



AGENCY 2020

Unleashing the value of ideas

Quantitative Results Discussion

March 6th 2014

V5 Revised 03/03/14

 EffectiveBrands®

Today's Purpose



Aligning on Key insights

- Review of Quant results
 - Trends
 - Opportunities & Challenges
 - Characteristics of Over-Performers
 - Client - Agency differences
 - Media - Creative Agency differences
 - Different cuts (Size, Age, Affiliation)
- Identifying key insights
- Aligning on implications
- Next Steps

Research Sources

Research Input

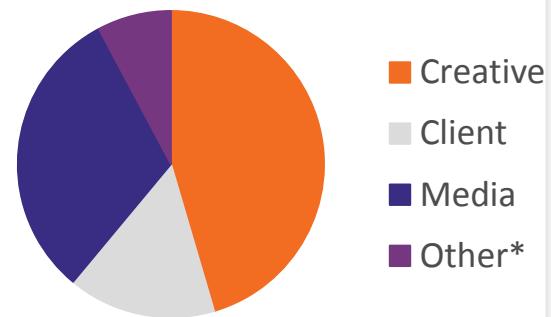
Desktop Research

- Audit of industry-relevant news coverage
- Sources incl. Adage, Adweek, WARC, HBR, etc.
- Deep dive into M2020 Research on client organizations



Qualitative

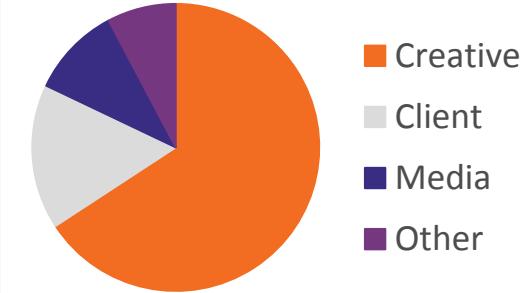
- 75 Vision Interviews with thought-leaders
 - 34 Creative
 - 24 Media
 - 12 Client
 - 5 Other
- Incl. important sub-segments e.g., Millennial, Procurement
- 110 M2020 interviews with CMOs, CEOs, opinion Leaders



**E.g., educational institutions, .com's (Facebook, Twitter, Google, etc.)*

Quantitative

- 725 total completed survey
 - 409 agency
 - 247 client
 - 69 Other
- *US data was used for analysis*



US Respondent Distribution

In Vision Interviews, we spoke to Agency, Client, and Media Thought-Leaders...



Unleashing Global Marketing Potential™

Over 250 Marketing2020 CMO interviews



Unleashing Global Marketing Potential™

...from leading marketing organizations

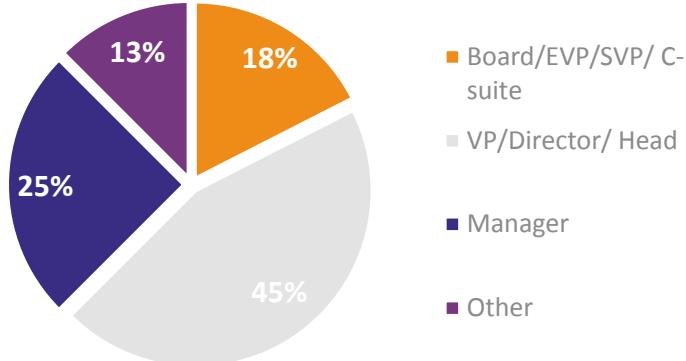


Sony Nestle Bacardi Denny Hallmark Jenn-Air Dunkin
Fidelity PepsiCo IBM McDonald CocaCola Microsoft CitiBank
JambaJuice KnouseFoods JPMorgan PopSugar AkzoNobel Siemens
Facebook HomeDepot Visa IHG Johnson+Johnson Xerox MillerCoors
CapitalOne ObamaforAmerica MorganStanley Deere HarleyDavidson
Target StrozFriedberg Wrigley SeventhGeneration AmericanExpress
GeorgiaPacific USPS CharlesSchwab PhiladelphiaMuseumofArt
GeneralElectric Company CampbellSoupCompany LibertyMutual
Quaker Nickelodeon Merck SunProducts Kimberly-Clark PernodRicard
AdobeMotorola Walmart Hershey McKinseyLogitech Petco MasterCard
Marriott Cargill Novartis ConAgra Kraft NintendoBIC Google
ABInBev Twitter Allstate SAP Fortune Diageo
Ford Unilver Lenovo

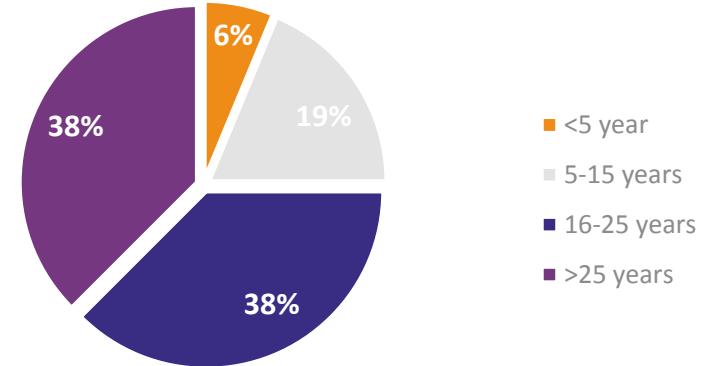
Client Respondent Profile

Who did we talk to?

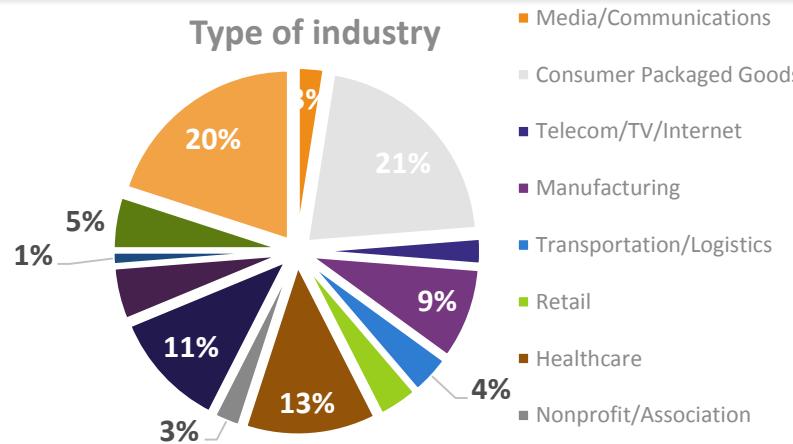
Current position



Years of professional work experience



Type of industry

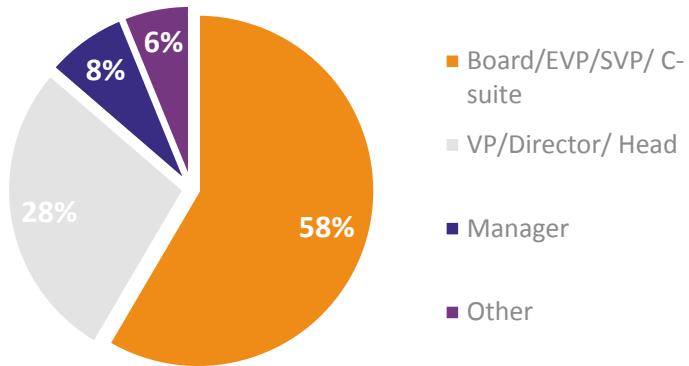


Overall Agency Respondent Profile

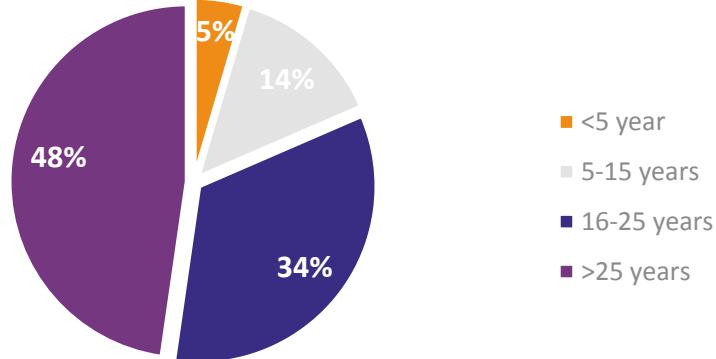


Who did we talk to?

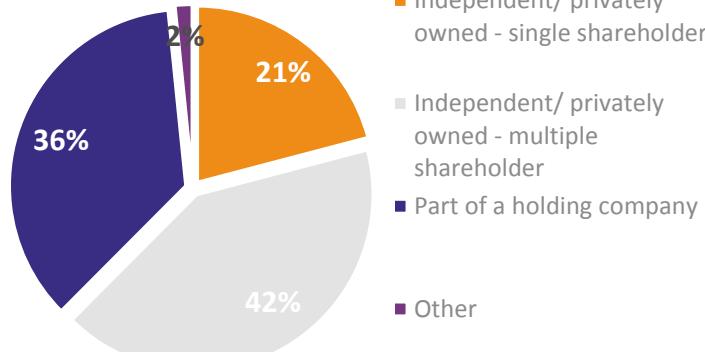
Current position



Years of professional work experience



Type of agency



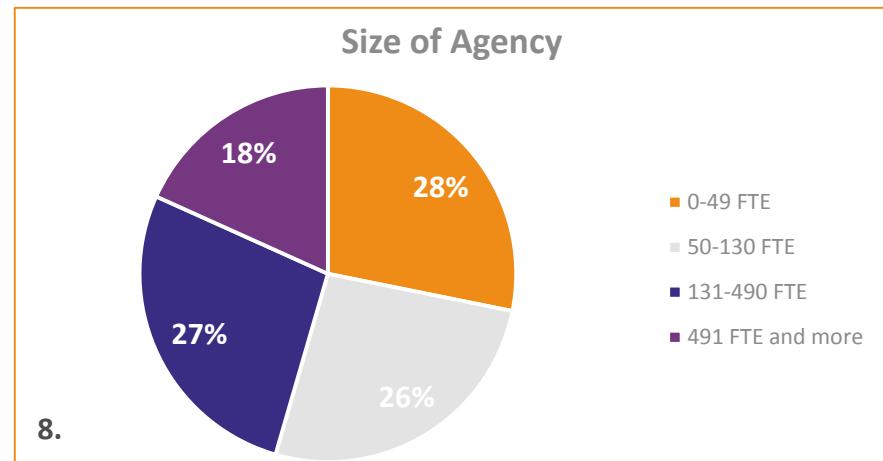
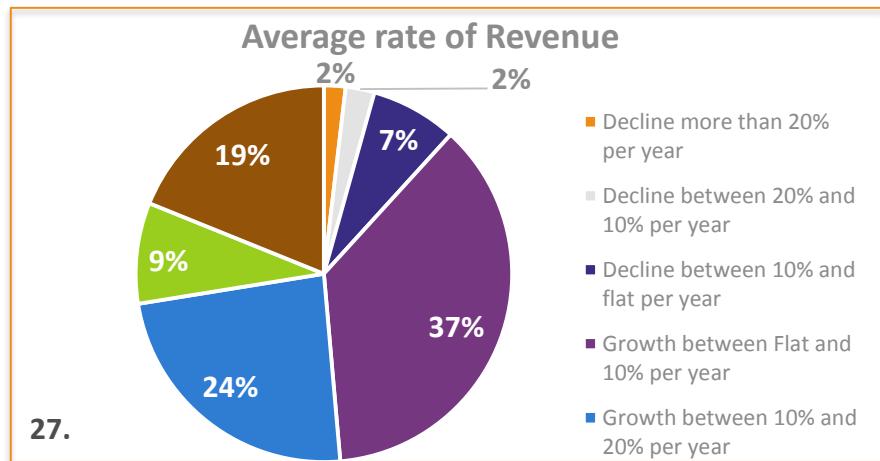
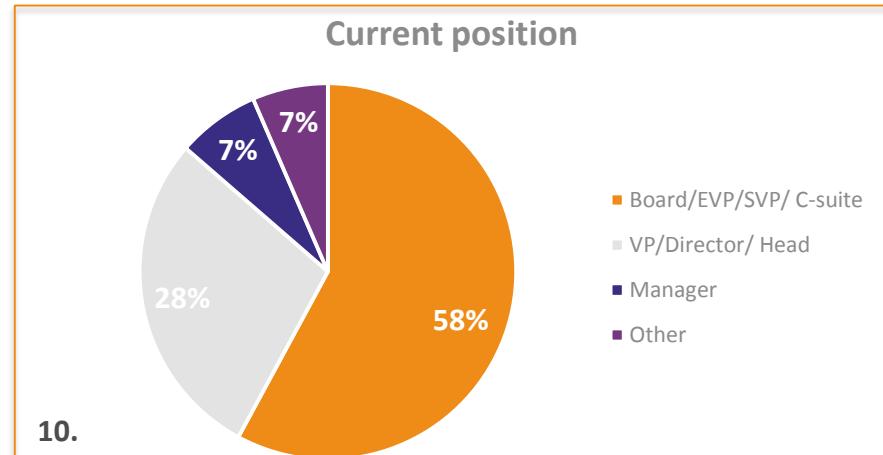
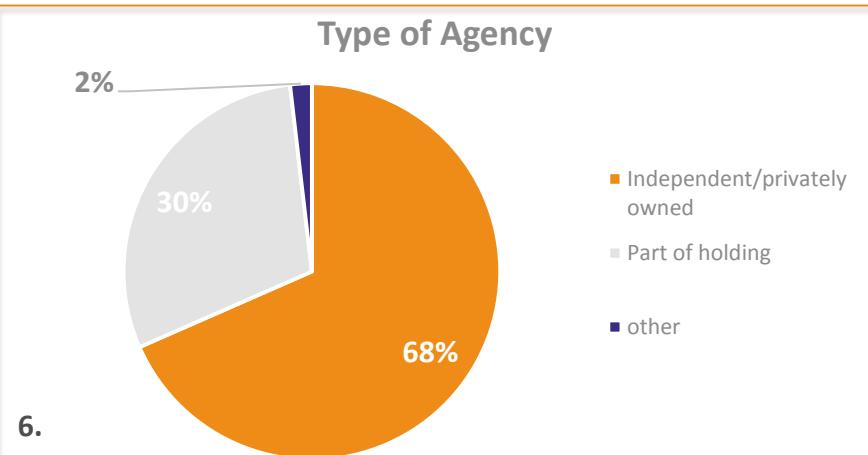
Who participated?

EDELMAN LANDORDOVETAIL SUDLER WILLIAMS GDB M+C HART
CURRENT360 GERRITSEN MAGGIORE BROADHEAD MASON INC DONER ZEHNDER BLITZ
DAILEY GEOMETRY GLOBAL FITZGERALD + CO MARTIN AGENCY FLINT GROUP LIPMAN HEARNE PEAK BIETY EPSILON
CRAMER KRASSELIT CONSULTING LAUNCH AGENCY IGNITED PREMIER STUDIOS LUCKIE + COMPANY DELLA FEMINA SPAWN IDEAS IN-HOUSE
THE GATE BROTHERS + COMPANY CRISPIN PORTER FAHLGREN MORTINE CTP MEDALLION RETAIL MARKETING WORKS PUBLICIS GROUPE HENNESSY
PARTNERS LLC LOWE CAMP BELLE WALD ALLEN WATERCOOLER GROUP PARTNERS PROOF ADVERTISING WILDFIRE THE BLANGETT GROUP 72 AND SUNNY BBH
BADER RUTTER ROBERTS COMMUNICATIONS TEAM MAZDA LIQUID ADVERTISING MCCANN WORLD GROUP LEO BURNETT CLARITY COVER DALE FURY
PINCKNEY HUGO GROUP MOB IUM LAUGH LIN CONSTABLE IDEAS INC CONRAD PHILLIPS VUTECH BARKLEY HOLDING COMPANY WHITE AND PARTNERS
SURDELL HITCHCOCK FLEMING ASSOCIATES WONG DOODY CAROL H. WILLIAMS ADVERTISING HILL HOLIDAY THE HIVE ADVERTISING
STRATEGIES BURRELL COMMUNICATIONS GROUP ELEVEN VINE COMMUNICATIONS GROUP 22 SQUARED DECKER CREATIVE MARKETING MVNP DEXPOSITO
CROWLEY WEBB SWITCH LIBERATE YOUR BRAND RP3 ERIC MOWER ASSOCIATES RAWL MURDY JACK MORTON WORLDWIDE CIBO SOLUTIONS MARKETING DDB
KELLEY STRATEGIC AMERICA CONOVERT TUTTLE PACE BARKER DZP ARNOLD WORLDWIDE FLOTTEMAN COMPANY AD PEOPLE WORLDWIDE TOPIN ASSOCIATES
SSLA NORTH LICH GRUPO GALLEGOS SANTY INTEGRATED MEERS ADVERTISING THE JOHN SONG GROUP CHAPPELL ROBERTS BAV CONSULTING INNIS
PALISADES ABELSON TAYLOR GSD DUFFEY PETROSKY MCGARRAH JESSEE THE MARTIN AGENCY HANNA ASSOCIATES YELLOW SUB
CAHGLITTLEFIELD INC GRADY BRITTON MARCUS THOMAS OSBORN BARR SWANSON RUSSELL KILLIAN BRANDING FREEBAIRN
TBWA THE GARAGE SAPIENT NITRO SMALL FORTUNE BRUNNER LAMBESIS INC EGG ARCHER M ALMO PURPLE SWIRL
A HABBD O'RGA DEUTSCH DGWB MARC PP+K J STOKES HAVAS BSSP AUSTIN
360i VML

Creative Agency Respondent Profile



Who did we talk to?



Who Participated?

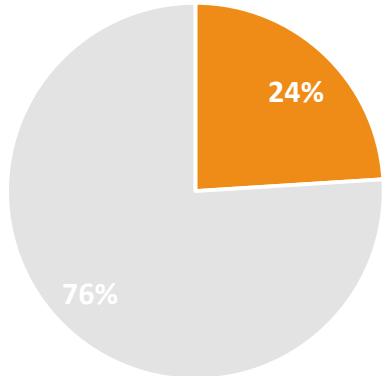
BPN
GroupM
Omnicom
TargetCast
ZenithOptimedia
SMG
HorizonMedia
Starcom
MediaWorks
KellyScottMadison
WaterCoolerGroup
Posterscope
Mindshare
Butler/Till
Xaxis

Media Agency Respondent Profile



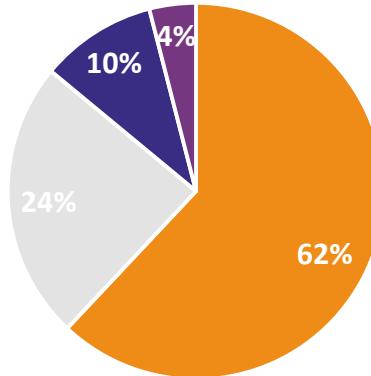
Who did we talk to?

Type of Agency



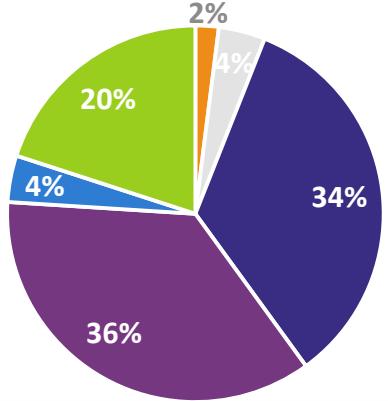
6.

Current position



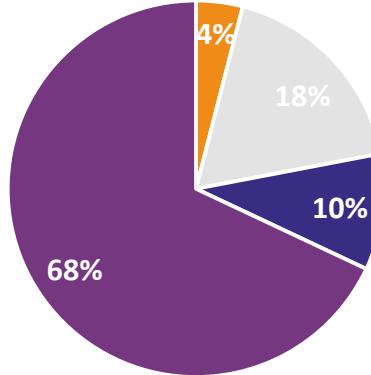
10.

Average rate of Revenue



27.

Size of Agency



8.

