



provoke
insights

Budget, Pitching, & Relationship with Agency

Advertisers & Client-Side Marketers
Research Study

February 2018

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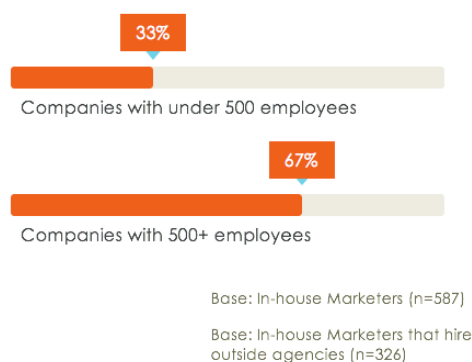
Introduction

The U.S. economy has grown in the last few years resulting in healthy budgets for advertising initiatives. However, the advertising landscape is becoming more fragmented due to audiences becoming more diverse and technological advances growing at exponential rates. These changes have impacted the relationship between advertising agencies and client-side marketers. Provoke Insights conducted a survey to better understand this dynamic. Critical topics include: budgets, measuring results, the ad agency vetting process, and the importance of research.

Agencies, Budgets & Initiatives

Companies are split almost evenly between those who hire advertising agencies (56%) and those who conduct all marketing in-house (44%). Companies with 500 or more employees are twice as likely to hire advertising agencies than those with under 500 employees (chart 1).

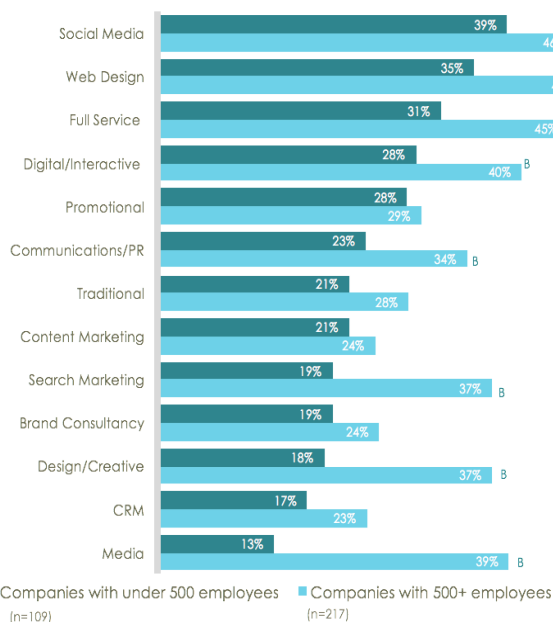
Chart 1: Companies that hire advertising agencies



To keep up with the ever-changing marketing landscape, companies are increasingly commissioning multiple specialized ad agencies to meet various needs. Companies typically have four vendors on the roster.

Businesses are focusing on digital advertising initiatives more than traditional offline channels. Banner ads, paid social, and social media community management are the most commonly used digital initiatives. However, the tried and true traditional channels should not be discounted, as these are still a core part of the marketing plan; this includes print ad (55%) followed by events (46%) and commercials (40%).

Chart 2: Agencies commissioned

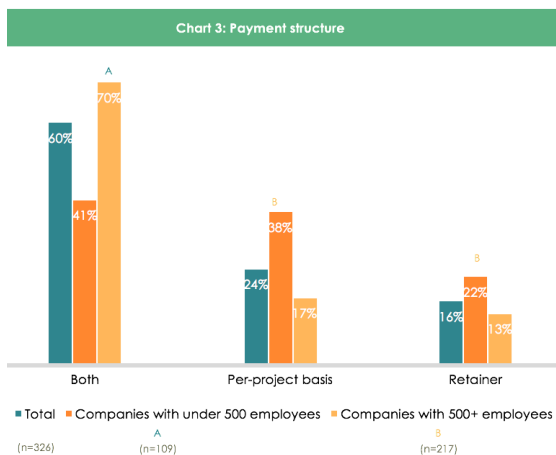


The focus on digital initiatives explains the prevalence for hiring social media (44%) and web design (43%) firms, followed by full-service (41%) and digital marketing agencies (36%). Larger companies are more likely to also hire PR, SEM, creative, and media agencies (chart 2).

