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Deltek Industry Snapshot 2017: Marketing services trends

Preparing new strategies for success

In order to cope with economic disruption, marketing services agencies must find new ways of working, adapting traditional strategies and recruiting forward-thinking talent.

0.7%

predicted decline in 2017 ad spend

Source: IPA Bellwether

10%

YoY revenue growth amongst the top 50 independent groups in 2015

Source: Kingston Smith

With technology accelerating at such a dizzying speed, as well as an endless flow of energetic start-ups disrupting the way business is conducted, it has never been more difficult to predict the future of marketing, advertising and public relations.

The 2016 annual survey undertaken by leading media accounting firm Kingston Smith measured revenue and profit across the top 50 independent UK marketing groups, and revealed mixed results for 2015. Overall, performance across the six individual disciplines – advertising, branding and design, digital, marketing and sales promotion, media buying and PR – was strong, particularly in PR and media buying, which grew by 9.1 per cent and 8.9 per cent, respectively. Although this didn't always translate into increased profit margins: while falls in operating profit margin of between 1.1 and 1.3 per cent were recorded across advertising, design and digital, PR saw a healthy profit margin of 12.7 per cent.

One thing we can be sure of is that if 2016 was a year of almost perpetual disruption, then 2017 will be marked by how marketing services agencies develop new techniques to cope with that disruption – techniques that specifically add greater ROI to clients and contain more transparent KPIs.

Costing will again be a key consideration – the latest IPA Bellwether Report predicts that ad spend in 2017 is set to decline by 0.7 per cent as business investment is pared back in line with the continuing uncertainty in global markets following the significant election results of 2016. And many have spoken of new "zero-based" budgeting strategies, in which marketers will have to justify spending on all new activity, rather than having set budgets based on revenues or the previous year's spend. This will be in addition to moves to consolidate agency services, payment-by-performance agency models and increased scrutiny of digital metrics.

But such moves aren't simply to cope with economic uncertainties. They will enable agencies to work in more focused and targeted ways. Focus will be key when it comes to the way brands interact with consumers, encouraging a far more experiential approach, which forward-thinking agencies will need to adopt.

Channel integration

One way of enabling more clarity will be for agencies to tear down the walls. The rapid move into digital over the past few years has necessitated a certain silo-ing of channels, so that digital often sits apart. The coming year will see a marked change in that. Already, agencies such as adam&eveDDB and Omnicom Media have removed the word "digital" from marketers' job titles and even WPP CEO Sir Martin Sorrell believes the move to eliminate digital in the coming months will be "very common". The most successful agencies will be those that continue to make the move to integrate digital as rapidly as possible.

They will also need more accurate measurement tools for digital marketing, with engaged and effective being the key words here. Despite the introduction of tracking tools to enable marketers to assess brand impact on channels such as Facebook and Twitter, there is still much concern over what an online ad impression actually represents. And so 2017 will see greater steps toward creating more sophisticated measurement tools – across all marketing channels and platforms – that bring value back to clients, and deliver greater profitability.

Rob Bassett, head of UK and EU multinational advertising at eBay, says: "Viewability is not always the most important aspect of an advertising campaign. The obsession with viewability has created a world in which volume of views eclipses other important factors such as relevance. In 2017, finding more intelligent ways of engaging with consumers will become as important as viewability. Specifically, targeting by mindset or mood rather than by demographic or outdated behavioral information."

Ryan Kangisser, founder of ad and martech company Stack I/O believes marketers will need to take a much more proactive role in the way they manage their media and associated partners – agencies, technology vendors, media platforms, content producers and data providers – by moving more skills in-house. So agencies will, for instance, create their own in-house production teams.

This will, in turn, mean greater upskilling, so that agencies will be able to boast of broader capabilities. This will either come from concerted learning programs and more dedicated expertise, or greater collaboration and partnerships with outside

agencies – particularly those that can capitalize on the increasingly personalized data, which is, in turn, providing customers with more enriched and tailored brand experiences.