We analyzed the Quant results from multiple perspectives

Data cuts performed

Performance	Type	Size	Respondent Experience
<ul style="list-style-type: none"> “Over-performers” (revenue growth >10% last 3 years) vs “The Rest” (revenue growth <10%) “Over-performers” vs “Bottom 3” (revenue decline) 	<ul style="list-style-type: none"> Agency vs Client Creative vs Media 	<ul style="list-style-type: none"> Large Creative Agency (>191 FTE) vs Small Creative Agency (<55 FTE) FTE (0-49, 50-130, 131-490, >491) 	<ul style="list-style-type: none"> >15 years experience vs <15

Note: Other cuts (e.g., by region/location) have been explored, but have not been as discriminating

Who did we not talk to enough? And what did we do to compensate?

Young People

- Rising Stars in-depth interviews
- Extra online research
- Millennial in the Agency World

Global Agencies

- Online research



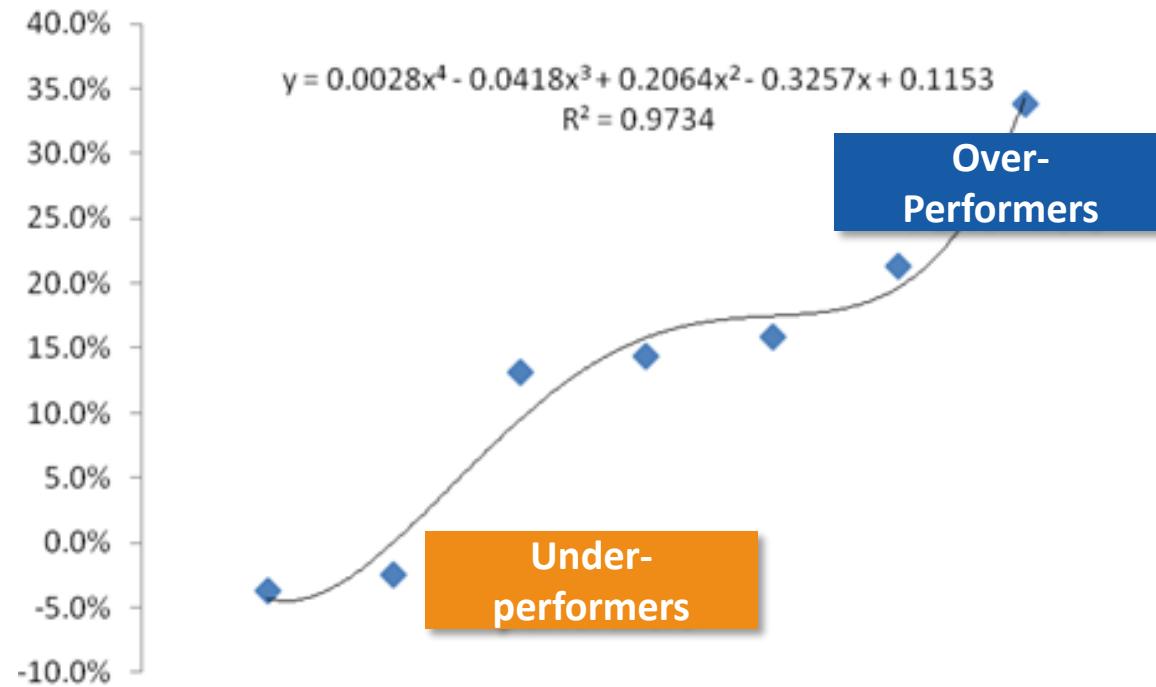
WINNERS

LOSERS

Validation



NYU



Industry Change Drivers

Trends

Change Drivers



1. Mega Trends
2. Client Trends (Marketing2020)
3. Agency Trends

Megatrends

that challenge us all





Collaborating with Consumers



Social marketing



Globalization

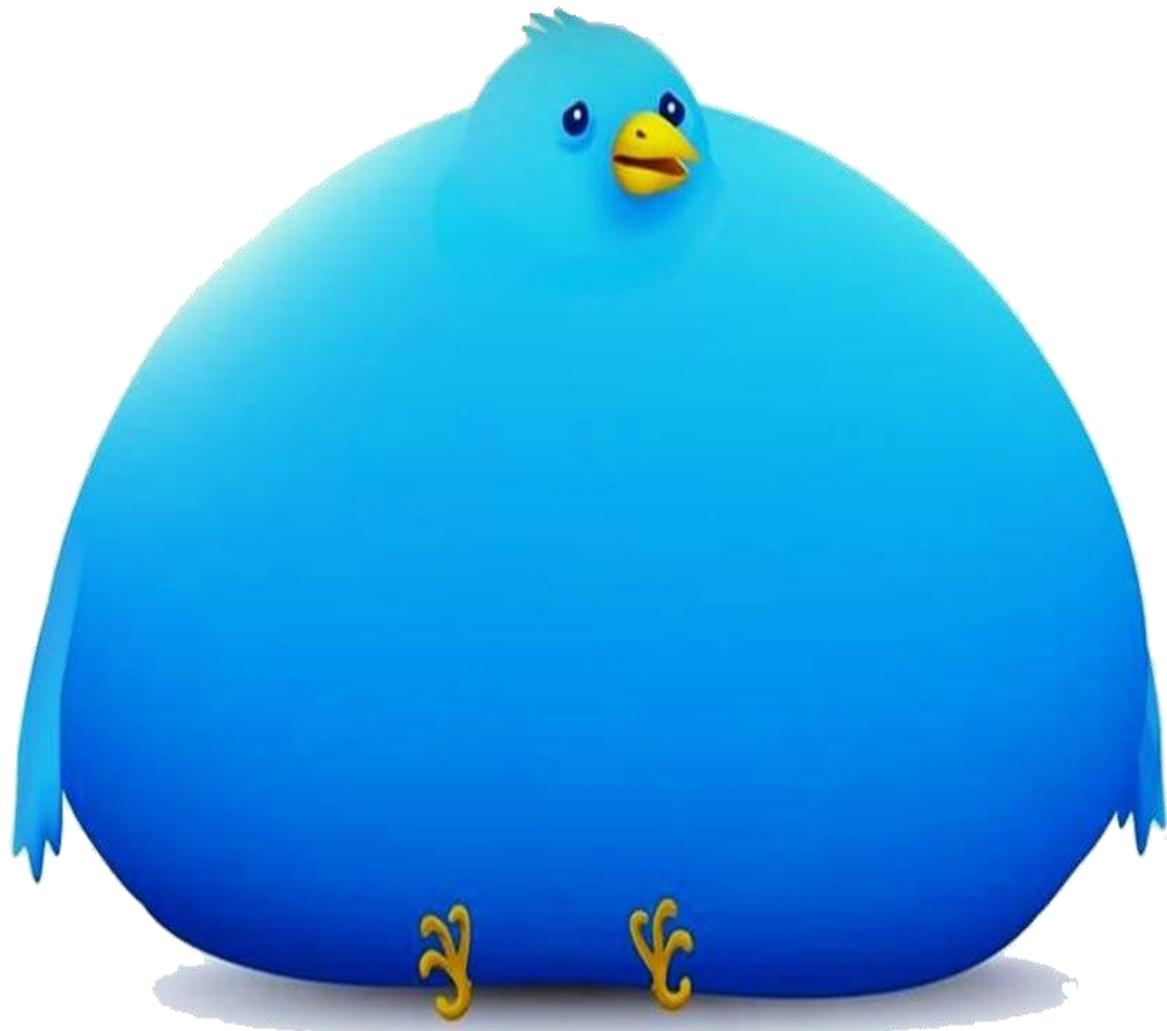


Purposeful Marketing



Opportunity to influence business

Infobesity





Doing more with less



Privacy risks



Touch point consistency



Organizational silos

Ability to stay current



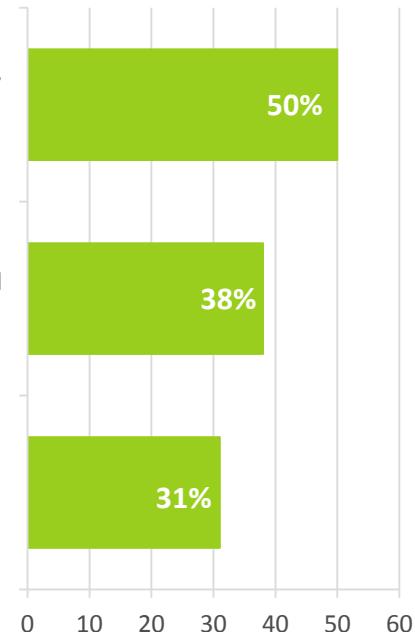
Many industry change drivers emerged from the Vision Interviews

Millennials	New Platforms	Open Innovation	In House Agencies	Budgets
Talent	Connected Consumers	Social Media	CMO Turnover	Super-Group Mergers
Hispanics	Transparency	Programmatic Media	Crowd-sourcing	Proliferation of Media
Cultural Evolution	Proliferation of idea providers	Big Data	New Technology	Rise of Procurement

The top three trends Agreement



Agency



1

Increased focus on measurement, ROI, and demonstrating the value of ideas

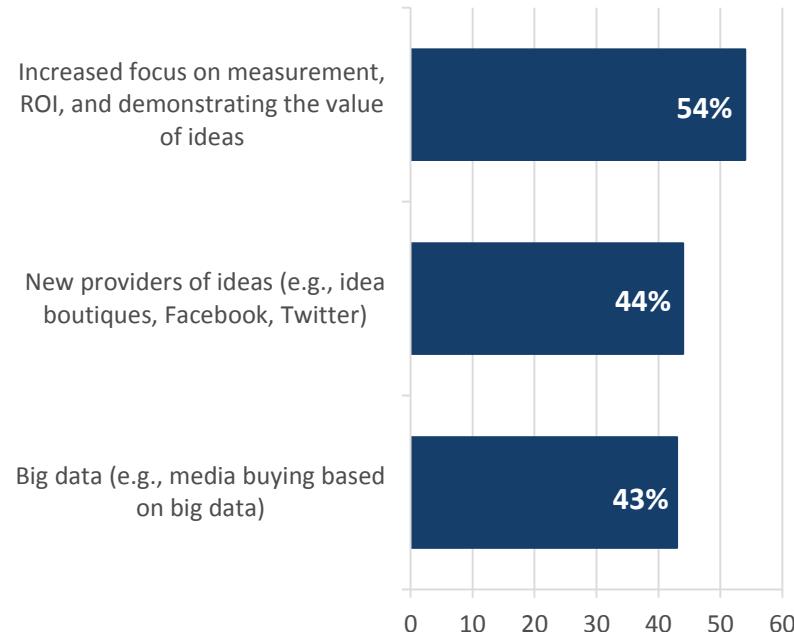
2

Big data (e.g., media buying based on big data)

3

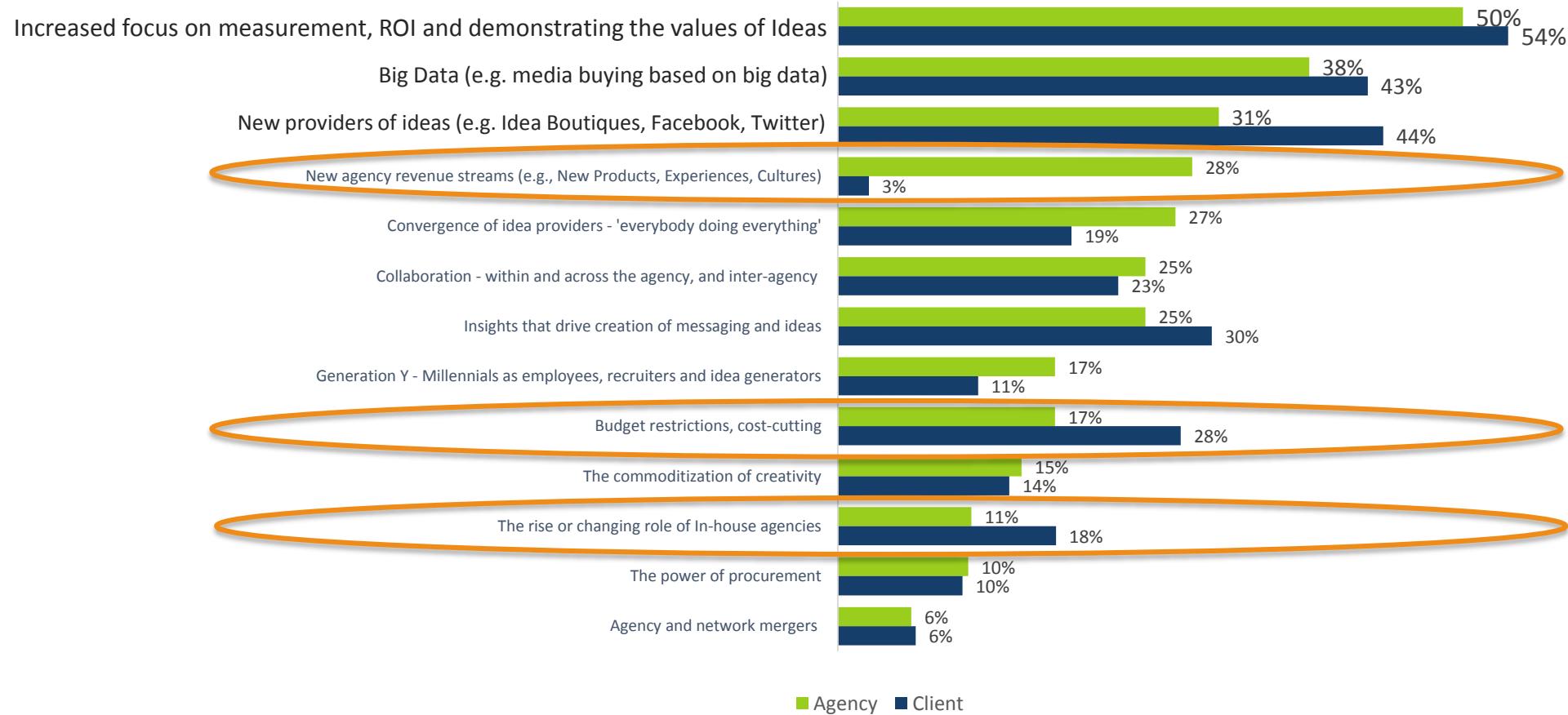
New providers of ideas (e.g., idea boutiques, Facebook, Twitter)

Client



But Important differences too ...

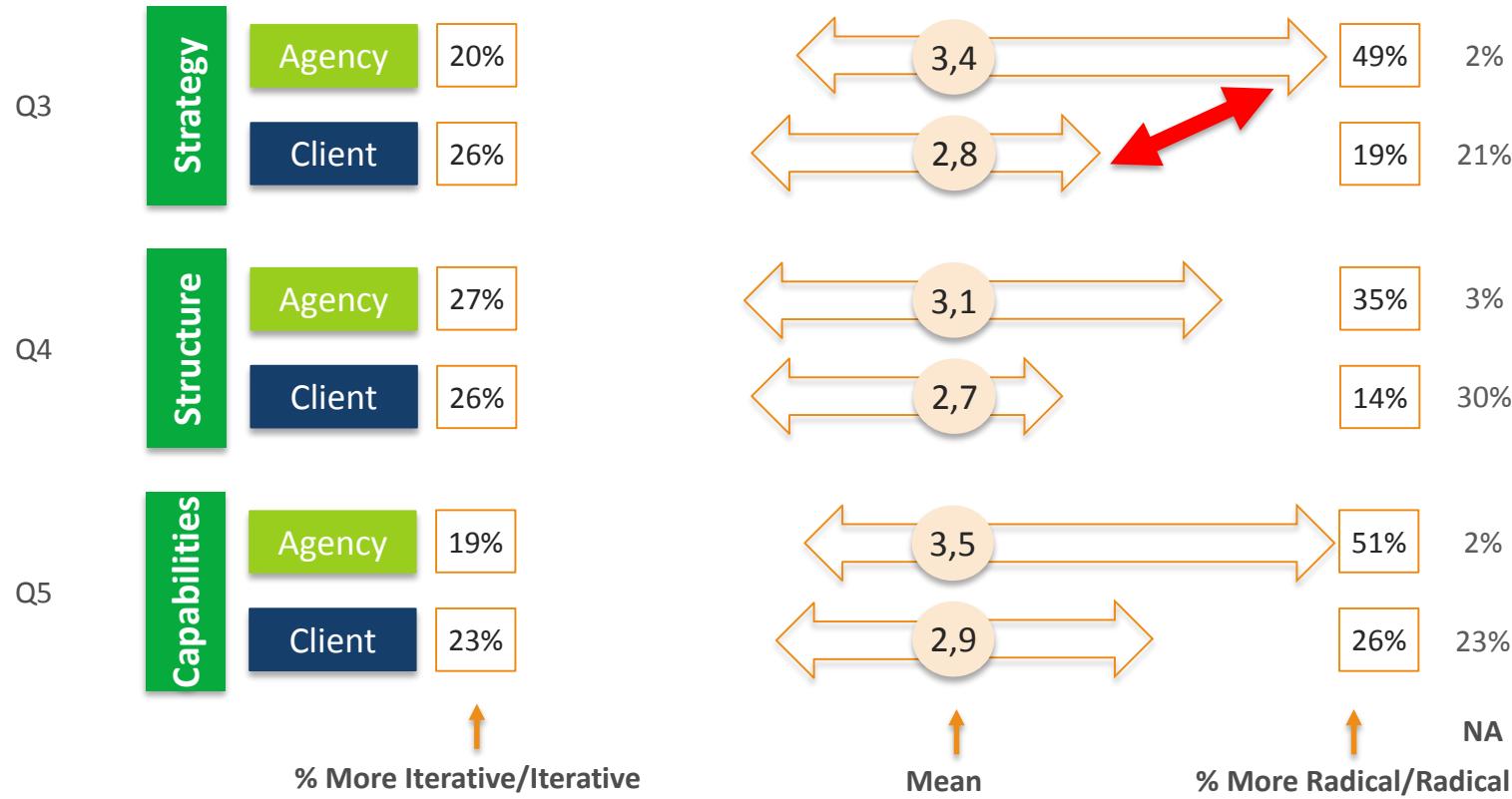
Q1. What are the top 3 trends that you believe will impact the future role of agencies



How are Agencies reacting?