There is a significant budget disparity between small and large companies. The median advertising budgets for companies with 500+ employees are 10 times higher than that of smaller companies' \$374,500; and media spend is almost 50 times that of smaller companies' average of \$750,000.

These disproportionate allowances have implications on how different sized businesses conduct marketing, as well as the expectations and perceived value they place on the advertising agencies with whom they partner.

Payment structure is a notable change in the industry. As more specialized agencies are competing with full-service firms, working on retainer is no longer the norm; companies now use a combination of retainer and project-based contracts. A quarter (24%) of businesses only commission agencies on a per-project basis (chart 3).



Brand & Agency Partnerships: Meeting Expectations

In-house marketers, on average, have worked with their primary agency for five years. However, only two-fifths of companies claim to be 'very satisfied' with this partner; revealing that there is room to improve the relationship. ROI, distrust, and expectations not being met are named reasons for dissatisfaction with primary agencies. Companies are most satisfied with their partner's understanding of the company's goals/objectives (54%); they are least satisfied with their agency's cost (34%). Smaller firms are less likely to be satisfied with the access to research/data and prior experience in their industry.

Among larger companies, the agency-client relationship falters when expectations are not met.



Smaller companies mention return on investment and mistrust as reasons the relationship goes sour.



The Pitch Process

Cost is the leading reason brands put their agencies up for review (37%); this is particularly true for smaller companies. The relationship with the agency (24%) and access to research and data (23%) are the other top two reasons for switching agencies; larger companies find the latter to be particularly important (27%).

The pitch process generally takes between 3-6 months (54%), with approximately four agencies competing. Agencies must show creativity (50%) and a true understanding of the company's goals and objectives (47%) to stand out, followed by prior experience in the industry, listening to client's needs, cost, and access to research.

Companies with Under 500 Employees

Smaller companies have a shorter decision cycle: half take under two months to vet and select an agency. **These firms are also more concerned with price (42%)**, while companies with 500+ employees care more about how established the agency is (number of years in business, 22%).

Pitches are a constant part of ad agency work life. Half of ad agencies pitch at least 10 times a year, and 11% of agencies pitch an average of once a week. Most employees (81%) get swept up in this process.

Advertisers find the pitch process extremely taxing. Working on a pitch raises the everyday stress level by 28% (from 38% to 66%). Feeling rushed and under pressure are contributing factors to this stress.

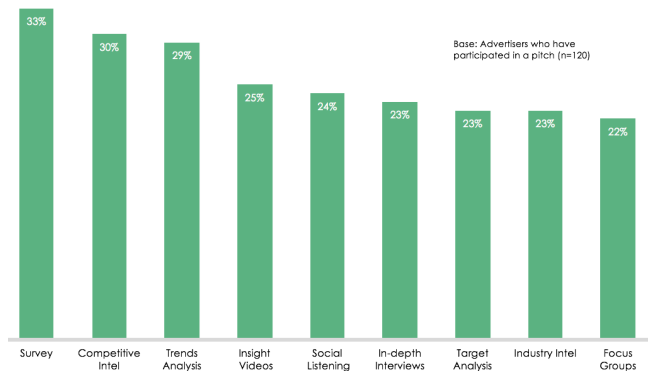
Advertisers reveal that the pitch process needs improvement – only a quarter of advertisers say they are very satisfied with this process (26%). Budget, number of hours worked, and realistic timelines are the least satisfying aspects of pitching. Advertisers also note that lack of teamwork, disorganization, ineffective communication, and lack of research are issues during a pitch.

Marketing Effectiveness & The Importance of Research

With ROI being the priority of every spent marketing dollar, there is a greater need for measuring marketing effectiveness. Approximately sixty percent of client-side marketers use web, mobile, or social analytics to determine marketing effectiveness, and direct response tracking (e.g., dedicated phone lines, coupon codes) is used by at least half of companies.

