

The Next Wave Of Agency Growth: Agency Leader Checklist

As brands and agencies emerge from the shocks of the COVID-19 pandemic and into the headwinds of economic uncertainty, they face a heightened need for digital marketing to be an engine for growth. The CMO's future marketing partner will employ new and complex constructs of talent, technology, and creativity to deliver accountability, business impact, and differentiation.¹

Three forces shape the future of agencies: consumers' embrace of digital and craving for novelty; clients' expectations for differentiation and accountability; and advertising landscape shifts including a proliferation of publishers, privacy changes, and the rise of automation. While familiar and new challenges create hurdles for agency growth, client demands signal opportunities in creative, data analytics, and strategy/consulting.

This checklist is designed to help agency executives focus on key transformations that will enable them to keep pace with online consumer behavior, meet client needs, and capture opportunities for growth.

I. BUSINESS MODEL

To integrate more complex, strategic marketing needs and deliver better consumer experiences, many CMOs are turning to more frictionless marketing partner models.² The integration of agency, technology, and marketing services converges the landscape of holding companies, independent agencies, digital networks, and technology consultancies. The result evolves the industry from advertising delivered by individual agency brands to marketing solutions delivered by teams of unified specialists. This yields two recommendations for agency leaders seeking to evolve their business models:

1. Develop holistic client offerings through building and partnering on in-demand capabilities.

What the research shows: Clients need strategic agency partners more than ever: 79% of marketers indicate that their brands plan to increase spend on agency partnerships. Brands continue to require agency support for traditional agency domains including media planning, media buying, and performance execution. However, they will increasingly require agency support for creative strategy and execution (more than 74%); privacy-compliant customer insight and marketing analytics (73%); and consulting on media, technology, and digital transformation (76% or more).

What this means for agencies: To be successful, you will need to design holistic offerings that solve brands' challenges and achieve their objectives. Design holistic client offerings that combine machine-optimized execution with strategic and creative value-added services. Utilize emerging capabilities and new capabilities adjacent to your agencies' specialization. For example, media and performance agencies should add content and creative development offerings. Creative and digital agencies should add analytics and technology capabilities to implement creative intelligence offerings that fuel marketing development and execution. As an alternative to investment, grow a network of agency and technology partners to complement your agency's strengths. Build specialist skills, and partner with other specialist providers through unique partnerships and affiliates. Lastly, power your newly developed or aligned solution set with the right mix of proprietary or third-party technology, including audience activation, marketing automation, analytics, and reporting platforms.

2. Combine outcome-based compensation structures with fees for strategic value-add services.

What the research shows: Our 2020 study revealed that agencies and brands in the Americas and EMEA expected to move from fixed-fee compensation structures like retainers and project-based models to outcome-based compensation such as performance bonuses or commission-based models.³ Two years later, the majority of brands and agencies have transitioned into these models as expected. While the move to outcome-based fee models continues, our study revealed ongoing struggles faced by agency leaders with pricing value-add strategic services: firstly with shifting client mindsets on the value of these services, and secondly competing with strategy and management consultancies with similar offerings.

What this means for agencies: As your portfolio of services expands beyond just execution and into strategy and development, agencies will need to put more skin in the game when it comes to remuneration. Align compensation based on mutual success of brand and agency. Combine the fixed fee or project fee for agency services with a performance bonus paid when mutually agreed targets or objectives are met. These could be sales, new customer acquisitions, marketing engagement, loyalty scores, or other relevant outcomes. These targets should be predetermined, mutually aligned, and realistically achievable.

II. SKILLS AND TALENT

Marketers globally reported skills and talent as the biggest challenges with their agency rosters, and as we saw from agency priorities, this is top of mind for agency leaders to address. Hiring and retaining diverse talent to better equip the agency to support client needs is a top priority for agency leaders (76%). However, agencies face several challenges in this area, especially rising costs, increased competition for talent from across the digital marketing ecosystem, and the need to broaden skill sets beyond digital and media. To tackle these challenges and build a future-ready workforce, agencies must:

1. Build agile skills and talent beyond digital and media disciplines.

What the research shows: The complex and strategic nature of client needs require agencies to build skills and talent that go beyond digital and media, as one SVP at a digital marketing agency in the Americas highlighted, “When you’re thinking about client businesses and strategies, you have to be staffed with really strong, savvy people who understand business and not just media.” The rise of automation is also a driver of the types of skills agencies seek: While martech drives best results through automation, agencies must focus on hiring agile team members who can provide strategic support on growth, deliver insights, and differentiate on creative.