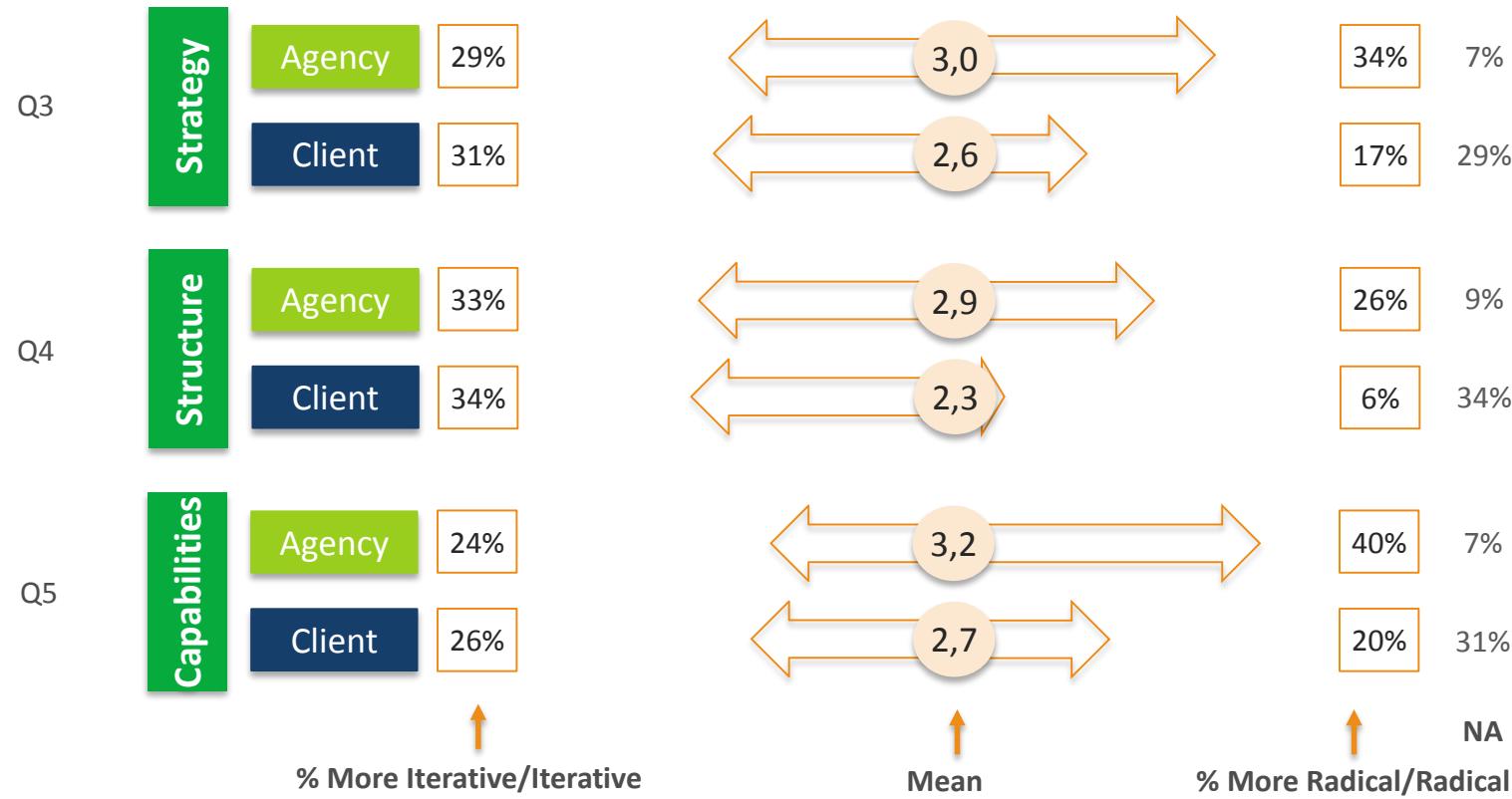
Clients do not see agencies evolving as radically as agencies claim to be

Increased focus on measurement, ROI and demonstrating the values of Ideas
 In reaction to this trend, please describe your agency's response



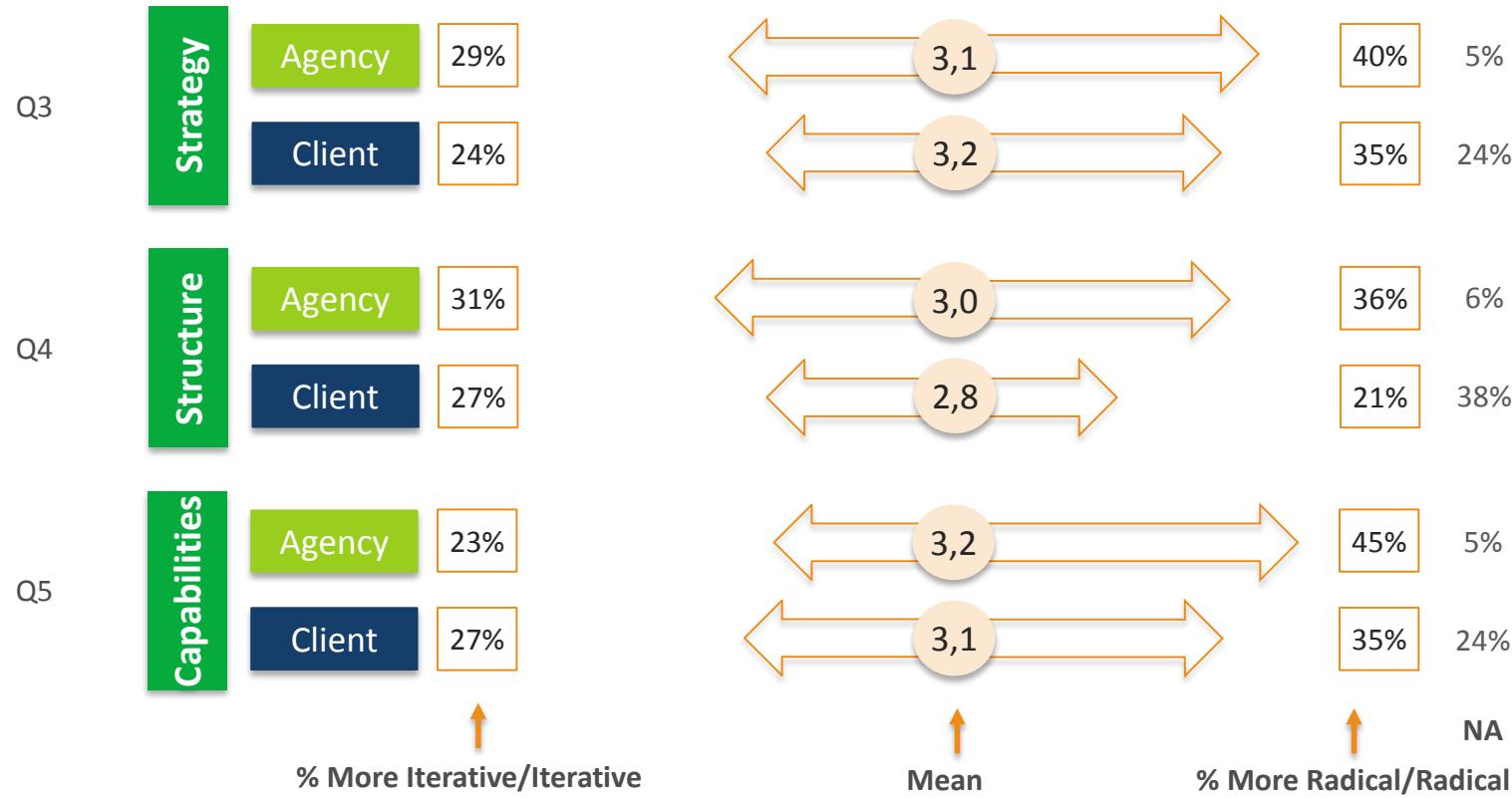
But clients do not see agencies evolving as radically as agencies claim to be

New providers of ideas (e.g. Idea Boutiques, Facebook, Twitter)
In reaction to this trend, please describe your agency's response



But clients do not see agencies evolving as radically as agencies claim to be

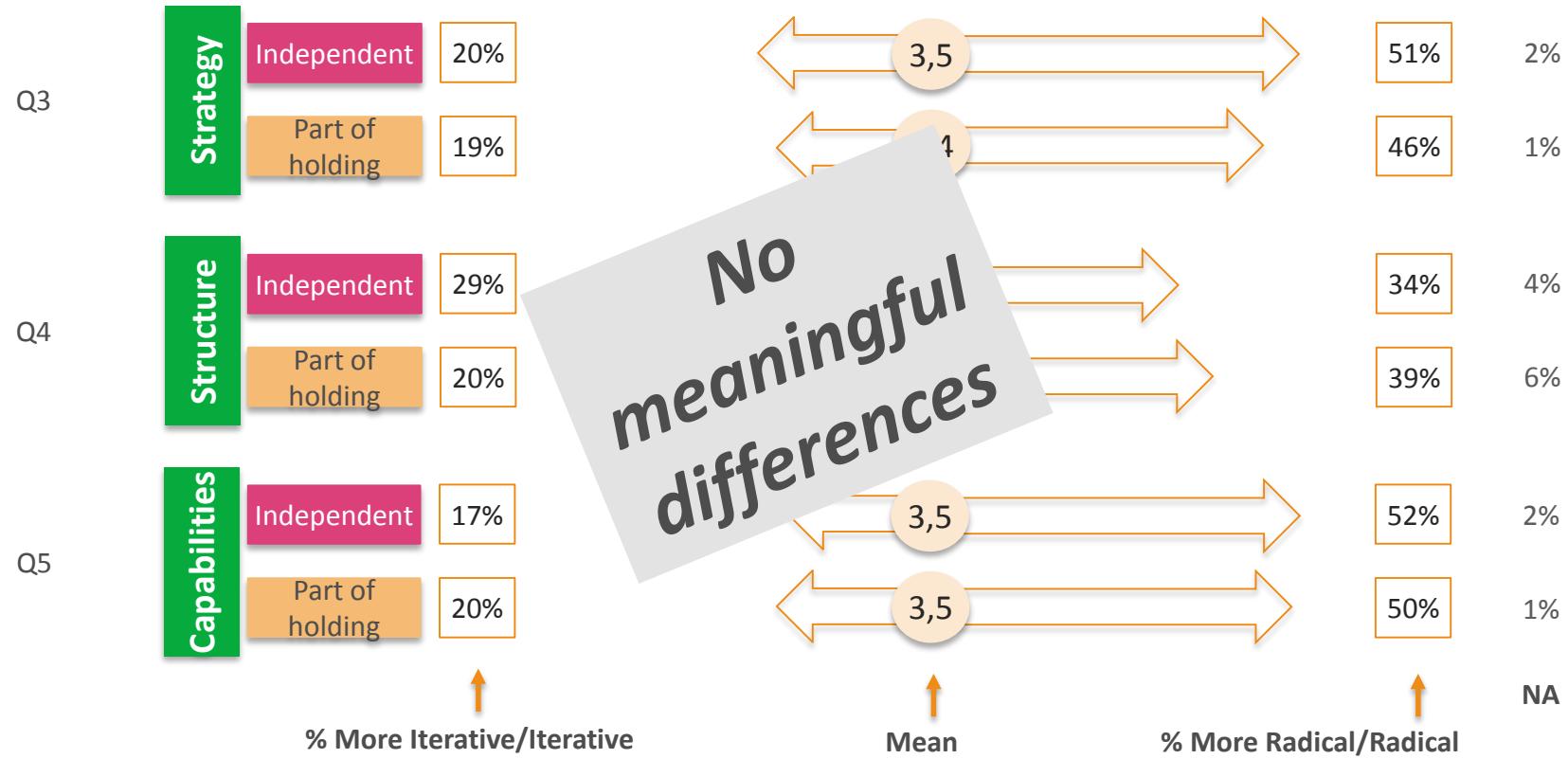
Big Data (e.g. media buying based on big data) In reaction to this trend, please describe your agency's response



Trends – Independent vs Holding

Increased focus on measurement, ROI and demonstrating the values of Ideas

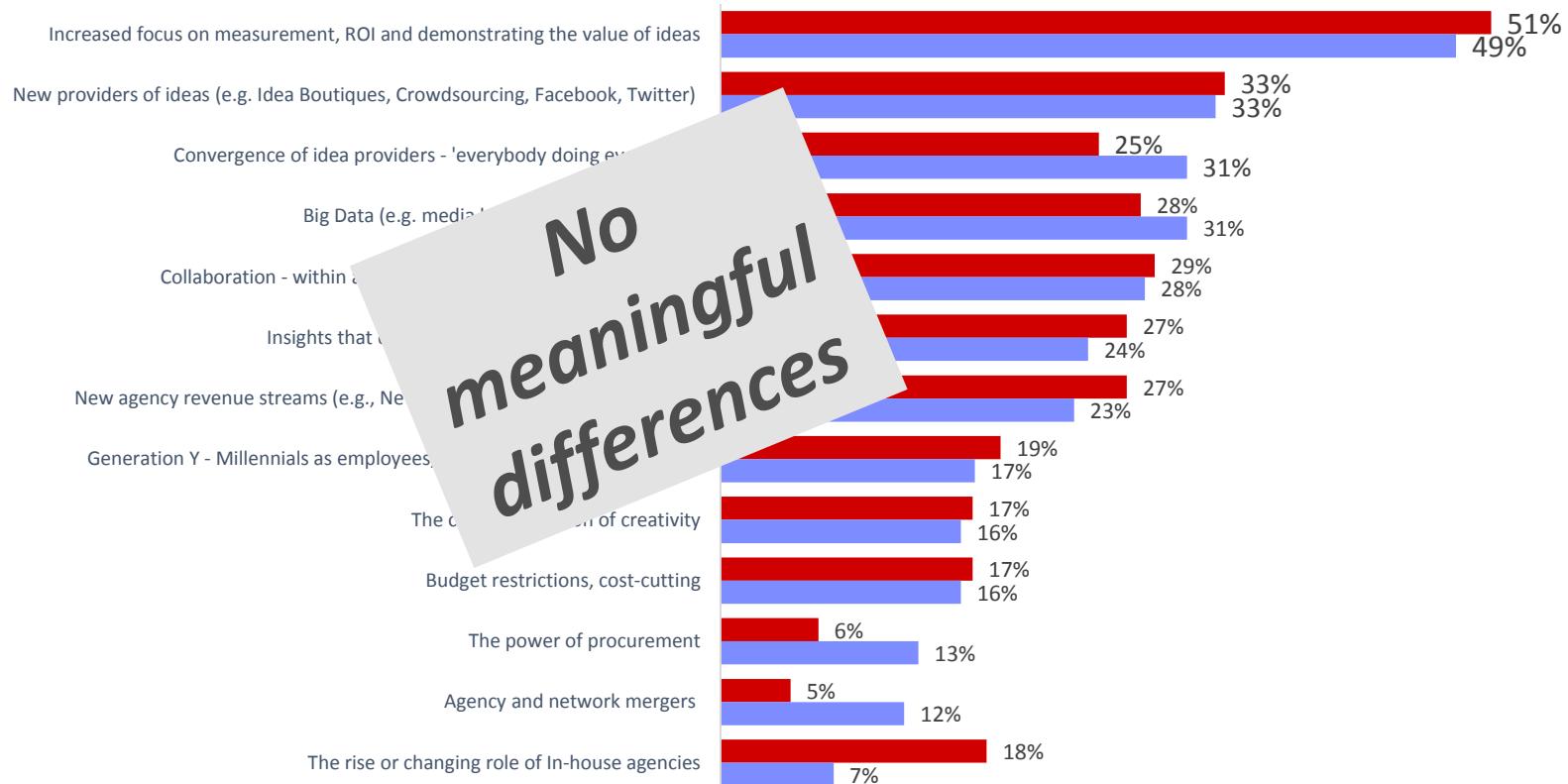
In reaction to this trend, please describe your agency's response



There were no “wow” differences when comparing trends from small vs. big creative agency

**No significance testing completed
– advise if you need**

Q1. What are the top 3 trends that you believe will impact the future role of agencies



* Only US data

Based on the scores of the Creative agencies

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■ Small Creative Agency □ Large Creative Agency

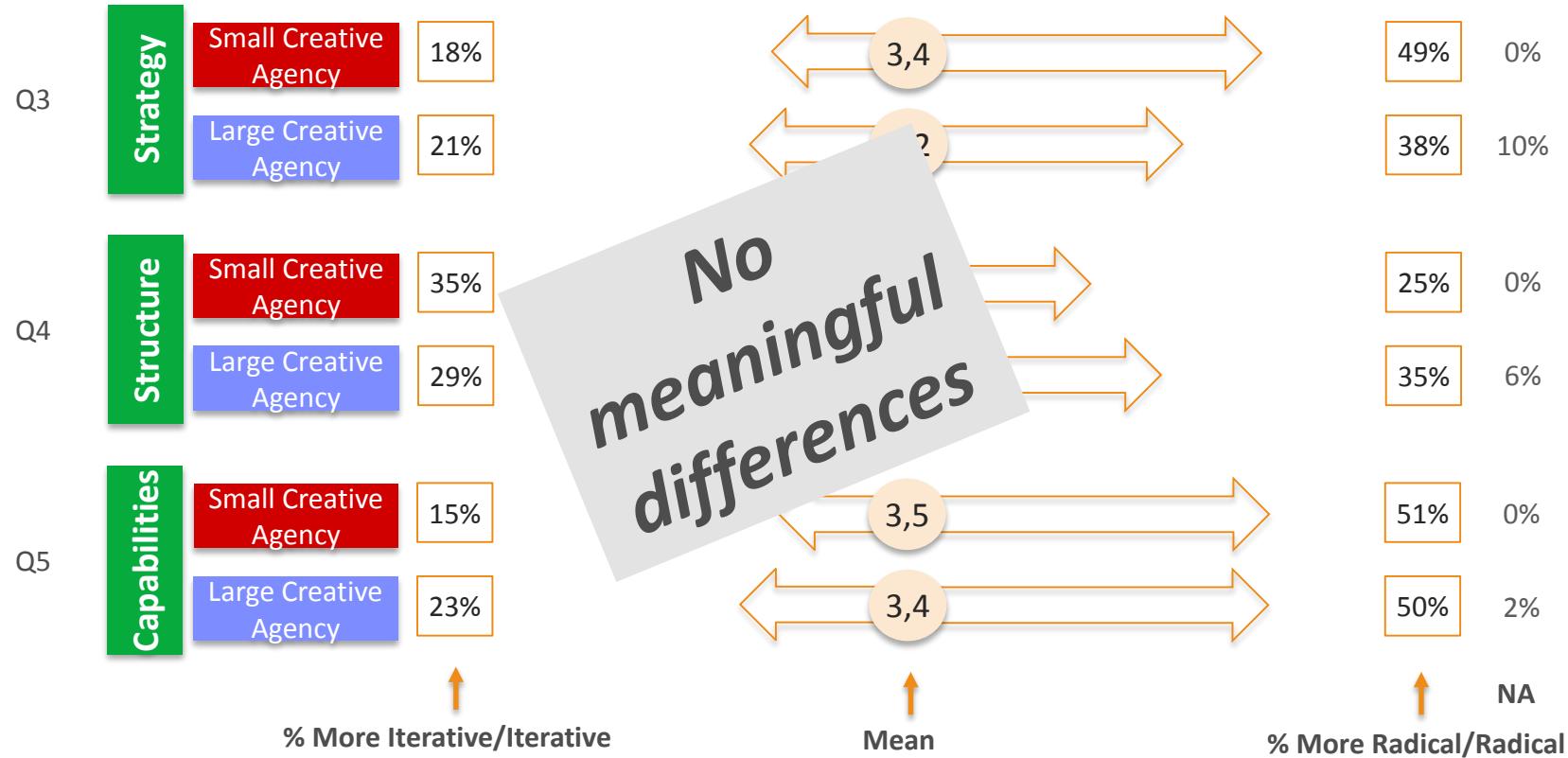
Cut Small vs Big Creative agency

No big differences

No big differences

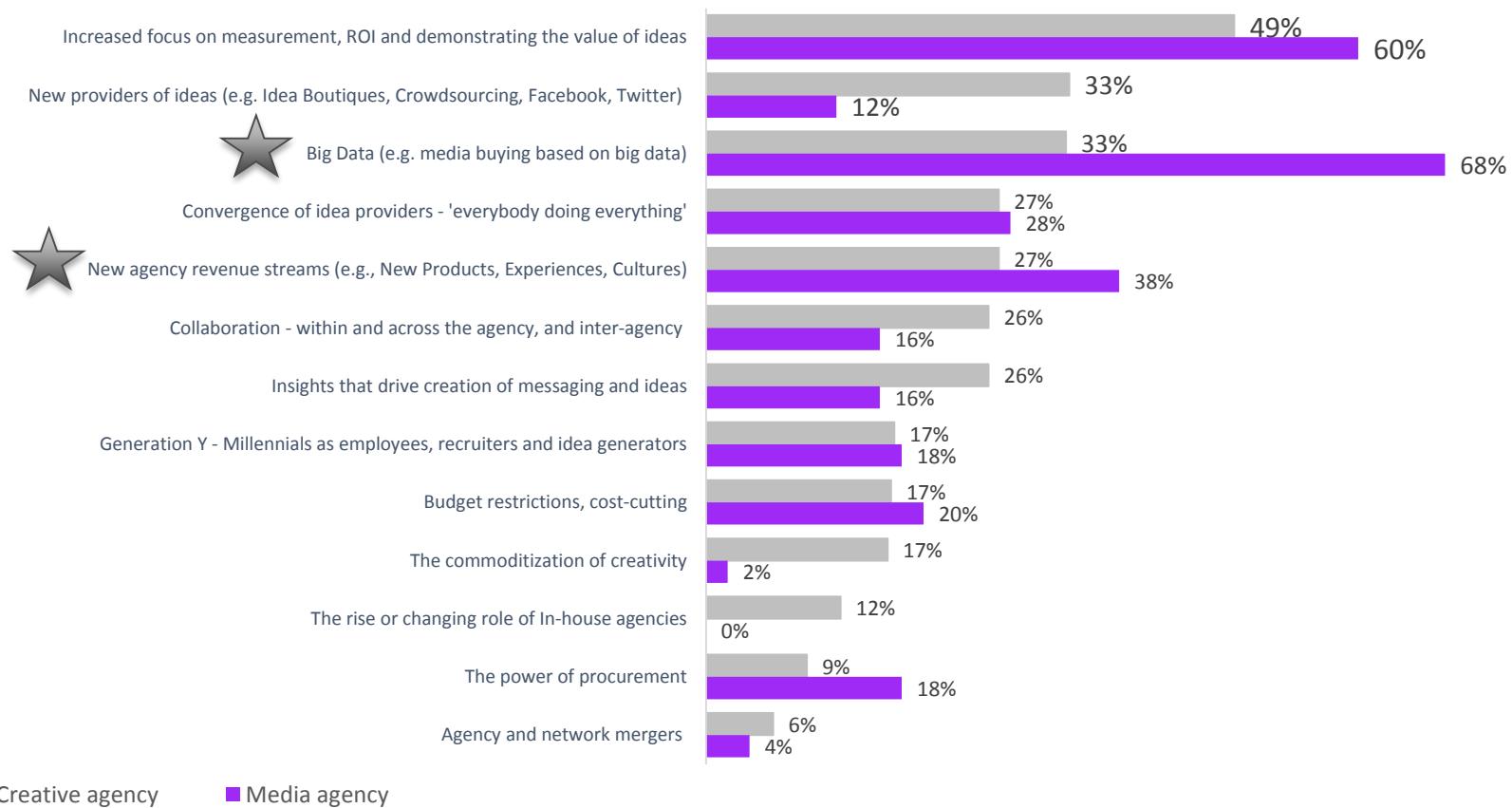
Increased focus on measurement, ROI and demonstrating the values of Ideas

In reaction to this trend, please describe your agency's response



More than any other, Media agencies fully recognize the importance and impact of Big Data and new revenue streams

Q1. What are the top 3 trends that you believe will impact the future role of agencies



Media agencies are more focused on new revenue streams than creative agencies...