Spotify advertising is a brilliant example, as it takes the certainty of customer tastes and choices to create meaningful marketing content. And this will be especially true of the Internet of Things (IoT), which will, over the coming months, rapidly mature so that beacons, sensors, edge devices, TVs, clothes, fitness brands and more will all produce useful data, giving more opportunities to get closer to the customer.

Cultural values

Vanella Jackson, global CEO of Hall & Partners, one of the world's leading market research companies, believes her clients – among them some of the world's most visible and important brands – want to be known first for what they represent and second for what they sell.

She says: "Brands want to stand for something more than image, product and profit. They need to reflect the passions of a generation disillusioned with institutions and one that wants to live by a new set of rules. To make a difference – not at some point in the future, but now – and to behave in a more human way, having identified something that aligns with real people's values.

"Culture is the buzzword of the moment but this is about more than trying to understand and reflect people's different cultures. Agencies now want to become those cultures, so they can be more relevant and meaningful. They want to create transformative strategies for their brands, and that means being better attuned to cultural values. Instead of telling stories through marketing campaigns, agencies and their brands want to be the cultural stories. This is the new wave – conviction brands that are building strong social connections through a determination to shape culture."

And the greater the connection between brands, agencies and customers, the greater the opportunities for agencies to attract the best millennial talent. Agencies need to develop content and branding skills to maintain the positive momentum – and that means the coming year is likely to be marked by a new recruiting drive. Those agencies that most understand both the power of new digital technology and the influence or conviction of brands will be able to employ the brightest talents. These are the new recruits who will enable such new approaches to work most seamlessly because of their more agile way of thinking and the fact that data-enriched technology is second nature to them.

As head of media for Campaign magazine, Gideon Spanier has an incisive understanding of where the marketing and public relations industries are headed in 2017. He says: "The best PR companies and media agencies understand that their identity is as important as what they do – just as it is for the brands they represent – and so to attract the best new young recruits, they need to reflect those passions, with conviction and authenticity."

In these massively uncertain times, agencies must capitalize on this past year of disruption by incorporating new ways of working in 2017, breaking down their silos – rather than merely intending to – and adapting their strategies to incorporate data-empowered experiential tools designed to improve personalization. The funding to deliver multiple projects may be constrained, but the flexibility with which such budgets can be adapted will be greater as more agencies develop collaborative partnerships.

SUMMARY

- **In the wake of economic uncertainty, the marketing, advertising and public relations industry must overcome the disruption and develop new techniques to ensure continued revenue growth. Budgets may be pared back, but they can be adapted to work effectively with new, data-enriched marketing tools.**
- **Instead of being a standalone channel, digital must become an integral part of all marketing disciplines, and there is a need for more accurate tools to measure digital marketing.**
- **Agencies will, increasingly, move more skills in-house or form partnerships with other agencies, to give clients a broader offering.**
- **Marketers can also take advantage of increasingly personalized data, to offer customers more meaningful, tailored content.**
- **Brands want to successfully tap into different cultures, and to promote what they represent rather than just what they sell, and forward-thinking agencies must therefore create transformative strategies for their clients.**
- **Key to this is recruiting the brightest millennial talent – those who can adopt this new approach because of their superior knowledge of data-enriched technology.**

ABOUT DELTEK

Deltek is the leading global provider of enterprise software and information solutions for professional services firms and other project-based businesses. For decades, we have delivered actionable insight that empowers our customers to unlock their business potential. 22,000 organizations and millions of users in over 80 countries around the world rely on Deltek to research and identify opportunities, win new business, recruit and develop talent, optimize resources, streamline operations and deliver more profitable projects.