Firms with 500 or more employees are more likely to try larger-scale marketing initiatives such as television ads (48%), mobile apps (46%), and radio commercials (42%). Over half of these firms invest in qualitative and quantitative research to gauge advertising results.

Chart 4: Top Resources to Improve the pitch process



Research is also instrumental in pitching effectiveness. Advertisers believe that survey research (33%) is the number one resource that would improve the pitch process. Advertising professionals also call out competitive intelligence (30%) and trend analysis (29%) as most beneficial to the process (chart 4).

Job Satisfaction

In-house marketers are more satisfied with their jobs (43% say they are very satisfied) than those who work in advertising agencies (37%). When comparing advertisers to client-side marketers, the latter are more likely to be satisfied with creativity in their job, as well as a clear path to advancement.

Management, bonuses, salary, and training/mentorship are critical areas in need of improvement: over half of those who are dissatisfied with their job name these to be the most troublesome areas. Open-ended feedback from dissatisfied marketing and advertising professionals revealed that lack of freedom in their position, compensation, overworking, and a lack of support as problematic aspects of their jobs.

[See page 6 for Advertising Agency and In-House Marketers Profile.]

Methodology

Provoke Insights, a brand strategy and market research firm, conducted a ten-minute online survey in December, 2017 to better understand client-side marketing needs and the pitch process. 736 respondents completed the survey among two segments: advertising professionals (149 completes) and in-house marketing leaders (587 completes). Respondents worked at companies with a minimum of 25 employees and had full or shared decision-making authority of ad budget, marketing vendor selection, or marketing initiatives. Statistical differences between subgroups were tested at a 90% confidence level. Margin of error is +/- 3%. Smaller companies are defined as under 500 employees and larger companies as 500+ employees.

About Provoke Insights

Provoke Insights is a full-service market research firm and strategy consultancy that helps brands navigate through today's cluttered marketing and advertising space. Experts in using quantitative and qualitative research, social listening, competitive intelligence, and trends analysis, Provoke Insights works with clients across industry sectors to conduct research and guide brand strategy in order for companies to successfully implement advertising initiatives. More information is available at www.provokeinsights.com.

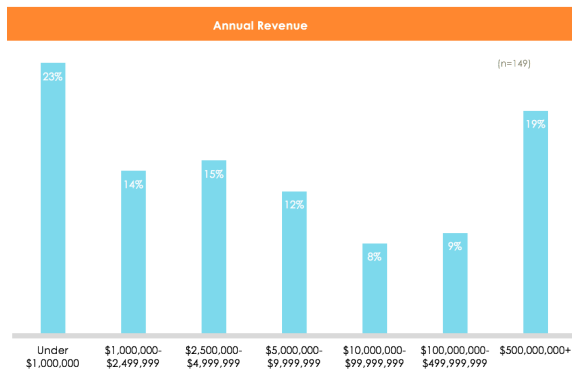
Advertising Agency Profile

Type of agency	
Traditional/Brand/Full-service Agency	36%
Digital/Search	17%
Creative/Content/Social/Web design	16%
Media	15%
Other	17%

(n=149)

Job role	
Account/Project Management	23%
Media	21%
Content/Social/SEO/SEM	18%
Creative/Art Buyer	11%
Strategy/Analytics	11%
Leadership/New Business	9%
Other	7%

(n=149)



In-House Marketers Profile

Number of employees	
25-99	20%
100-999	31%
1,000-4,999	22%
5,000+	27%

(n=587)

In-House marketers	
(n=587)	
Retail	14%
Healthcare/Pharma	11%
Hospitality/Tourism	8%
Education	8%
Banking/Finance/Insurance	8%
IT/Comp Hard/Software	7%
Real Estate	6%
Jewelry/Fashion	5%
Automotive	4%
Consumer Packaged Goods	4%
Other	25%