Zooming in on top 3 trends

Q1. What are the top 3 trends that you believe will impact the future role of agencies

Creative

1 Increased focus on measurement, ROI, and demonstrating the value of ideas

49%

2 New providers of ideas (e.g., idea boutiques, crowdsourcing, Facebook, Twitter)

33%

3 Big Data (e.g., media buying based on big data)

33%

Media

Big Data (e.g., media buying based on big data)

68%

Increased focus on measurement, ROI, and demonstrating the value of ideas

60%



3 New agency revenue streams (e.g., new products, experiences, cultures)

38%

Media agencies are more aligned with over-performers...

Focus on new revenue streams is the difference

Media

Big Data (e.g., media buying based on big data)

68%

Increased focus on measurement, ROI, and demonstrating the value of ideas

60%

New agency revenue streams (e.g., new products, experiences, cultures)

38%

Over-performers

Increased focus on measurement, ROI, and demonstrating the value of Ideas

45%

Big data (e.g., media buying based on big data)

36%

New agency revenue streams (e.g., new products, experiences, cultures)

35%

1

2

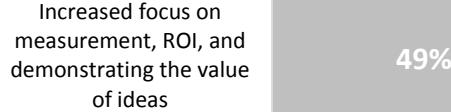
3

...whereas creative agencies are more aligned with the “rest”

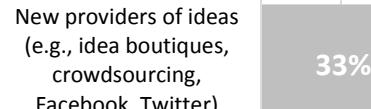
More focused on the competition, not developing their own capability

Creative

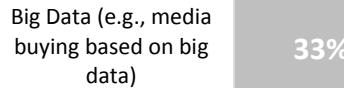
1



2

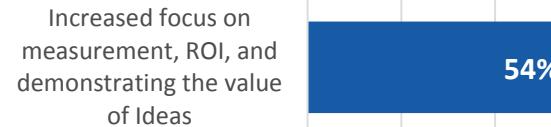


3

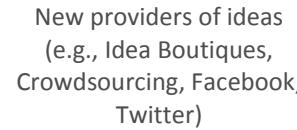


Rest

1



2



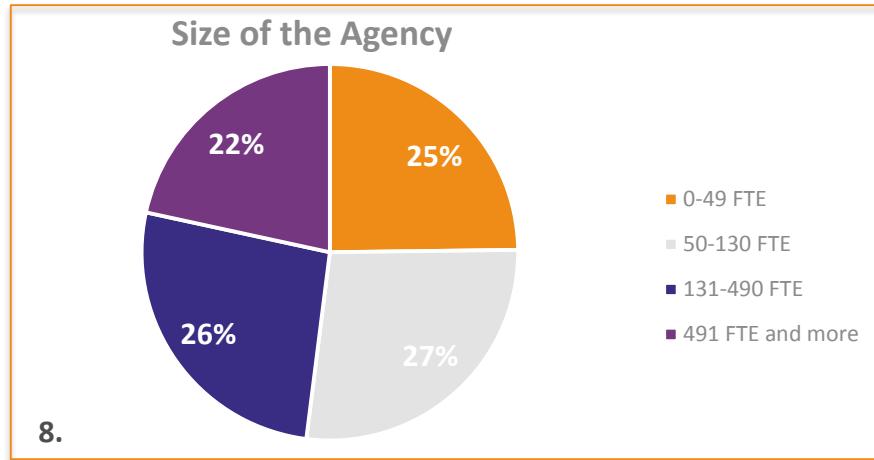
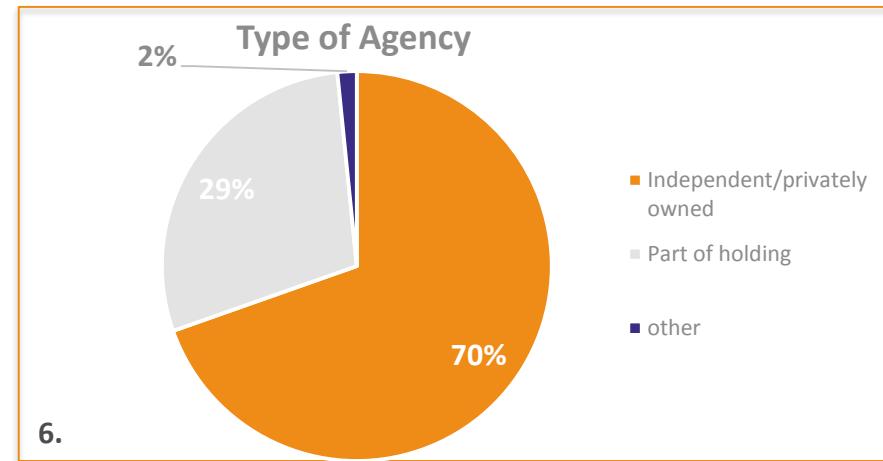
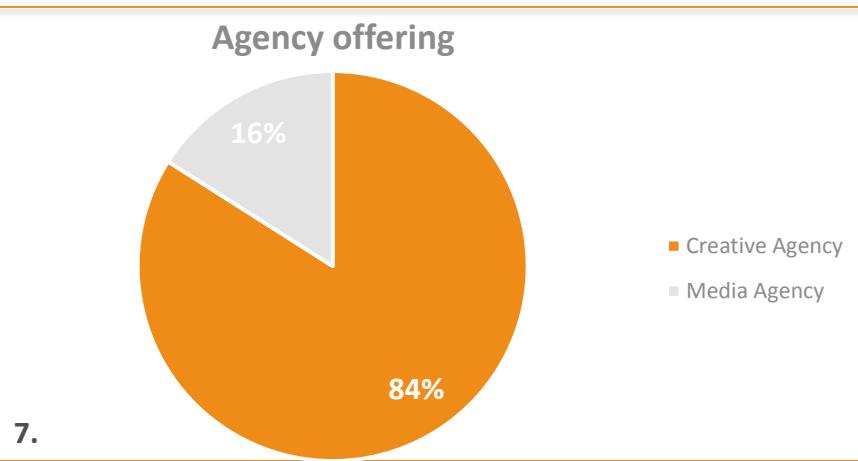


A2020 Over-Performers

What makes them winners?

Who are the Over-performers?

Over-performers self-reported revenue growth >10% in last 3 years



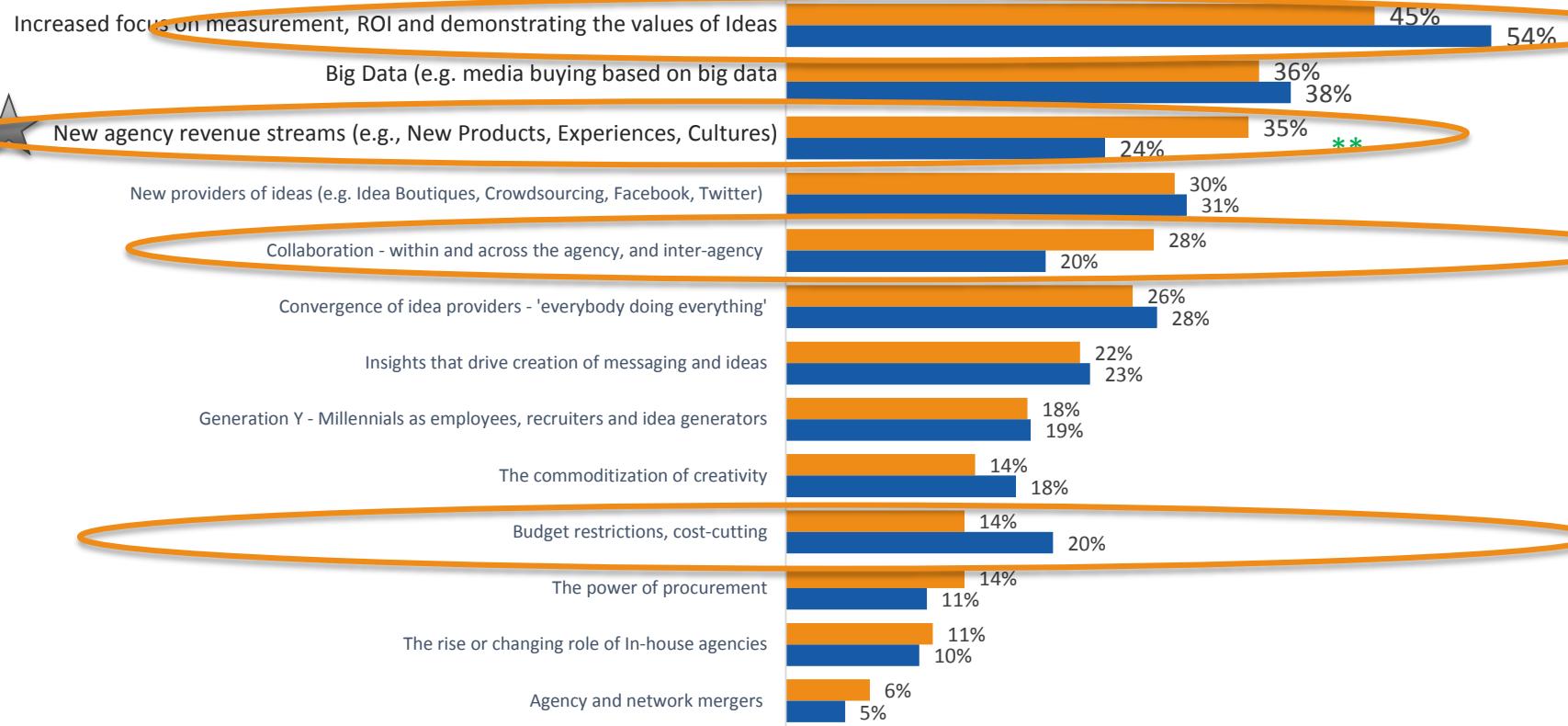
n=125
Only US data

Creative Agency	n=105
Media Agency	n=20
Independent/privately owned	n= 87
Part of holding	n=36
Other	n=2
0-49 FTE	n=31
50-130 FTE	n=34
131-490 FTE	n=33
491 FTE and more	n=27

Over-performers are more focused on *new revenue streams* than *new providers of ideas*

Less looking at the competition, more evolving the company

What are the top 3 trends that you believe will impact the future role of agencies



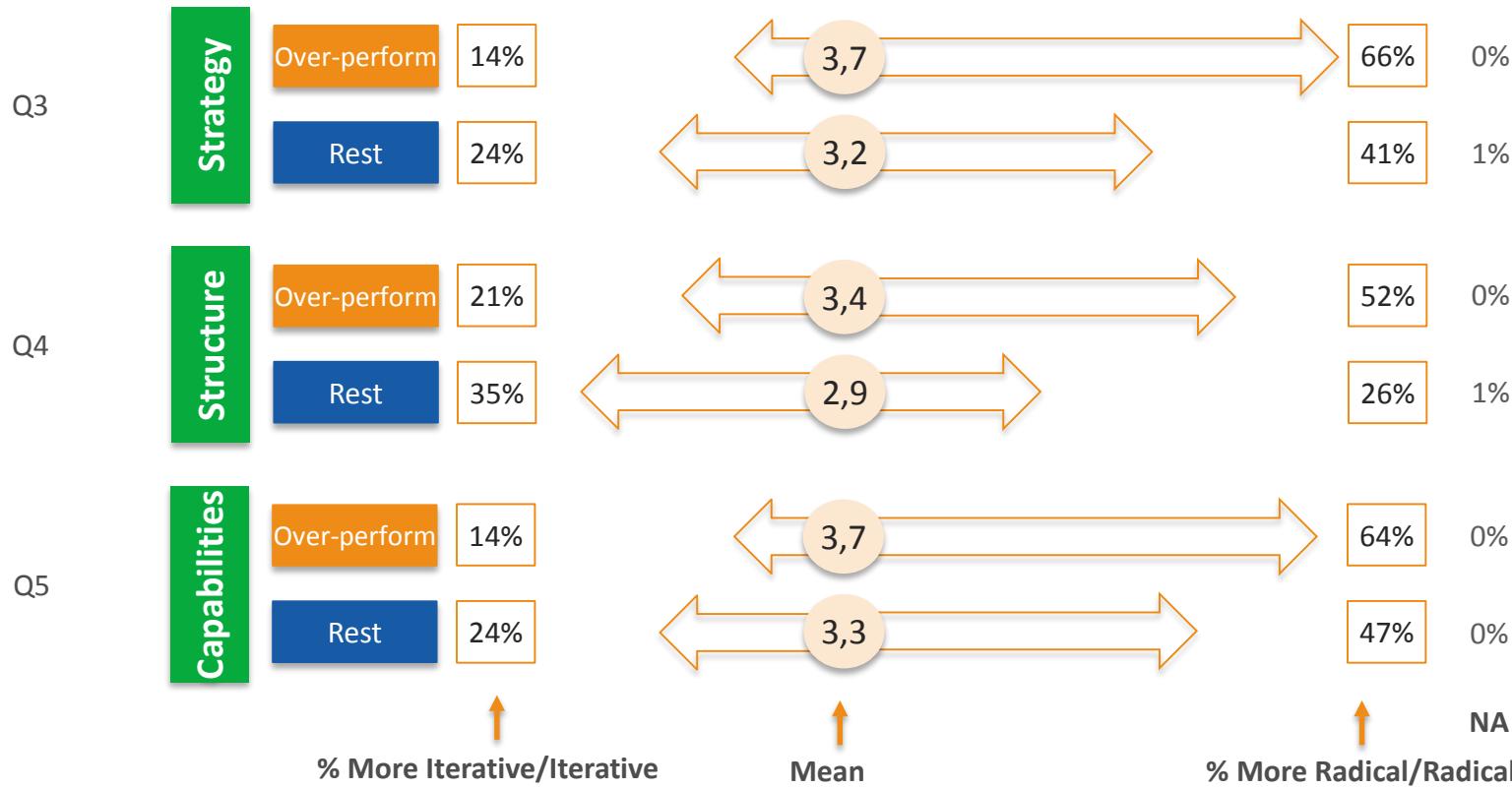
■ Over-performers ■ Rest

Across the board, over-performers are evolving more radically in response to trends



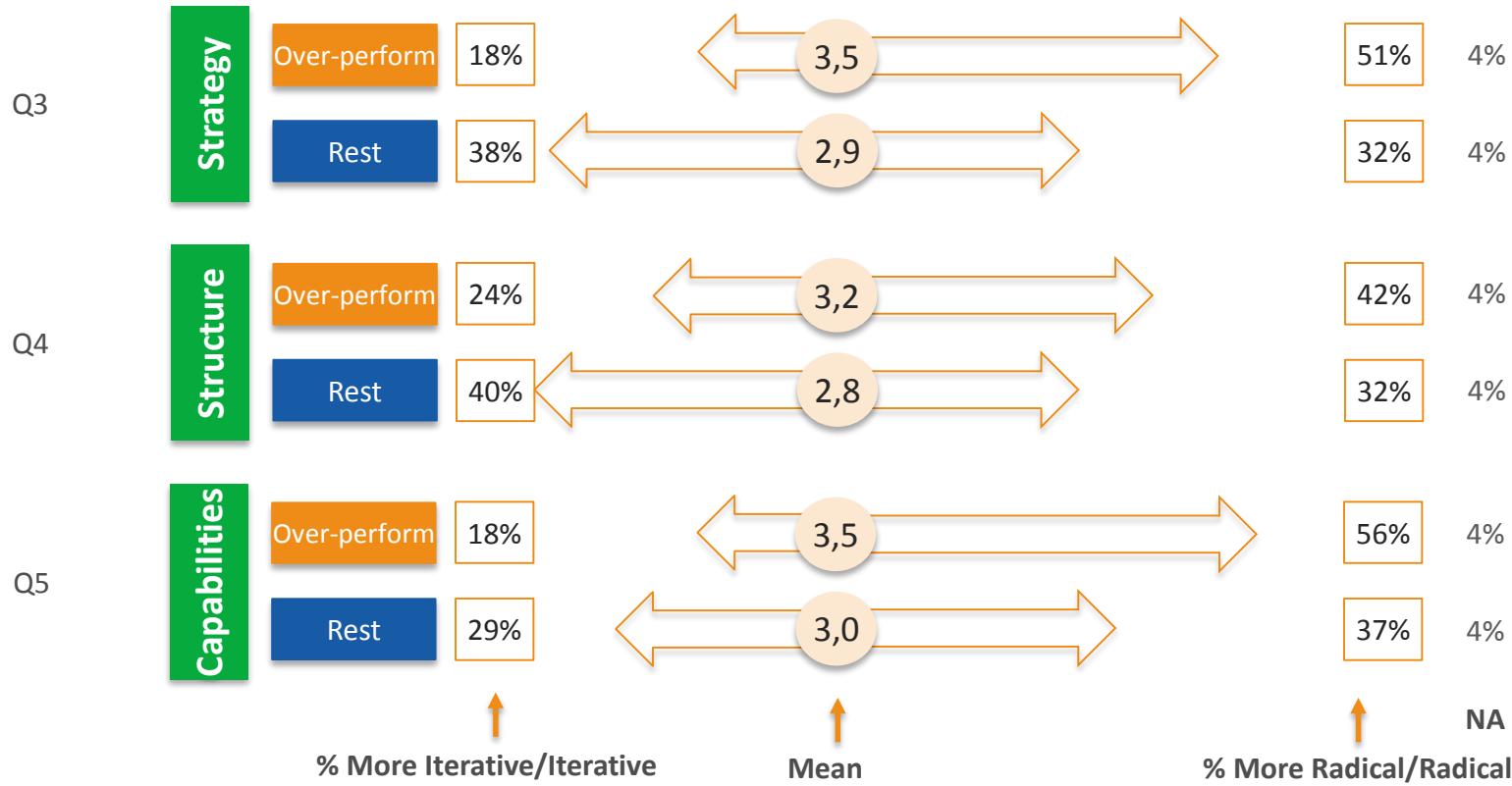
Increased focus on measurement, ROI and demonstrating the values of Ideas