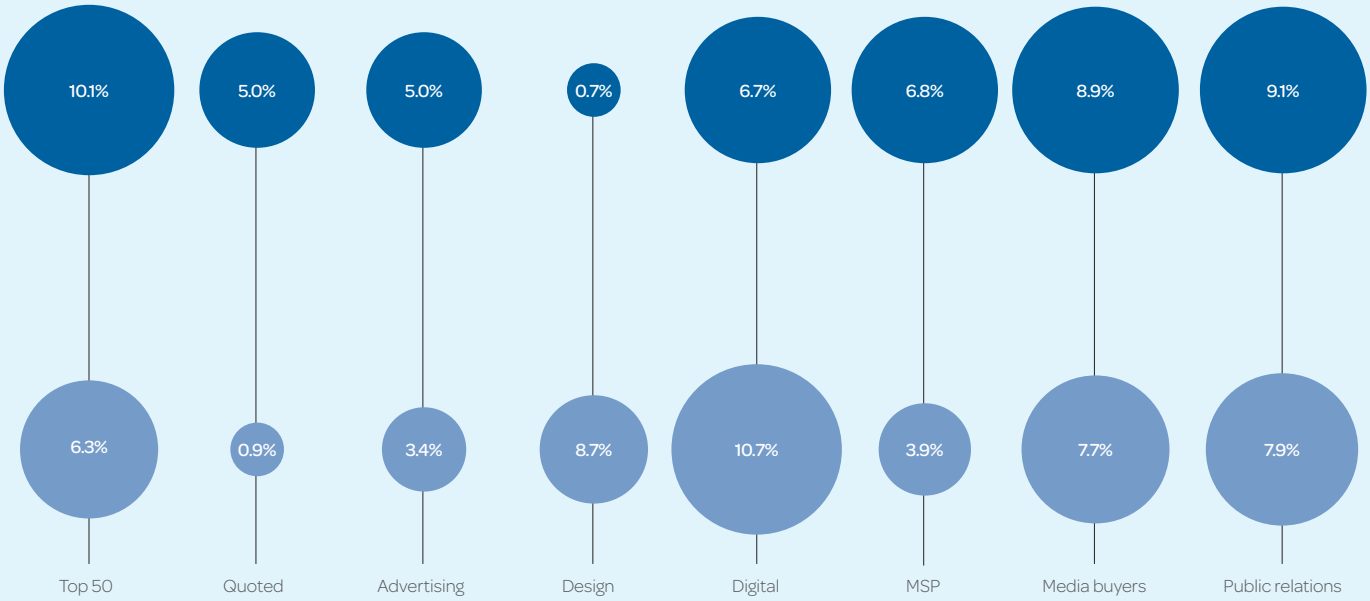
For more information on how a Deltek solution can provide your marketing services agency with end-to-end control, improved margins and increased productivity, please visit www.deltek.com

Key trends: Marketing services

WHERE ARE WE SEEING REVENUE GROWTH IN MARKETING SERVICES (UK)?

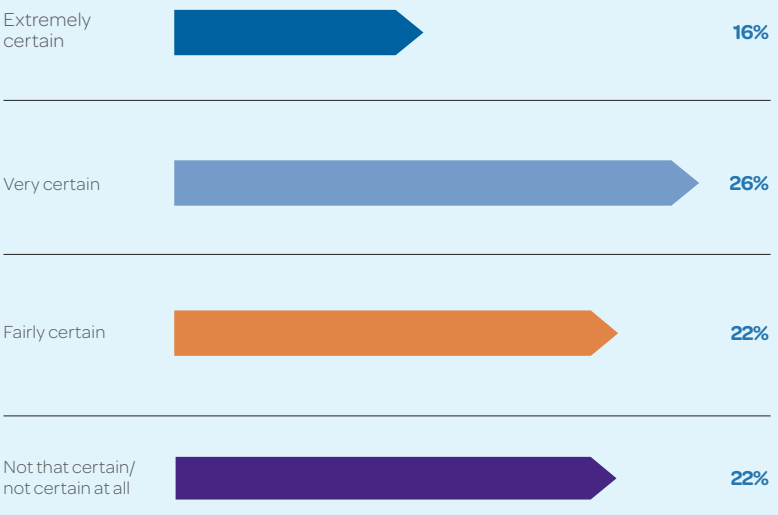
2015 2016

Source: Kingston Smith



IS YOUR BUSINESS MODEL SUSTAINABLE?