What this means for agencies: An agency’s talent is its edge in the marketplace. Attract and retain top talent by cross-pollinating performance and brand skill sets to expose agency staff to new ways of working and thinking. This likely includes hiring brand media skills to complement your performance media expertise. But it also extends to brand storytelling skill sets for content and execution. Set up informal and formal engagements so cross-learning becomes more natural. Implement an apprenticeship model to grow existing talent for high-demand positions that are difficult to hire, like digital interface design, computer science, analytics, and strategy. Both apprenticeship and cross-pollination activities are good candidates for in-office, in-person activities given today’s hybrid work realities.

2. Differentiate employee experience with continual-learning, training, and development.

What the research shows: Retaining talent in a hypercompetitive environment is another key challenge noted by agency leaders Forrester interviewed, especially at more experienced levels. The CEO of a performance marketing agency in the Americas noted: “The biggest gap or weakness we have in terms of employee staffing, talent acquisition, and retention is in this kind of midlevel manager, senior manager level. They have about three to seven years of experience, can hit the ground running, can converse with clients, can work with teams, and can manage the first line of associates and team members. That has been our lowest-retention segment in our agency — and then the hardest to acquire from a talent perspective.”

What this means for agencies: Your talent needs knowledge, tools, and opportunity. Collaborate with technology partners and higher-education institutions to create continual-learning, training, and development programs that enhance your organization’s employee experience and offer differentiated development opportunities. Platform certifications become a critical tool, both for professional development for employees and professional accreditation for clients. For senior-level employees, drive learning and development opportunities with business schools to build more commercial and strategic skill sets. This will aid in attracting and retaining senior talent, build upon your initial talent investments, and offer employees benefits beyond a paycheck, an important tool given the rising cost of competing for talent in the post-COVID marketplace.

III. DATA AND ANALYTICS

Consumers increasingly rely on multiple digital channels for information on brands, and 70% of marketers and agency leaders consider this as one of the most important trends for digital marketing strategy. At the same time, as the privacy landscape evolves, brands and agencies must understand both regulation nuances across regions and their customers’ expectations and concerns to ensure that they’re correctly applying contextual privacy practices. Agencies and marketers need to employ privacy-compliant uses of data to deliver marketing that matters through a better understanding of consumers and improved ability to achieve measurable results. Agencies must:

1. Help clients harness first-party data to provide more fuel for intelligent execution.

What the research shows: Automation through machine learning is now a given, and 80% of surveyed agency leaders said they consider ad automation tools to be an important offering from technology partners. With automation allowing more efficient execution, agencies must focus on layering value on top through data and privacy best practices. An SVP of search at a digital marketing agency in the Americas highlighted: “As we’re

moving towards a privacy-centric future and towards more automation, there are fewer UI levers you can pull. And instead, success is based on the data that you're able to supplement the platforms data with. What brands need from an agency partner is an understanding of how to unlock the value of their data and utilize their data in the best way possible, from measuring conversions to using their CRM data to build audiences.”

What this means for agencies: Clients must come to trust agencies and media partners when it comes to first-party data. Build this trust through skills, technology, and thought leadership. Embed data and analytics skill sets into every client proposal, and demonstrate its value in marketing programs and business outcomes. Use advanced tools such as clean room technologies to protect the fidelity of client first-party data. Ensure that your technology partners and suppliers are key privacy-compliant solutions. Lastly, cement your agencies' POV in regular thought leadership designed to improve knowledge, practices, and perspectives about consumer privacy in marketing and business.

2. Grow data science and analytics capabilities to evolve privacy-compliant targeting, measurement, and attribution disciplines.