In reaction to this trend, please describe your agency's response



Across the board, over-performers are evolving more radically in response to trends

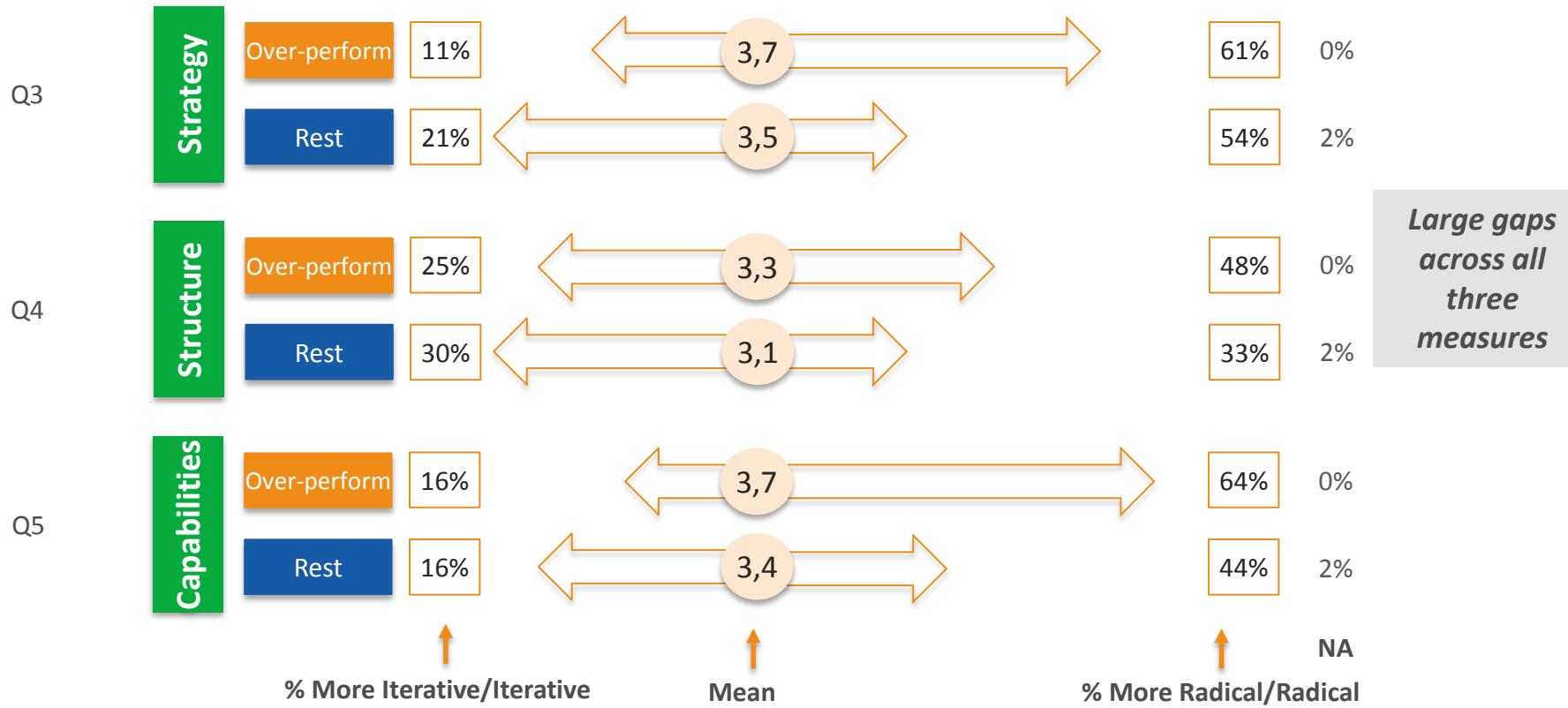
Big Data (e.g. media buying based on big data)
 In reaction to this trend, please describe your agency's response



Across the board, over-performers are evolving more radically in response to trends

New agency revenue streams (e.g., New Products, Experiences, Cultures)

In reaction to this trend, please describe your agency's response



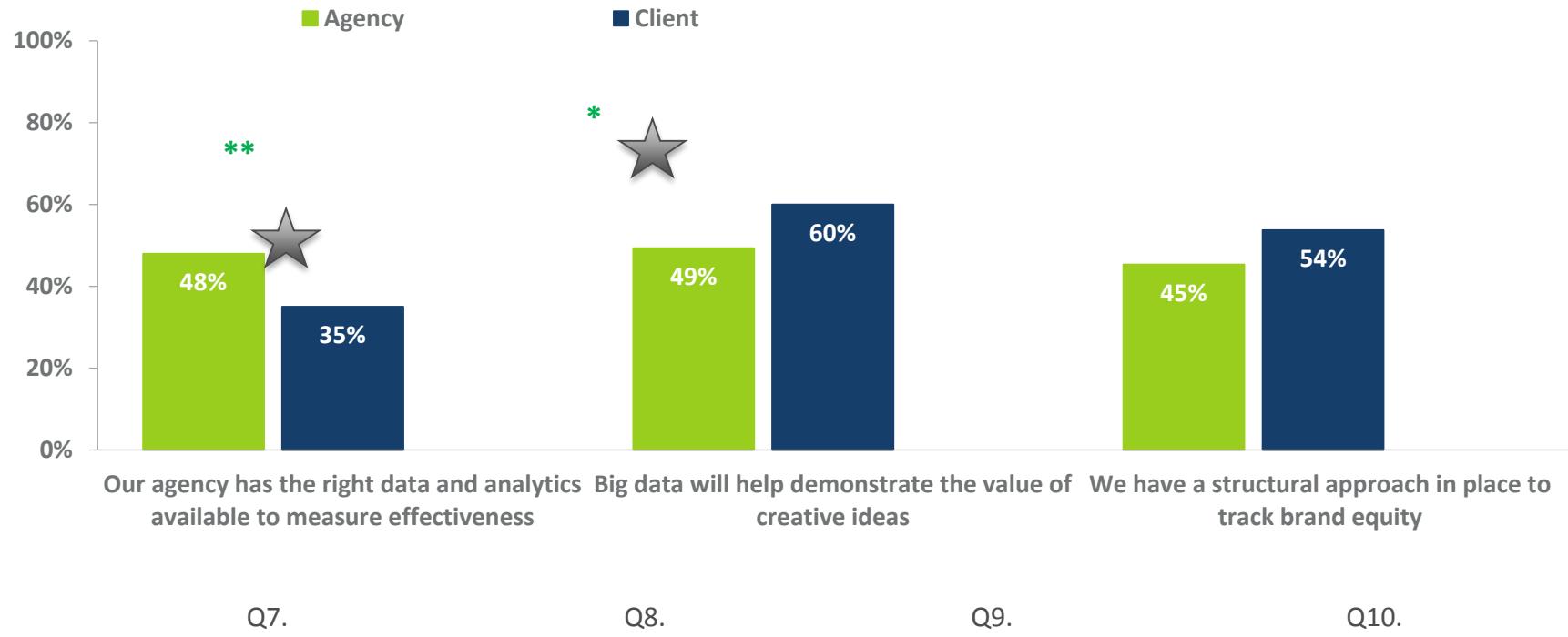
Drivers of Global Marketing Effectiveness



Big Insights

Big Insights
Purposeful Positioning
Total Experience

Clients doubt that agencies have the right data and analytics available

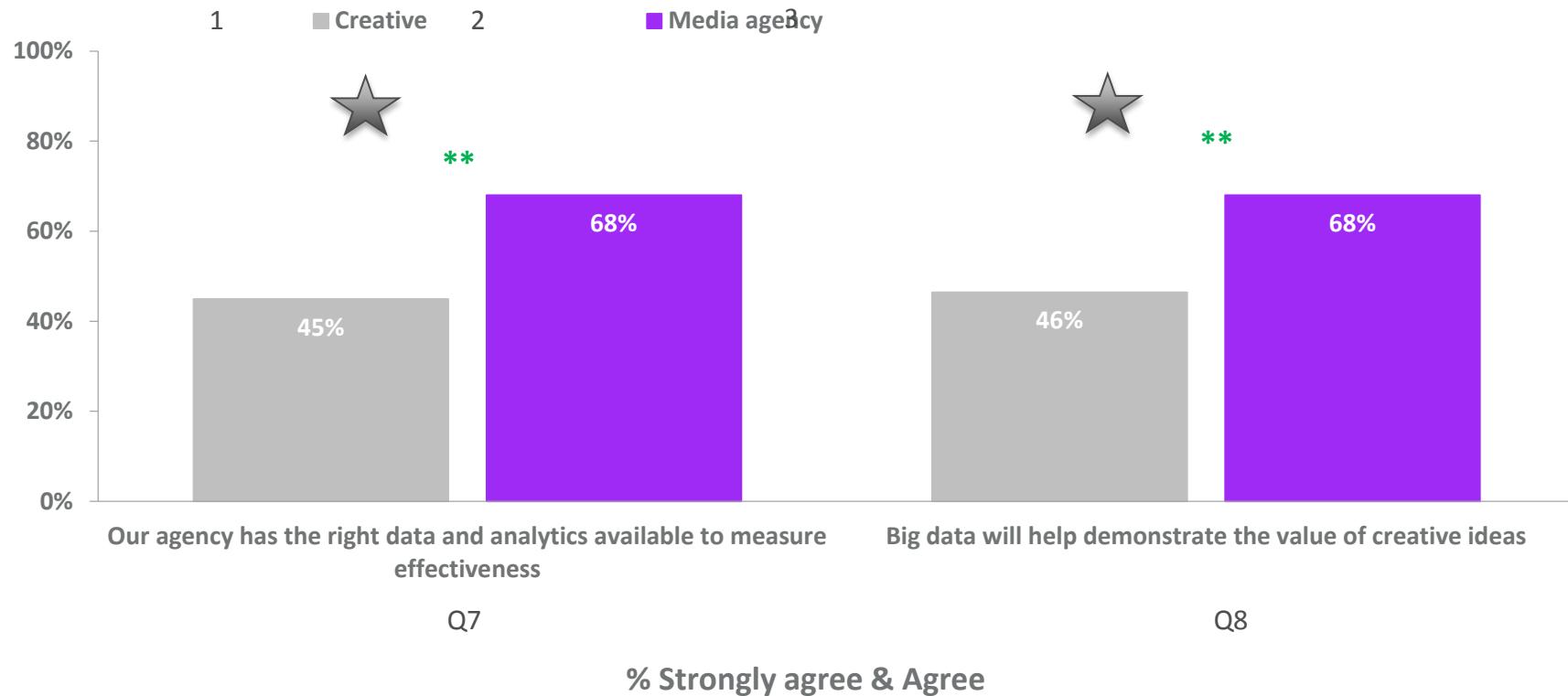


% Strongly agree & Agree

* Represents a difference that is indicative (90% confidence)

** represents a difference that is significant (95% of confidence)

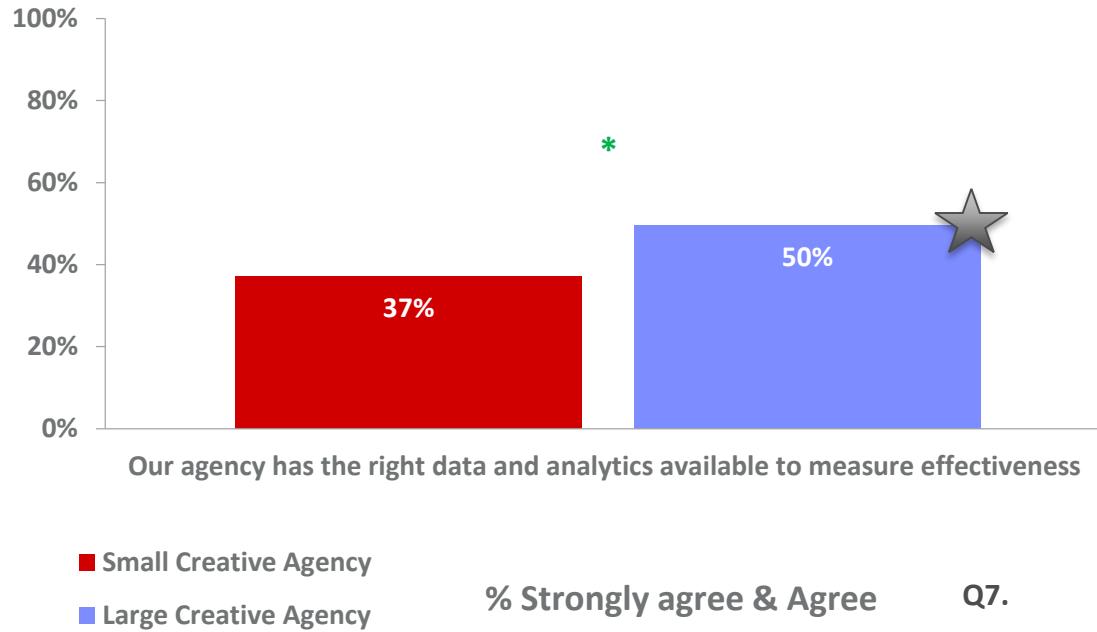
Media agencies are more confident in their ability to lead the way when it comes to data



* Represents a difference that is indicative (90% confidence)

** represents a difference that is significant (95% of confidence)

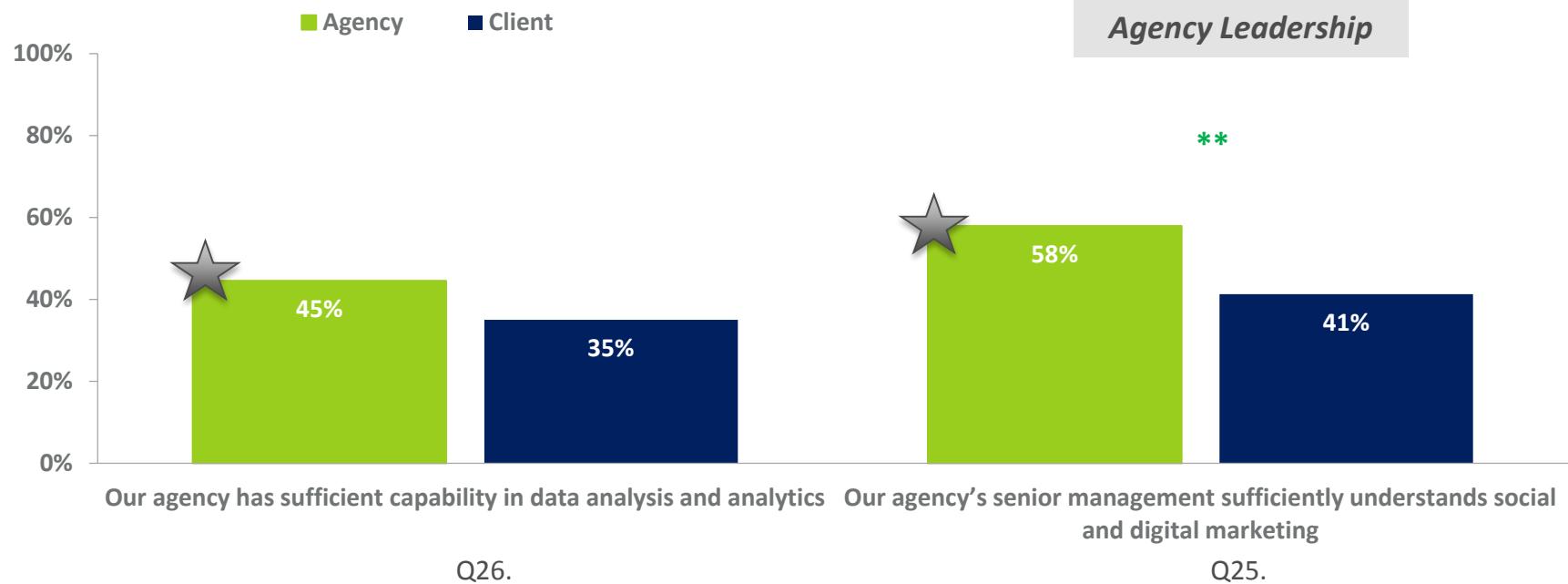
Smaller creative agencies feel less equipped than larger creative agencies



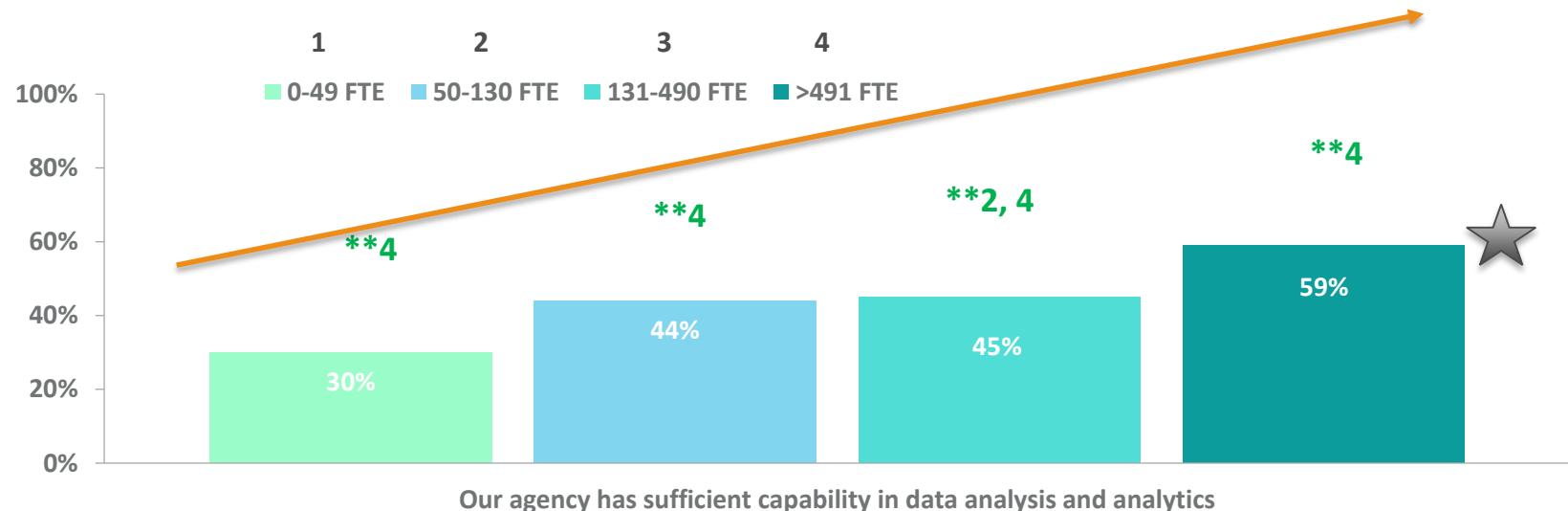
Small creative agencies feel even less equipped