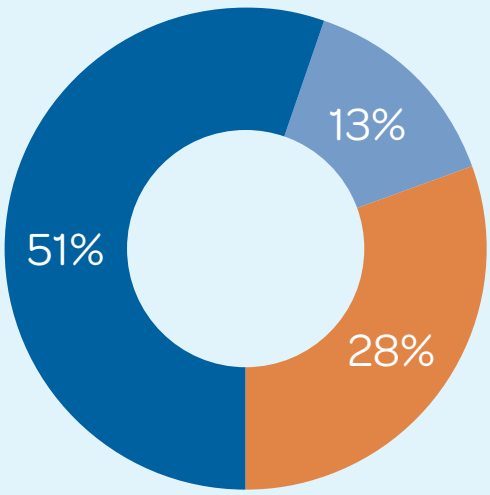
Source: SODA/Deltek Study



HAVE AGENCY PROFITS INCREASED THE LAST TWO YEARS?

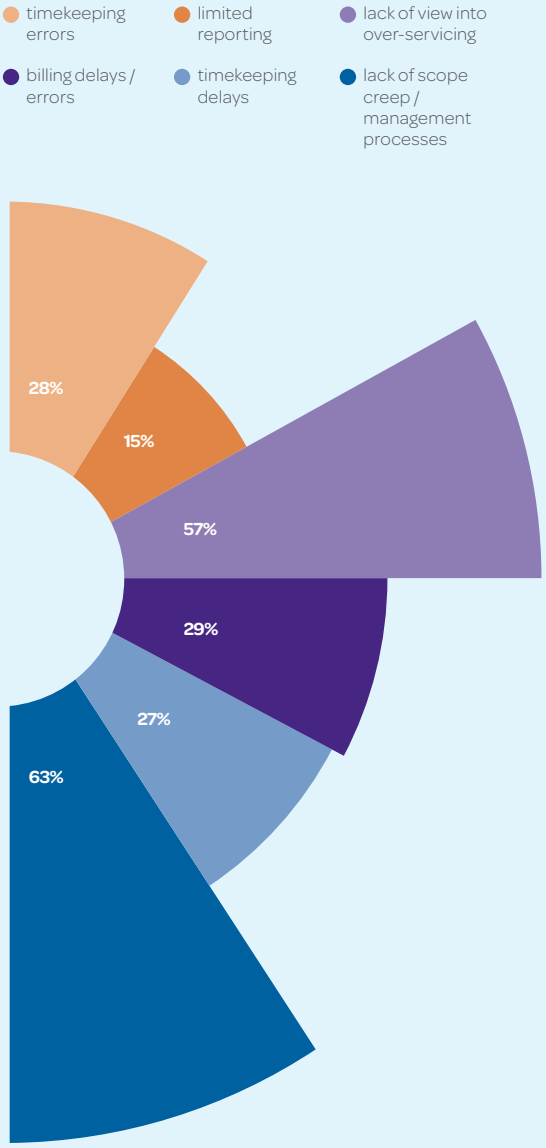
Source: SODA/Deltek Study

increased decreased stayed about the same



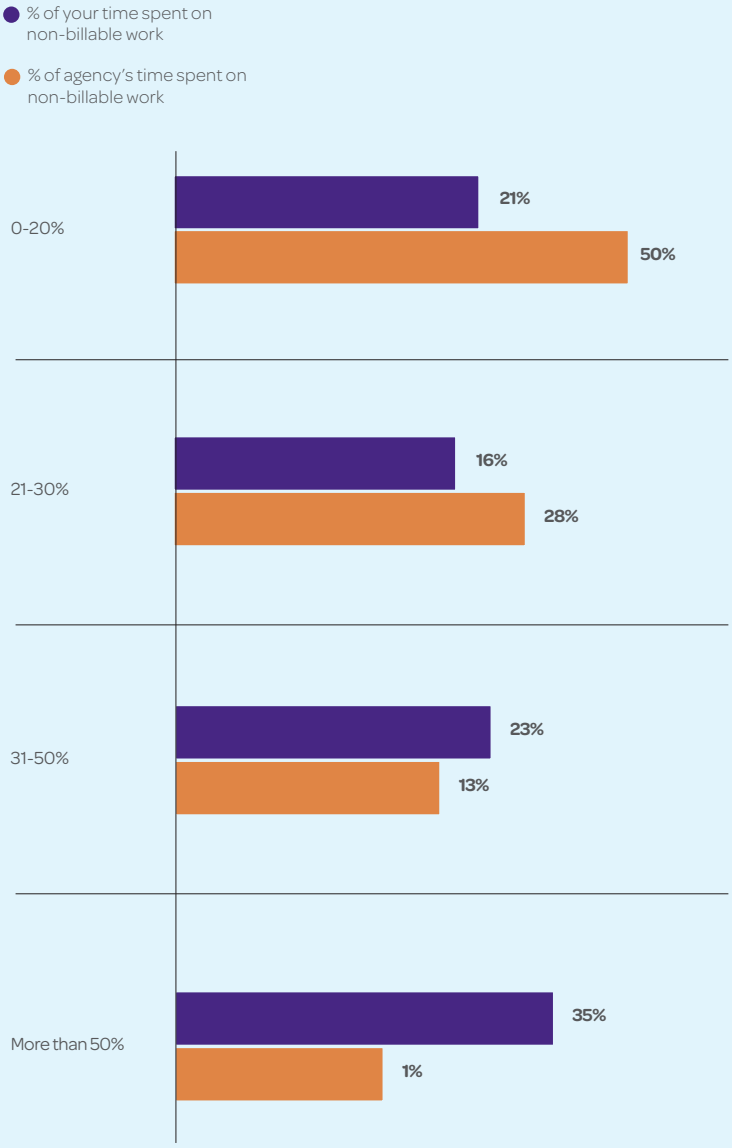
