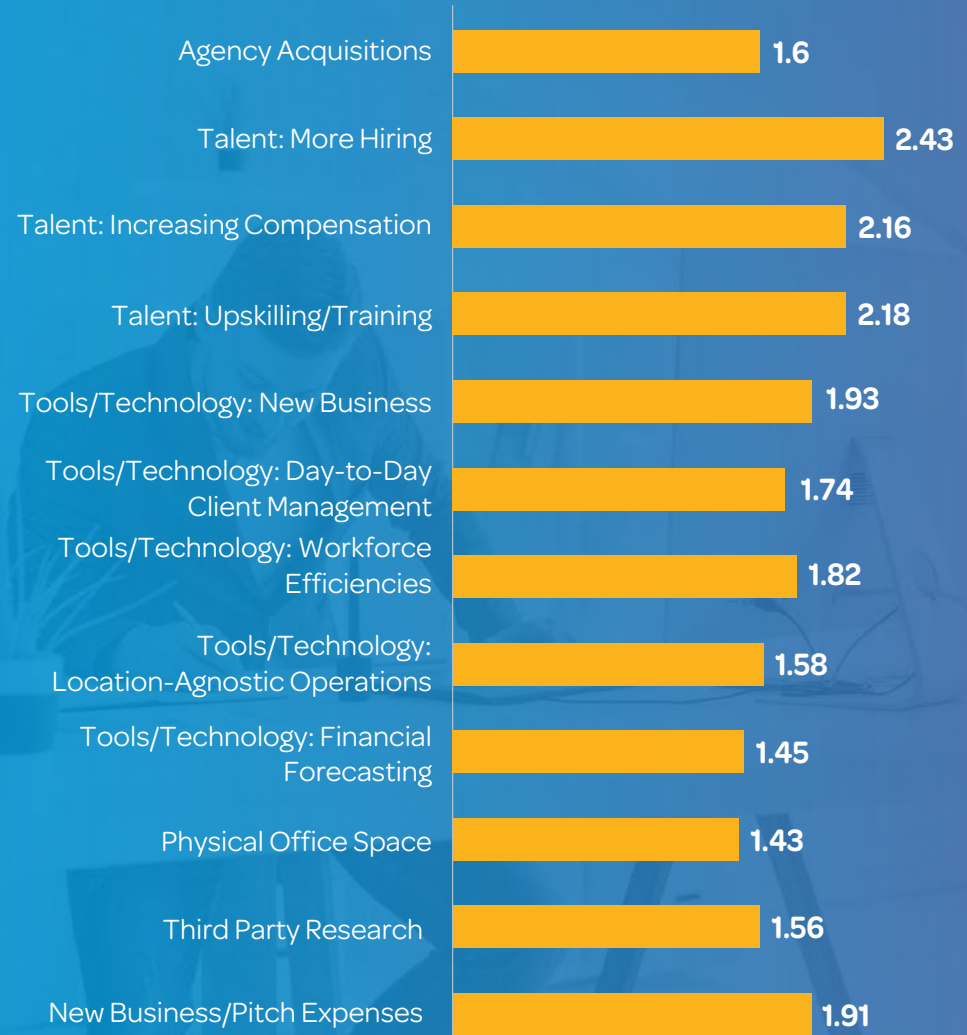
“We’ve created a process team at our agency to document and streamline process across all teams.”

Areas of Investment

Clearly, the first developmental priority in 2022 for those agency leaders responding to this survey is the acquisition and improvement of their greatest resource – their people.

They will also pay more for their talent, invest in better technology for operations and possibly increase their own marketing spend as they chase new business and hope to do more pitches.

In what areas of the agency are you "investment spending"?



Looking Ahead: What most worries you about the year ahead?

Respondents were given an opportunity to provide their answers in an open field form. The quotes on this page and the following page represent the most popular answers.

*“**Recruiting consistently** and fast enough to help our employees, our existing clients and potential clients that have been knocking on our door.”*

*“Evolution of the industry and **staying current.**”*

*“US and Global events outside of my control (**Covid, economy, climate change**).”*

*“Inertia. **Not moving fast enough** to not only stay ahead of - but take advantage of - the constant and rapid changes in technology, processes and people.”*

*“**Client expectations and having the right team in place to meet those demands.**”*

*“**People potentially leaving our industry** and not coming back, as they pursue different career options.”*

*“Ensuring we are successful in narrowing our new business approach and **retaining the talent to create cohesive teams** that will continue to upsell once we’ve won a pitch.”*

*“**Unpredictable economic environment** and the effect on our business growth and profitability.”*

*“**Achieving the right balance in growth, talent/agency leadership roles.**”*

*“**Lower budgets from clients with same creative expectations,** increasing rates of talent, increasing costs of day to day office and studio expenses.”*

*“Ensuring the agency continues to grow. Defining leadership within the agency. **Determining a new business process and implementing it.**”*

*“**The health of the agency, not only the bottom line-but the mind, body and soul of our people.**”*

Conclusion

Agency leaders are bullish about 2022 – citing an expectation of increased client spending, a favorable new business climate and a return to a more ‘normal’ state as compared to 2020-21.

Many will also look to streamline their agency operations to eliminate project management bottlenecks, increase utilization rates, better forecast revenues and find hidden profits.

In addition to business improvements, a focus on employee retention and key new hires is top of mind. Many exec teams are pushing forward with concrete plans to better diversify and develop their workforce while creating experiences that are more inclusive and offering additional training and education.

Top concerns include managing the dwindling talent supply chain while achieving better focus on an agency’s position and culture in order to better attract both talent and new business. All the while dealing with global inflation amongst the ebb and flow of pandemic outbreaks and the shifting expectations of today’s audiences.



About Mirren

Mirren is a firm that provides advanced training for agency and media sales teams. Ultimately, the goal is to convert more business – at a higher margin – by correlating everything back to client business impact. Mirren improves the skills of senior teams to more methodically generate organic growth and win more new business.

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