On all capability measures the agency rates itself higher than rated by clients

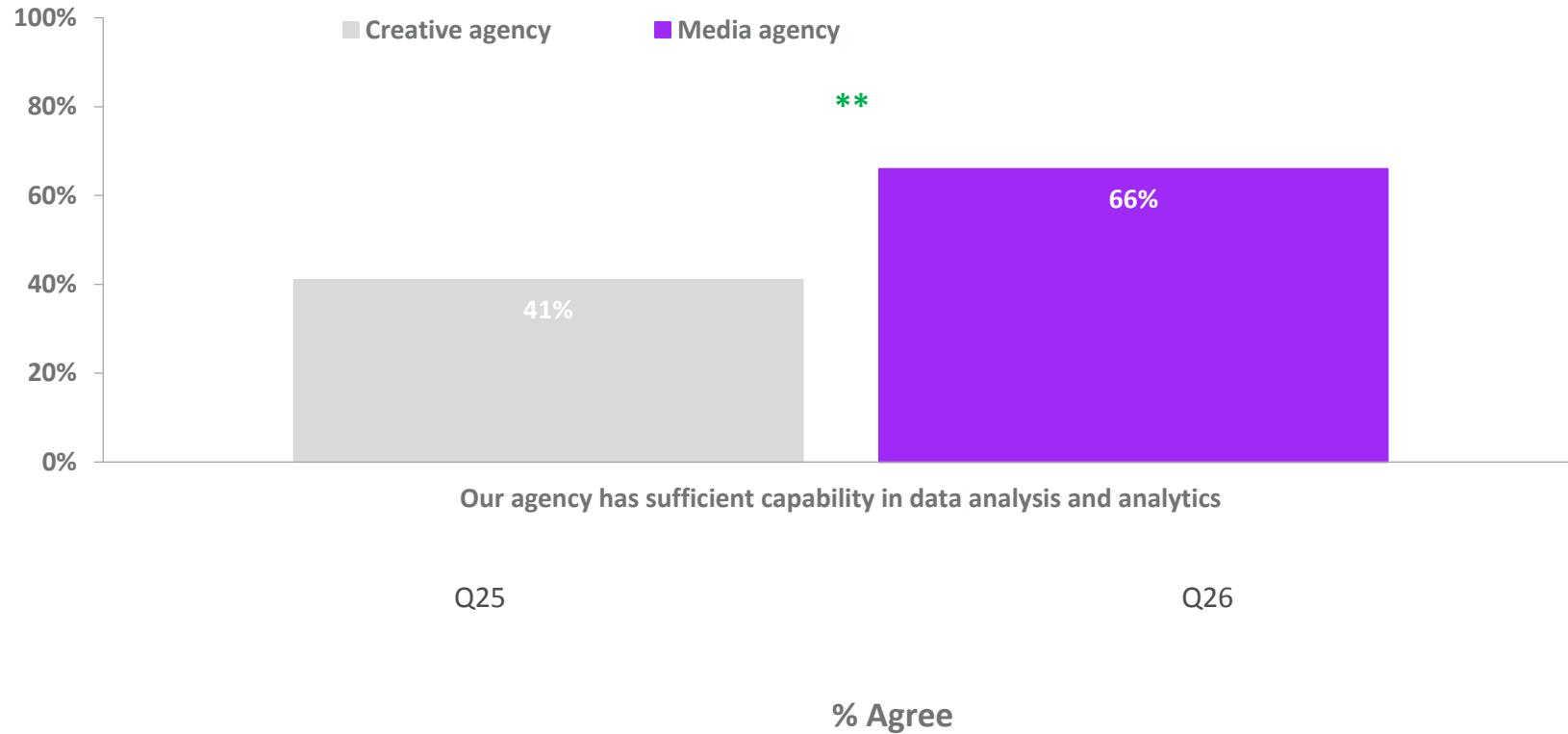
Agency Egos ☺



Bigger agencies have more sufficient capabilities in data and analytics than smaller agencies



Media agencies have the edge over creative when it comes to data



* Represents a difference that is indicative (90% confidence)

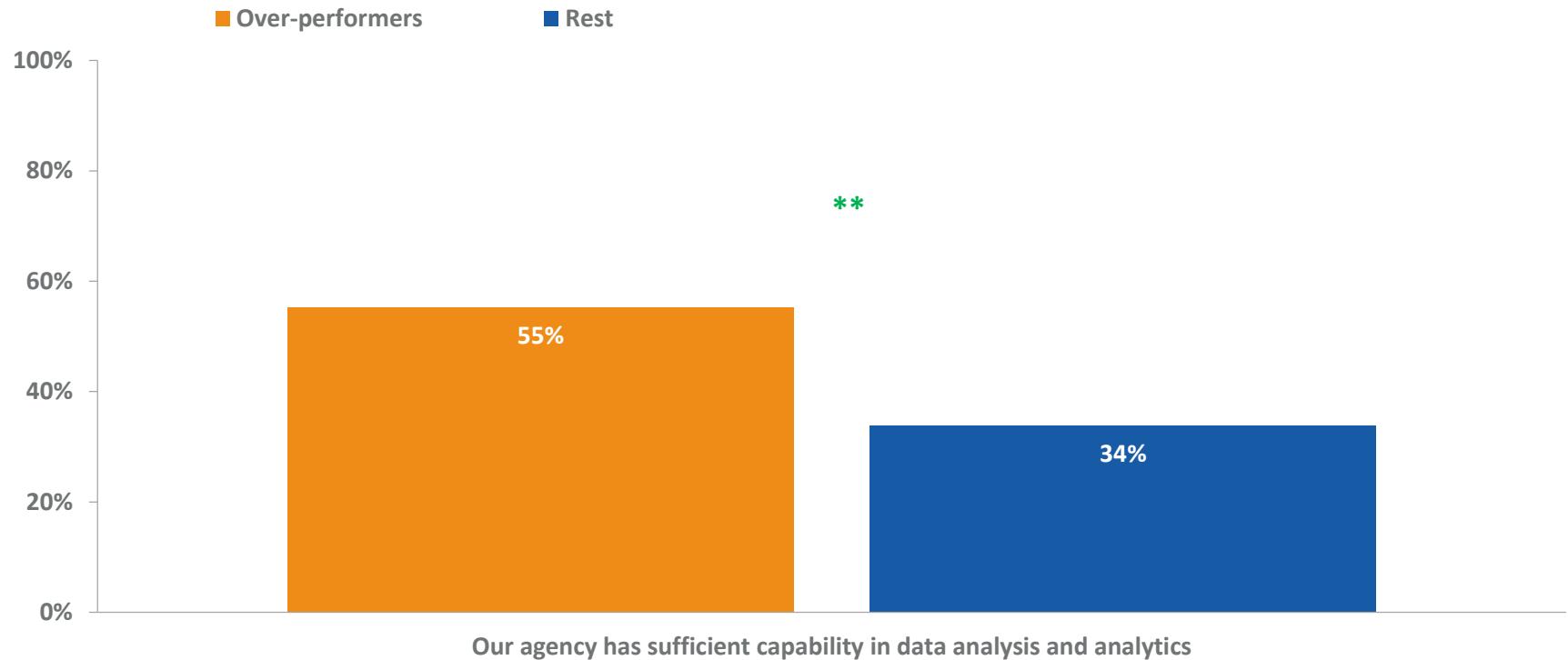
** represents a difference that is significant (95% of confidence)

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A2020 Over-Performers

What makes them winners?

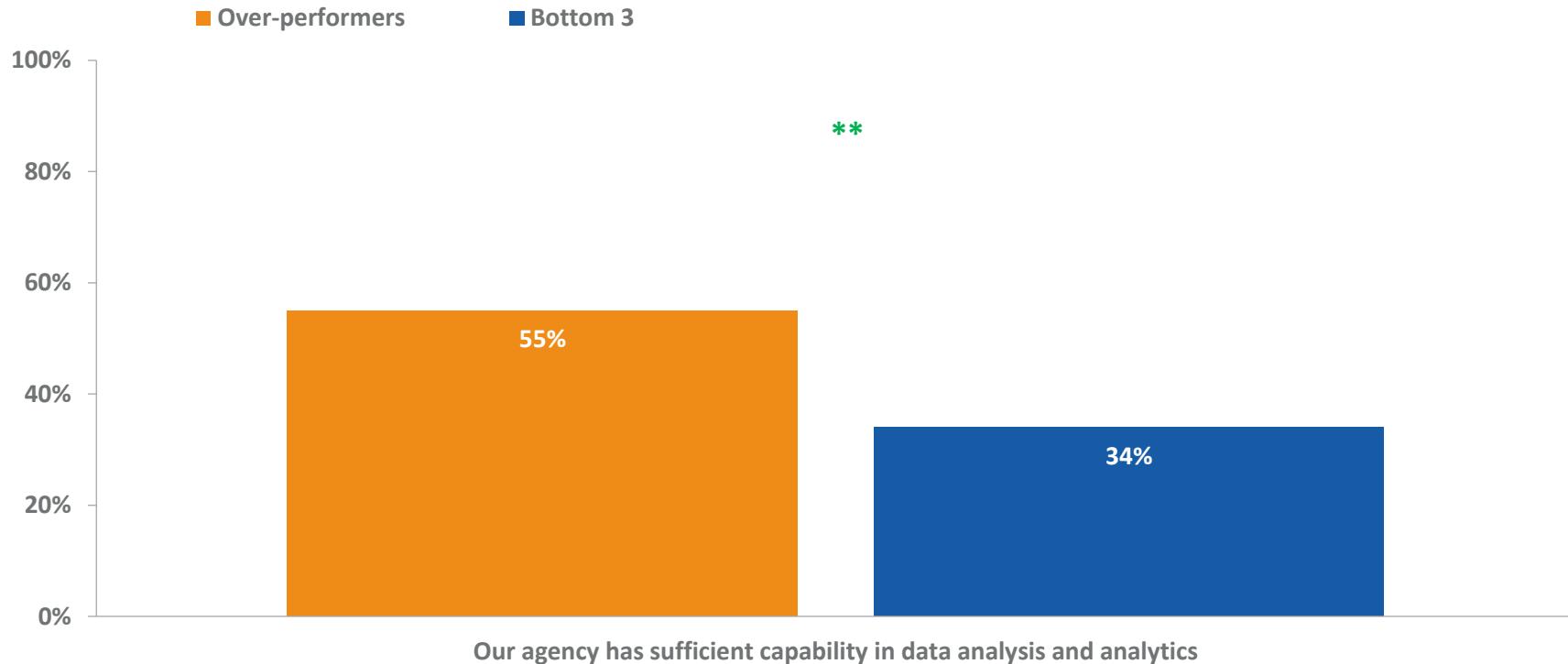
Over-performing agencies have more developed capabilities in Social and Big Data



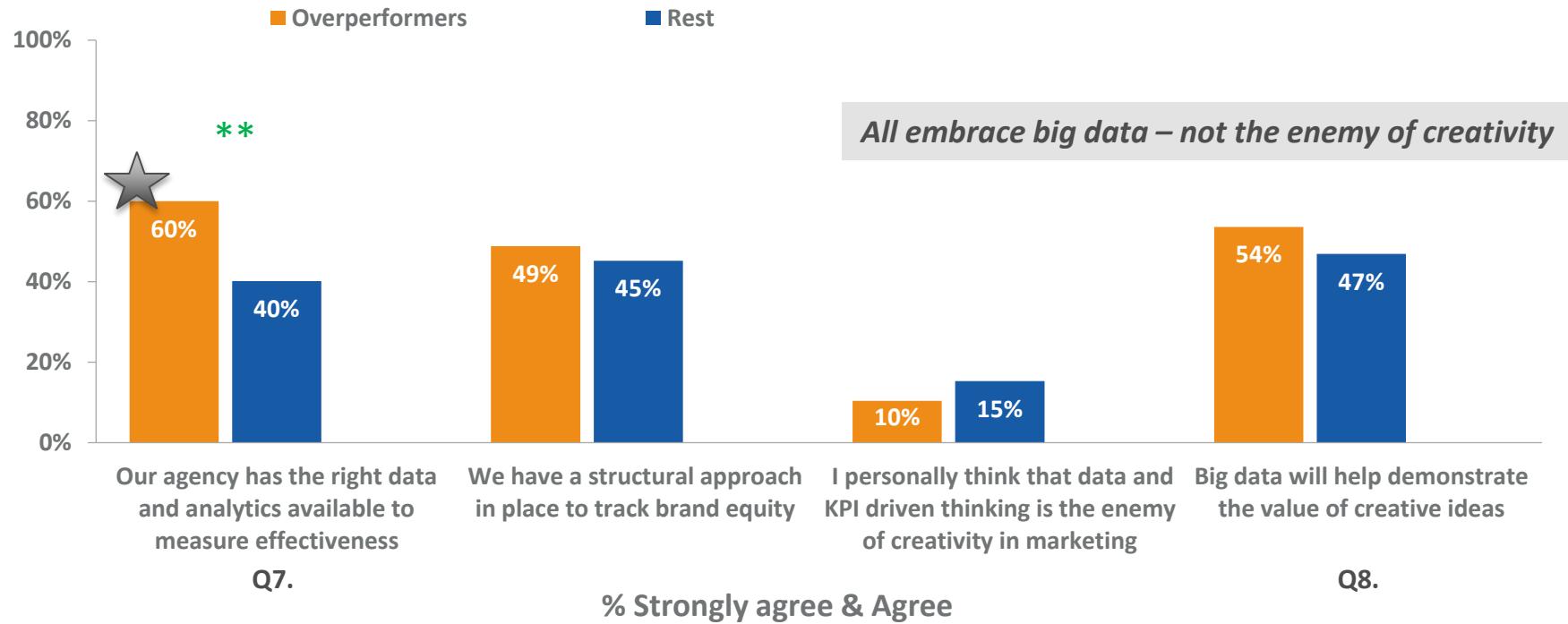
Zooming in: Over-performers vs Bottom 3



Note: Even though significant, no hard conclusions due to low base when over vs bottom 3



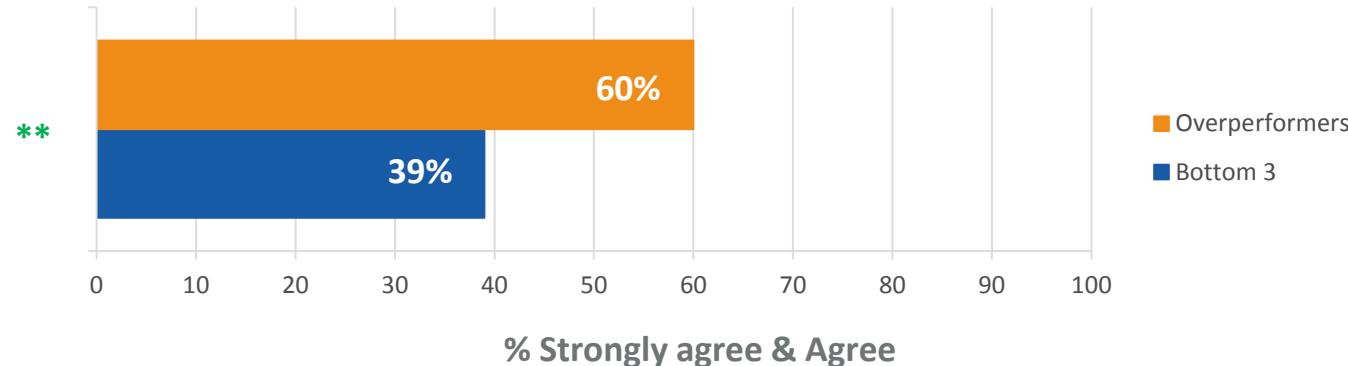
Over-performers are confident that big data is well integrated at their agency



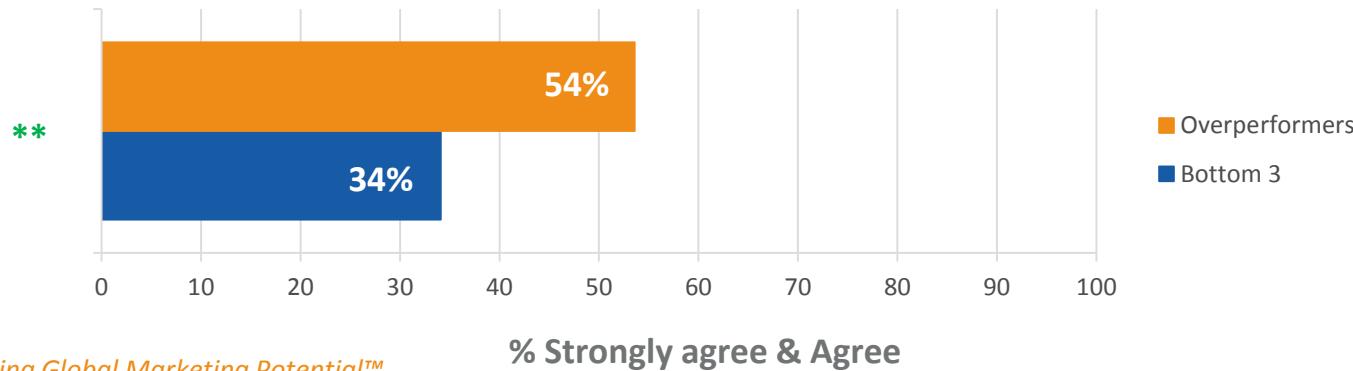
Zooming in: Over-performers vs Bottom 3



Q7 Our agency has the right data and analytics available to measure effectiveness

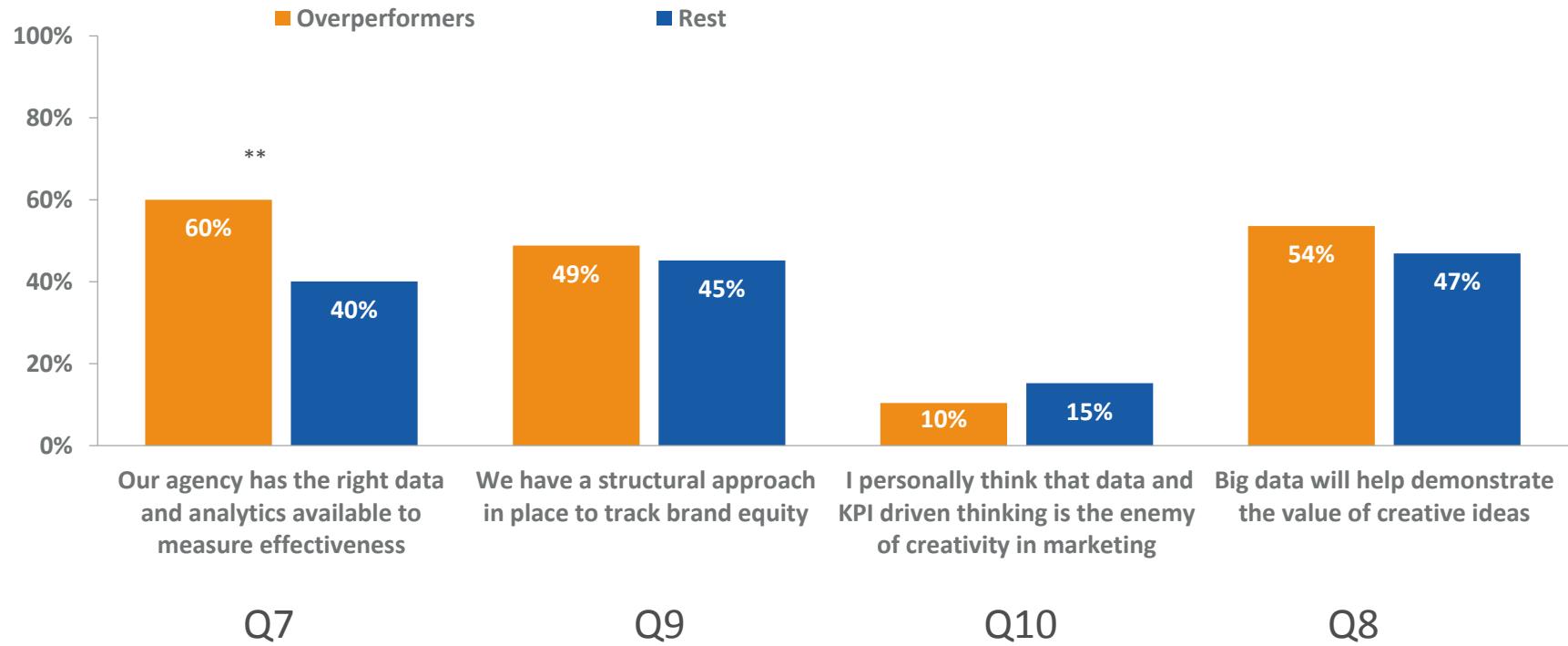


Q8 Big data will help demonstrate the value of creative ideas



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Big data is more integrated in the over-performing agencies