WHAT FACTORS MOST IMPACT PROFIT?

Source: SODA/Deltek Study



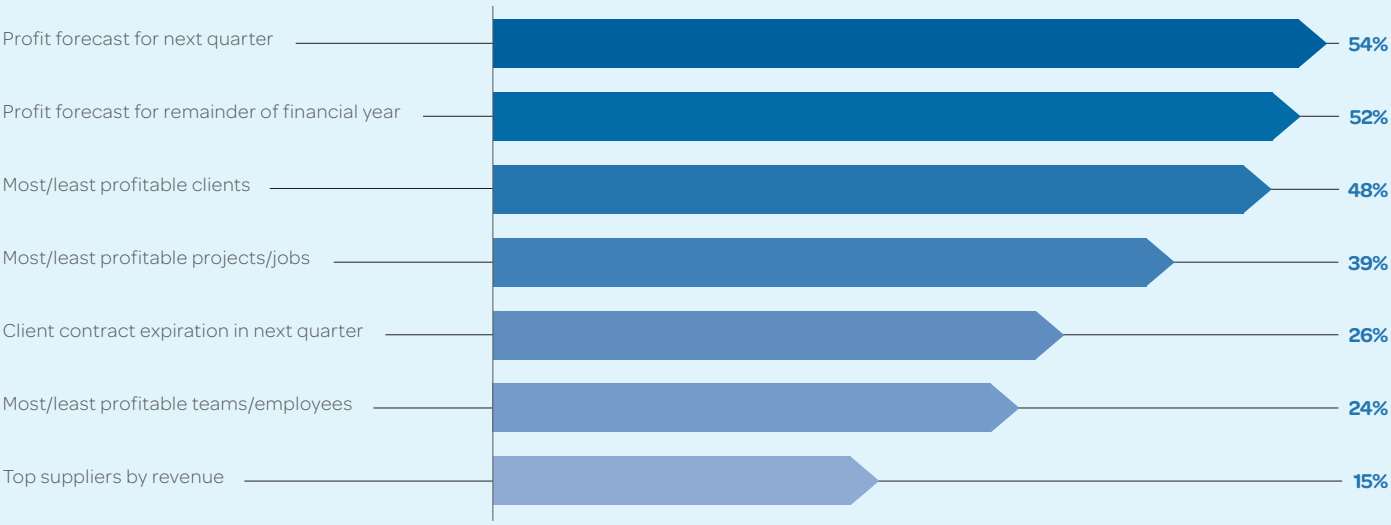
PERCENTAGE OF TIME SPENT ON NON-BILLABLE WORK

Source: SODA/Deltek Study



WHAT ARE KPIs USED TO IDENTIFY?

Source: SODA/Deltek Study





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