What the research shows: With consumer behavior trends, privacy changes, and shifts in the advertising landscape, clients will rely even more on agencies to improve customer understanding and marketing effectiveness with data and analytics capabilities. The proportion of brands requiring agency support for customer analytics, insights, and intelligence will rise by 17 percentage points within the next 24 months. This is driven by a need to reach more valuable audiences, as an SVP at a digital marketing agency in APAC highlighted: “[Brands] are starting to think about it from a strategy [perspective] to see how they can target more valuable consumers. So they look for agencies to help them improve their marketing strategy or campaign strategy.” Similarly, the proportion of brands seeking agency support for marketing analytics will rise by 15 percentage points within the next 24 months.

What this means for agencies: As privacy changes remove customer identifiers, prioritize AI, predictive, and machine learning to explore probabilistic attribution models. Utilize analytics and data science

specialists and tools to experiment with new ways of tracking and attributing that can bridge walled gardens and ecosystems. A robust analytics function is a prerequisite, as is access to the right data sets for closed-loop attribution. As before, performance tracking must be powered with the right owned or licensed ad tech stack.

IV. CREATIVE STRATEGY AND EXECUTION

After the COVID pandemic scrambled their worlds, consumers are flexing creativity as they test new ways to work and live. They are driving a culture of experimentation and novelty, and they look for brands to do the same.⁴ This is top of mind for marketers in our study, with 70% stating that investing in creative differentiation and customized engagement is a critical or high priority for their organization. To meet client needs, agencies must:

1. Prioritize creative mindsets and capabilities.

What the research shows: As Forrester predicted last year, in 2022, the pendulum is swinging back toward creativity, providing CMOs the distinction their brands need to attract customers.⁵ More than 75% of marketers said they would need agency support for creative and brand strategy now and over the next 24 months. Agencies are already planning investments to meet this client need: 61% of agency leaders noted their agencies are expanding creative capabilities or planning to implement these capabilities.

What this means for agencies: Prioritize ingenuity and creative problem-solving across content development and media-activation capabilities. For some agencies, this requires establishing or building a creative department, skill sets, and offerings. Some steps to take include hiring a head of creative, investing in production capabilities, and building partnerships with variable labor networks and freelancers. Additionally, you must power these capabilities with creative intelligence — a data-driven understanding of audiences that inspires content development and helps predict content performance and optimization. Technology investments and partnerships should be top priorities for this crucial layer of intelligence and automation.

2. Experiment with novel formats.

What the research shows: The focus on creative is driving a demand from brands for more creative content and assets: More than 75% of brands said they would require agency support for creative services and content production, and more than 74% said the same about video capabilities. One CEO of a full-service agency in APAC noted: “[One] of the key areas that we’ll need to focus on will be creativity. So [we’ll need] a lot more creativity in our campaigns [and to hire] more creative people where we haven’t done before. You’ll see more and more video output [and] image-based output rather than just text-based.”

What this means for agencies: Agencies have the opportunity to apply their media optimization mindsets to creative content and campaigns. Develop a test-and-learn approach to producing and optimizing creatives. To accomplish this, agencies will need the capabilities, assets, and signals to dynamically configure and reconfigure creative. The right talent must be combined with the right technology. Additionally, empower your teams to innovate and explore novel ideas and experiences in unexpected and delightful activations, including immersive visual media like video and mixed reality, to deliver the creative differentiation prized by marketers in the Americas, EMEA, and APAC. Finally, use technology partners for access to alphas and betas for highly immersive digital marketing programs.

METHODOLOGY

Google commissioned Forrester Consulting to evaluate the future of agencies and unearth opportunities for growth. To explore this topic, Forrester conducted a global online survey of 2,059 senior digital marketing decision-makers at brands of all sizes and 2,152 senior decision-makers at digital marketing agencies. We also interviewed 20 senior executives at digital marketing agencies globally.

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by Google titled “The Next Wave Of Agency Growth.”

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Appendix A: Endnotes

¹ Source: “Predictions 2022: Agencies,” Forrester Research, Inc., October 28, 2021.

² Source: Jay Pattisall, “[The Agency Landscape Converges On Frictionless Partner Models](#),” Forrester Blogs.

³ Source: “Reclaim Growth With Rapid Agency Transformation,” A Forrester Consulting Thought Leadership Paper Commissioned By Google, July 2020.

⁴ Source: “Why Consumers Want Brands To Unleash Their Creativity,” Forrester Research, Inc., May 31, 2022.

⁵ Source: “Predictions 2022: Agencies,” Forrester Research, Inc., October 28, 2021.

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