Only US data

Based on the scores of the agencies

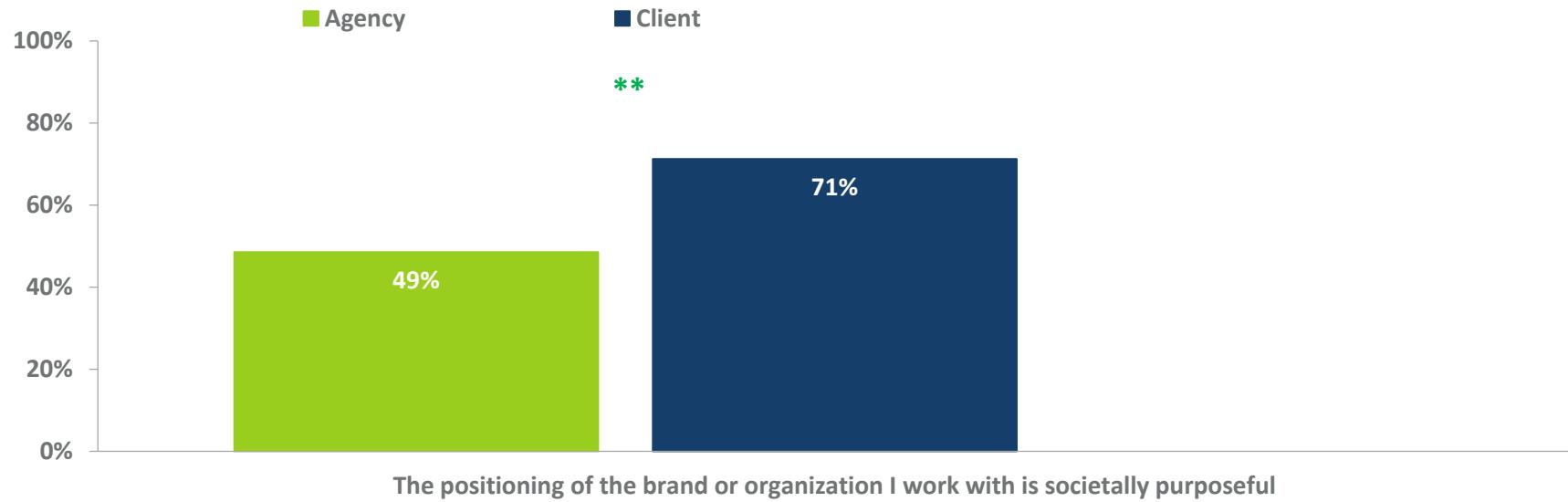
The “unknown” category is excluded (n=71)

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Purposeful Positioning

Big Insights
Purposeful Positioning
Total Experience

Clients feel more purposeful



Q14

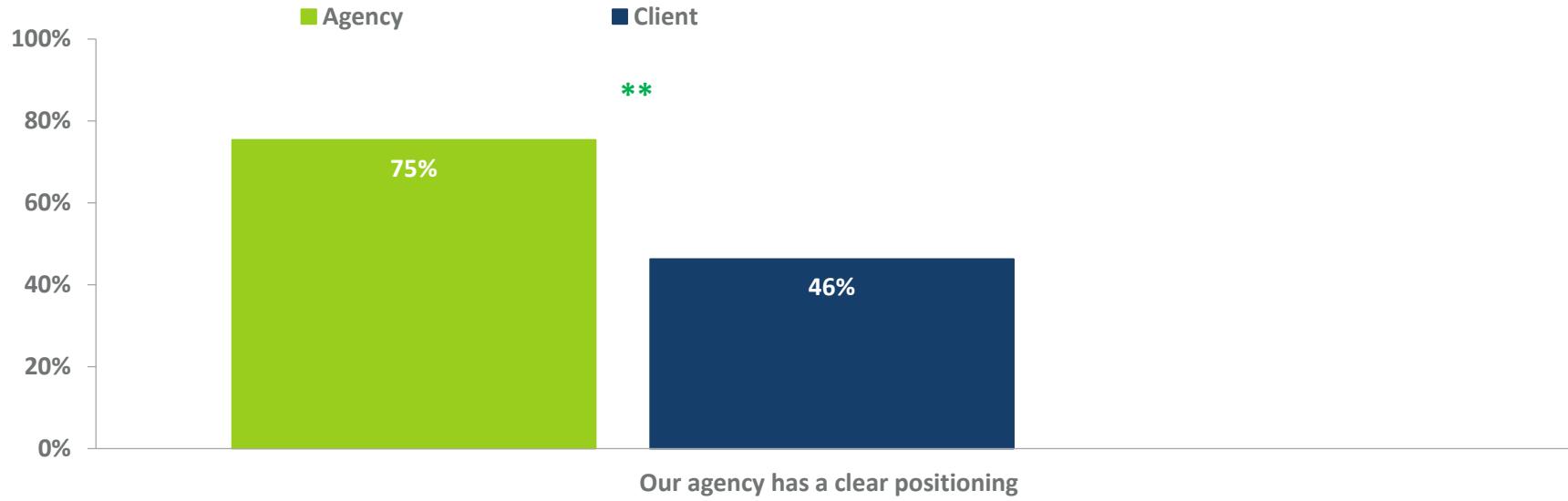
% Strongly agree & Agree

- Only US data
- Based on the scores of the Agencies & Clients
- The “other” category is excluded (n=38)

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* Represents a difference that is indicative (90% confidence)
** represents a difference that is significant (95% of confidence)

Clients do not perceive agencies as having clear positioning...



Q12

- Only US data
- Based on the scores of the Agencies & Clients
- The “other” category is excluded (n=38)

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% Strongly agree & Agree

* Represents a difference that is indicative (90% confidence)

** represents a difference that is significant (95% of confidence)

Or having a societal purpose...



Q13

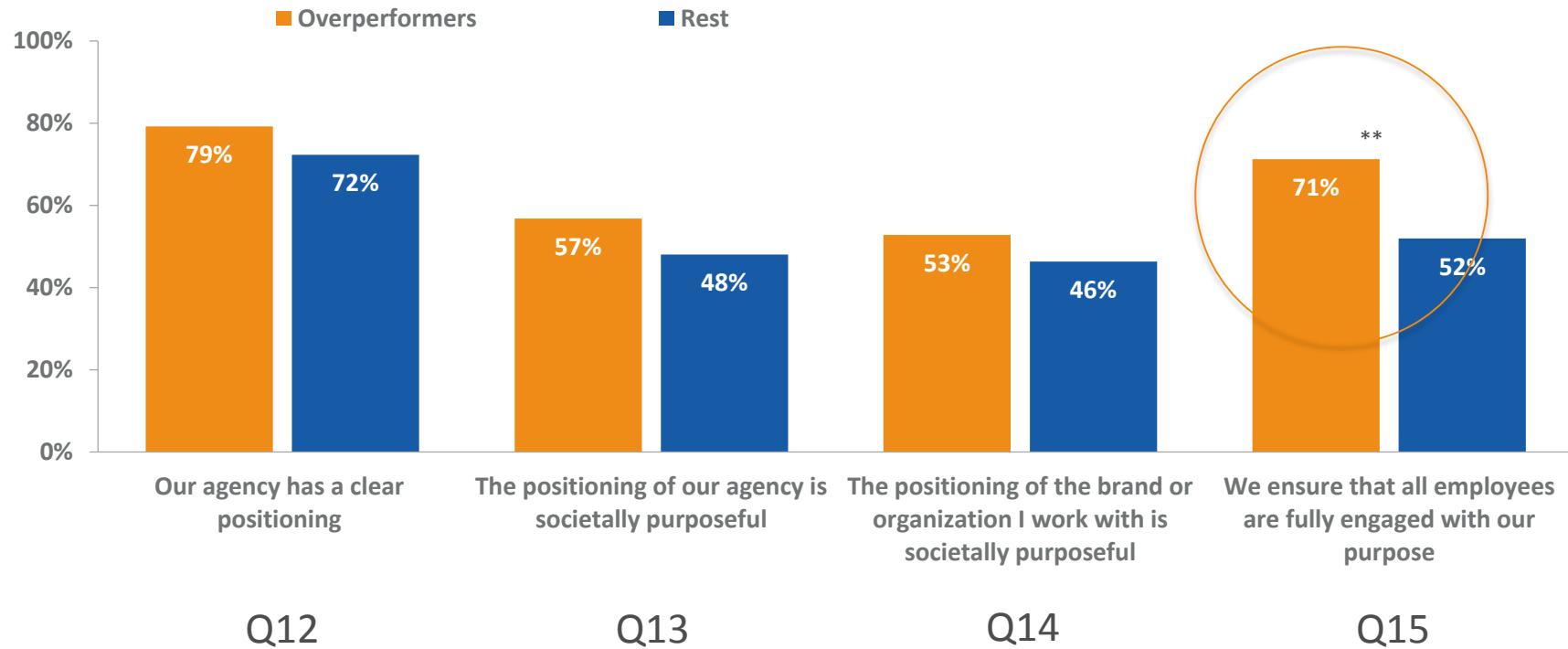
% Strongly agree & Agree

- Only US data
- Based on the scores of the Agencies & Clients
- The “other” category is excluded (n=38)

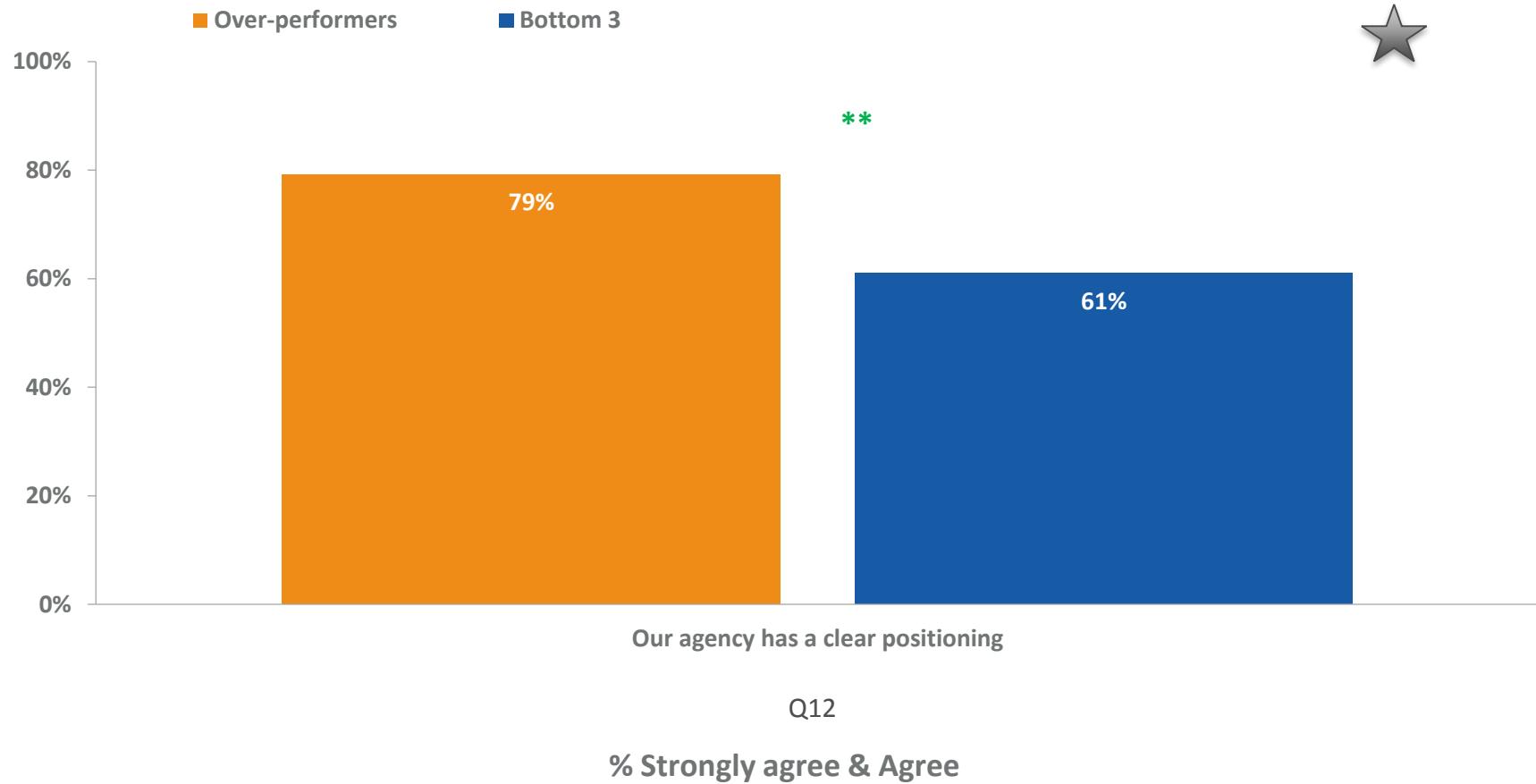
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** represents a difference that is significant (95% of confidence)

On all positioning measures, “winners” over-perform the less performing companies

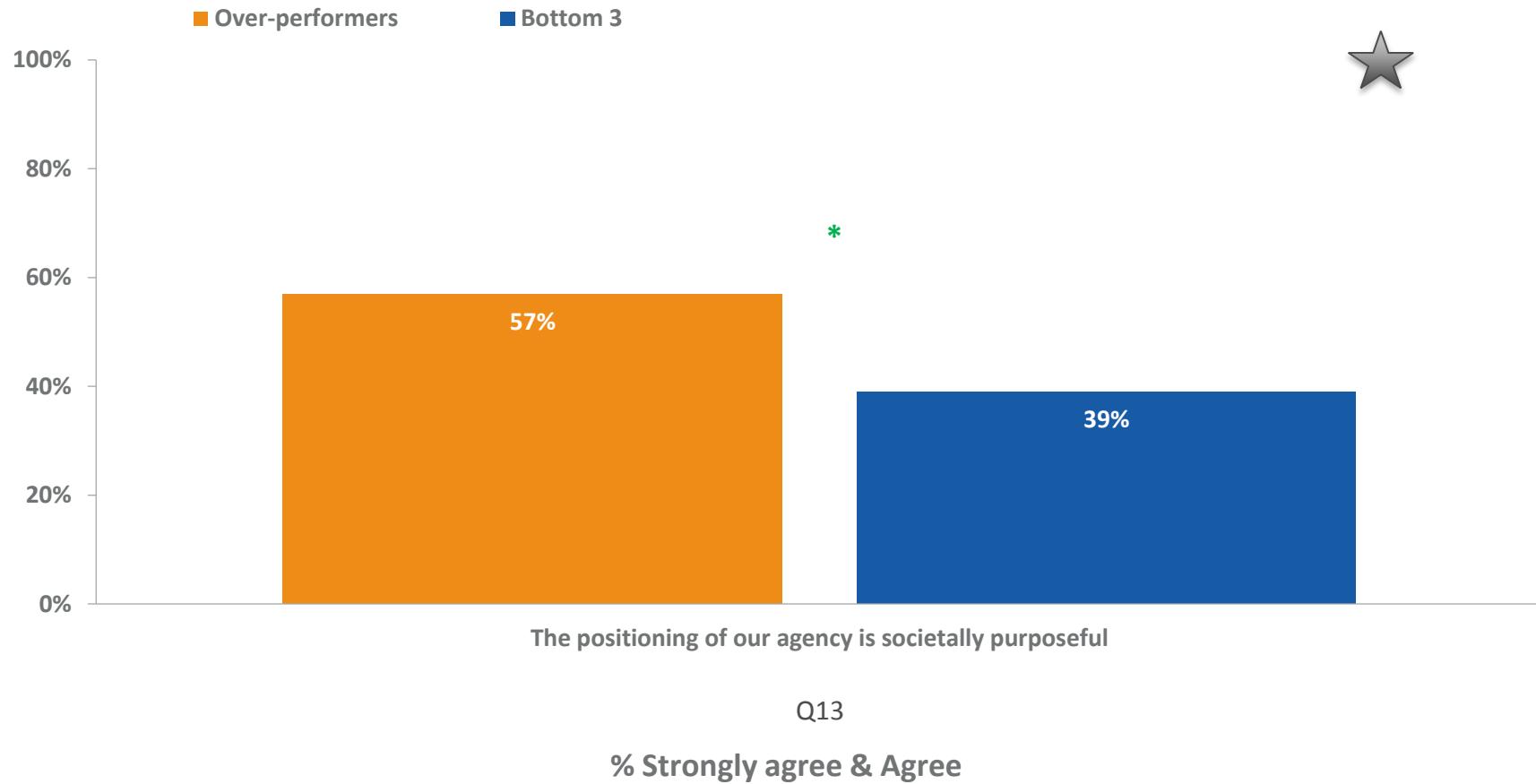


Zooming in: Over-performers vs Bottom 3



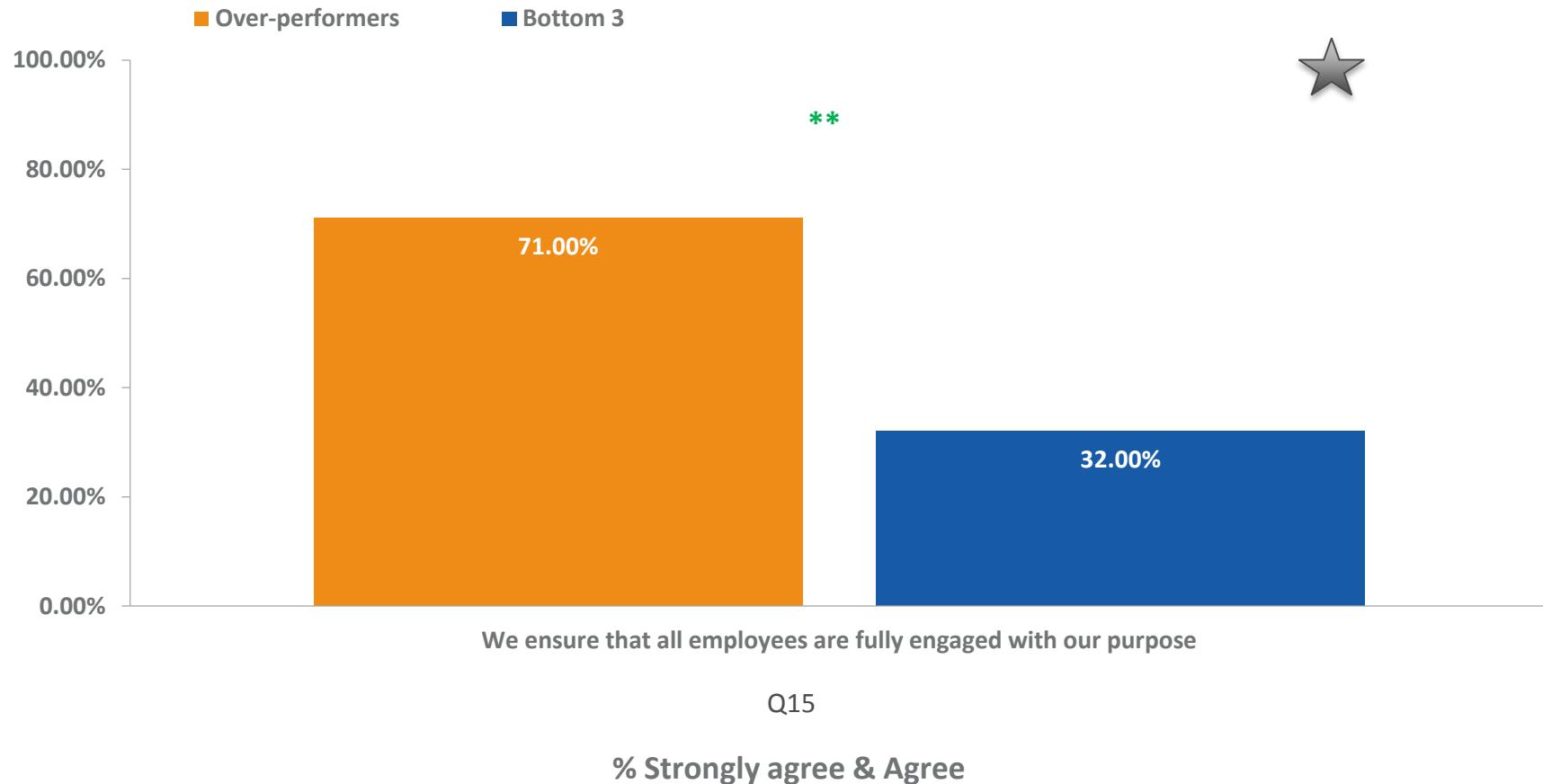
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Zooming in: Over-performers vs Bottom 3



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Zooming in: Over-performers vs Bottom 3



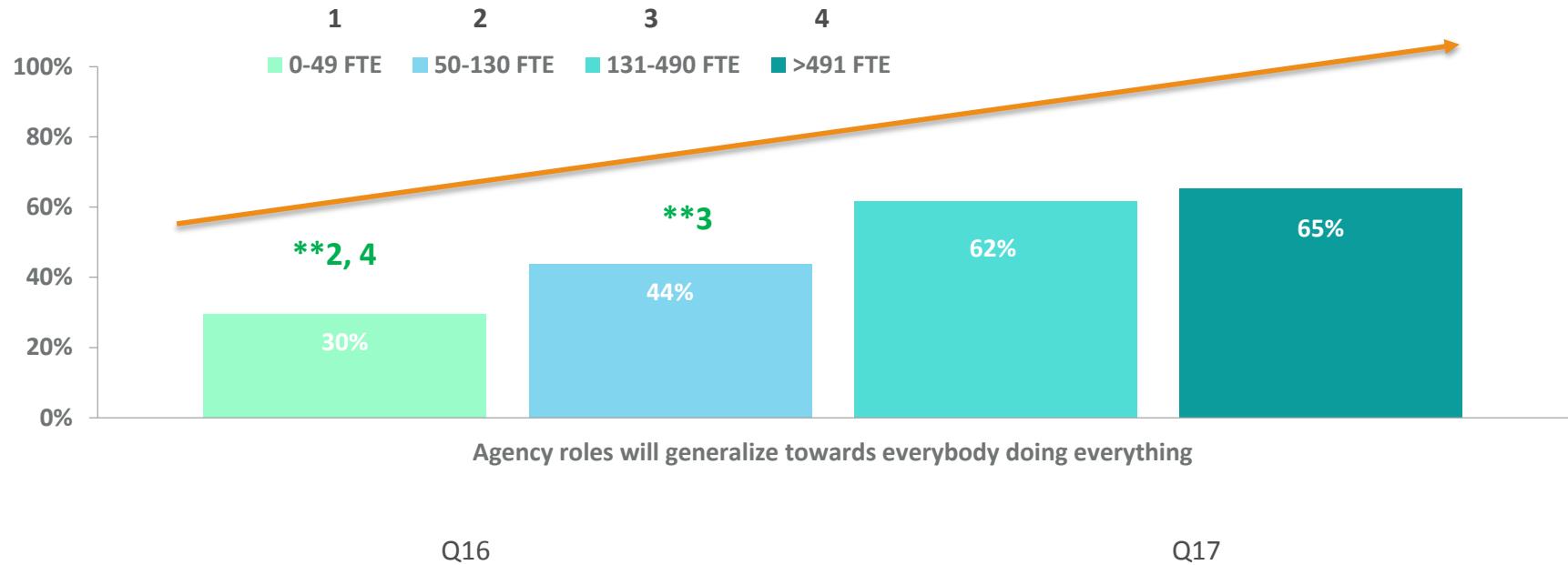
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Total Experience

Big Insights
Purposeful Positioning
Total Experience



Bigger agencies sense the agency's role generalizing more than smaller agencies

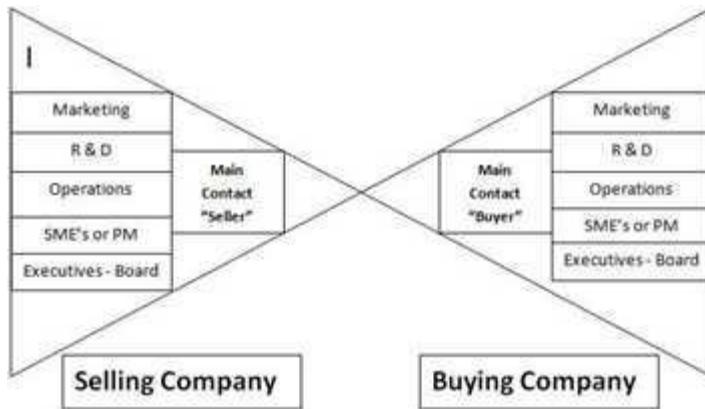


* Represents a difference that is indicative (90% confidence)
 ** represents a difference that is significant (95% of confidence)

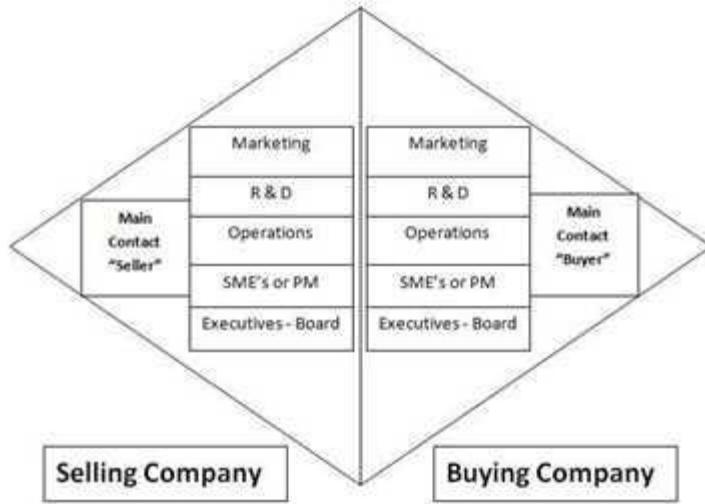
HOW: Organizing for Growth



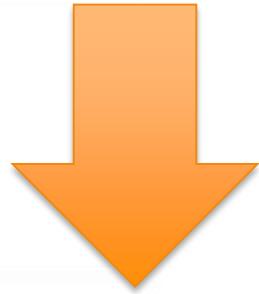
This necessitates moving from a “bowtie” to “diamond” model



- Traditional, transactional approach
- One point of contact between company and stakeholder
- Functional silos

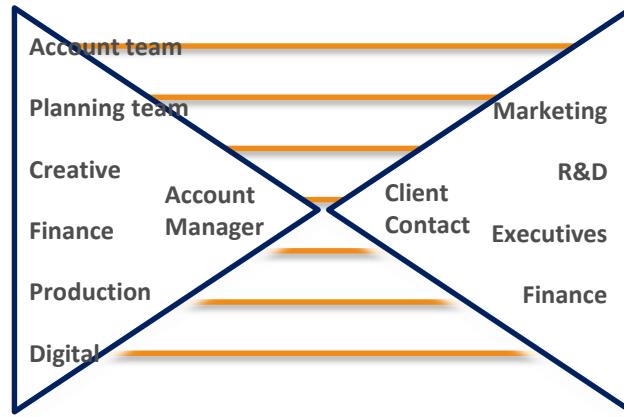


- Collaborative, team approach
- Many points of contact between company and stakeholder
- Networked – cross-functional

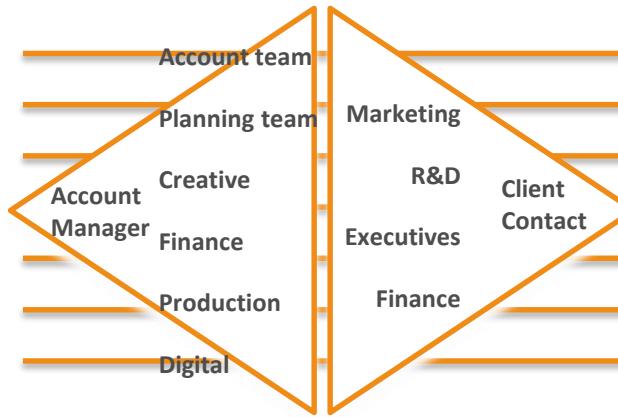


For example, as in...

From...



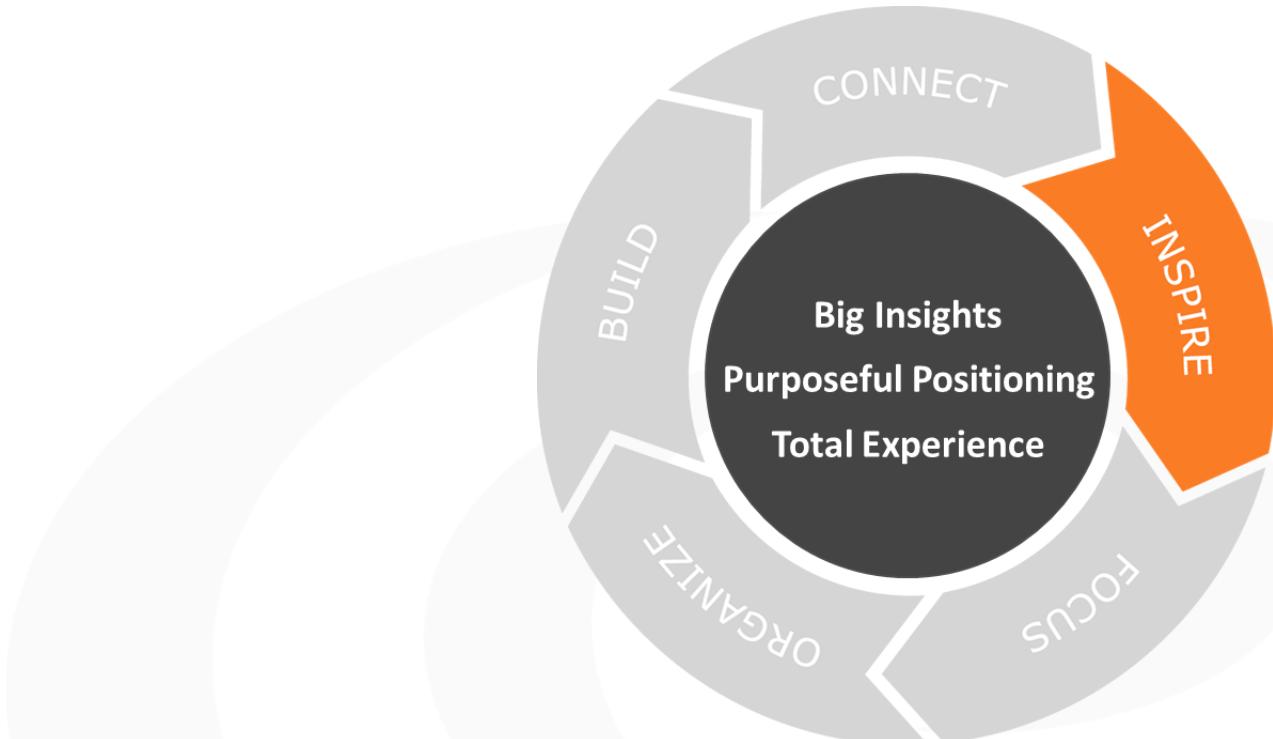
To...



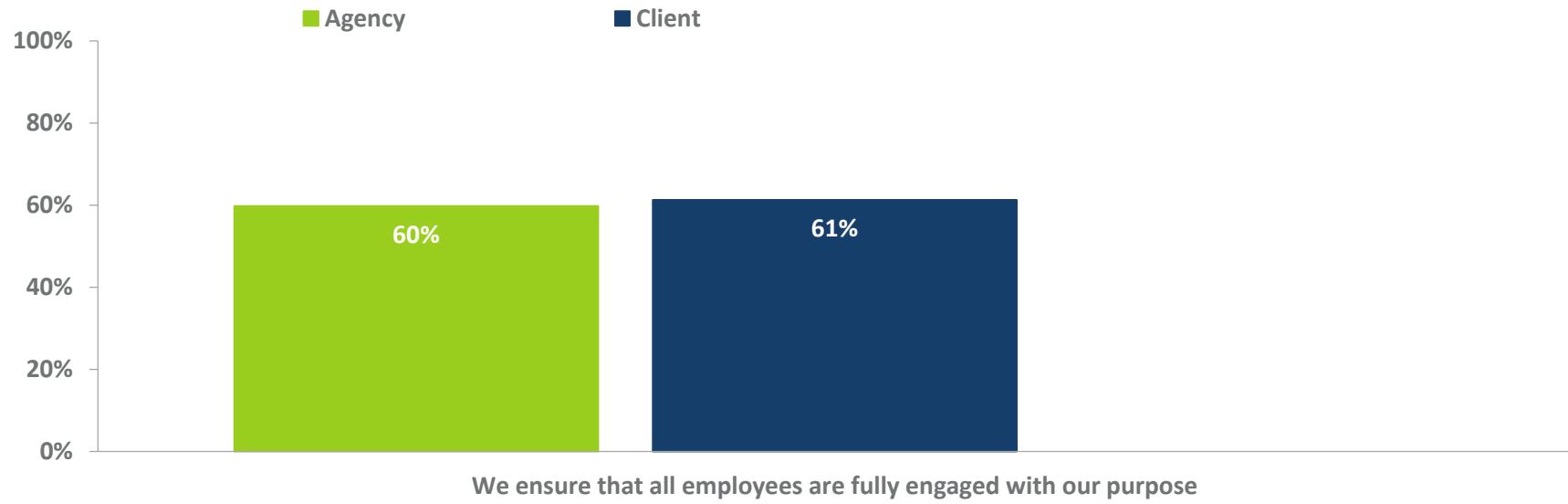
Silo'd
Transactional

Networked
Collaborative

Inspire



Clients and Agencies equally engage with employees



Q15

% Strongly agree & Agree

- Only US data
- Based on the scores of the Agencies & Clients
- The "other" category is excluded (n=38)

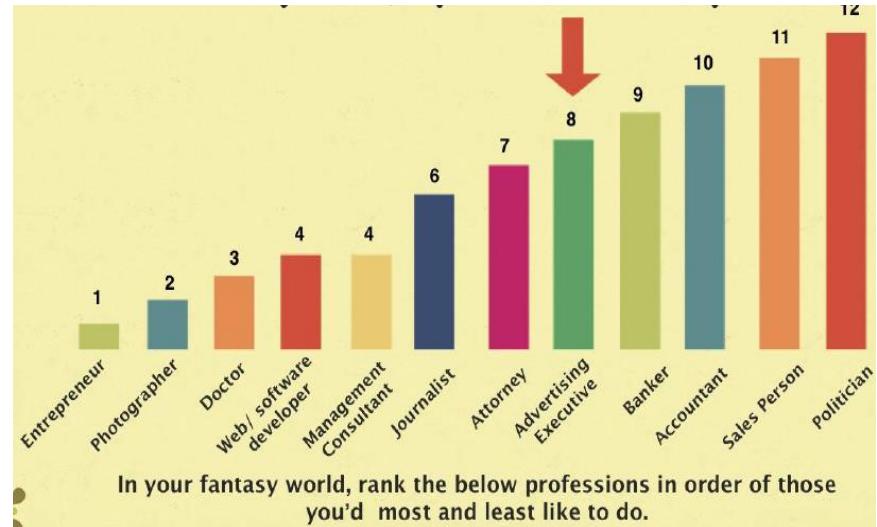
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* Represents a difference that is indicative (90% confidence)
** represents a difference that is significant (95% of confidence)

So let's back up: how inspiring is the industry?

Killer findings from McCann's presentation at last year's Transformation

- McCann presented “The Truth About Advertising” at last years 4A’s Transformation
- Widespread quant/qual survey that included industry and consumers
- High-level compare/contrast on how “inspiring” the industry – killer findings include:
 - 70% of people in industry think “the best is behind us”
 - 56% of people in advertising think that industry people wish they were doing something more creative
 - 80% of people in advertising think advertising is a “sink or swim” environment
 - 57% of industry folks think the industry has a problem attracting/retaining talent
 - 69% of consumers think advertising has the power to change the world (!)



Agencies' missions celebrate “*what we do*” – rather than celebrating “*what the world can do*”

Dove
To help the next generation of women develop a positive relationship with the way they look – helping them raise their self-esteem and realize their full potential

Nike
To bring inspiration and innovation to every athlete in the world (*if you have a body, you have an athlete)*

Coca-Cola
To refresh the world, to inspire moments of optimism and happiness, to create value and make a difference

IKEA
To create a better everyday life for the many people



To give people the power to share and make the world more open and connected



To organize the world's information and make it universally accessible and useful



To give everyone the power to create and share ideas and information instantly, without barrier



To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online



To create the world's most compelling content – through a relentless focus on the work, the work, the work



To redefine how stories can be told across brand, digital, and commerce

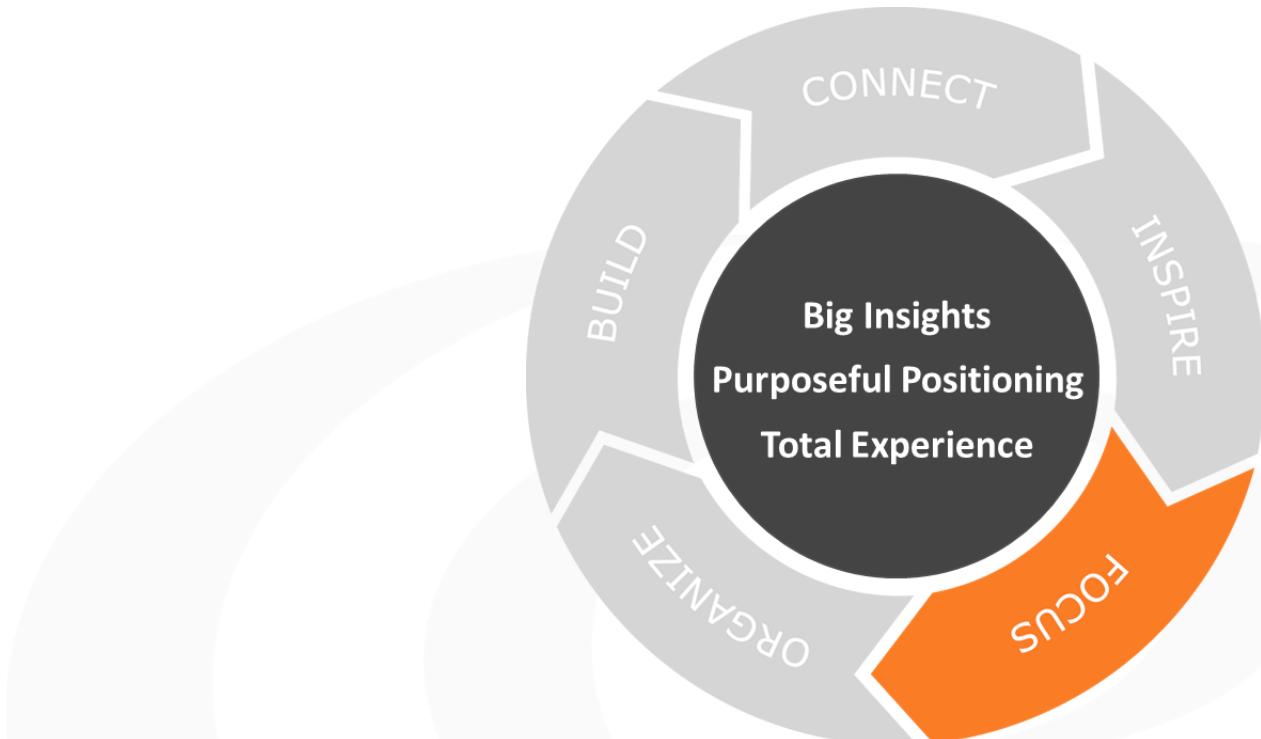
Leo Burnett

To be the best creator of ideas that truly move people – bar none

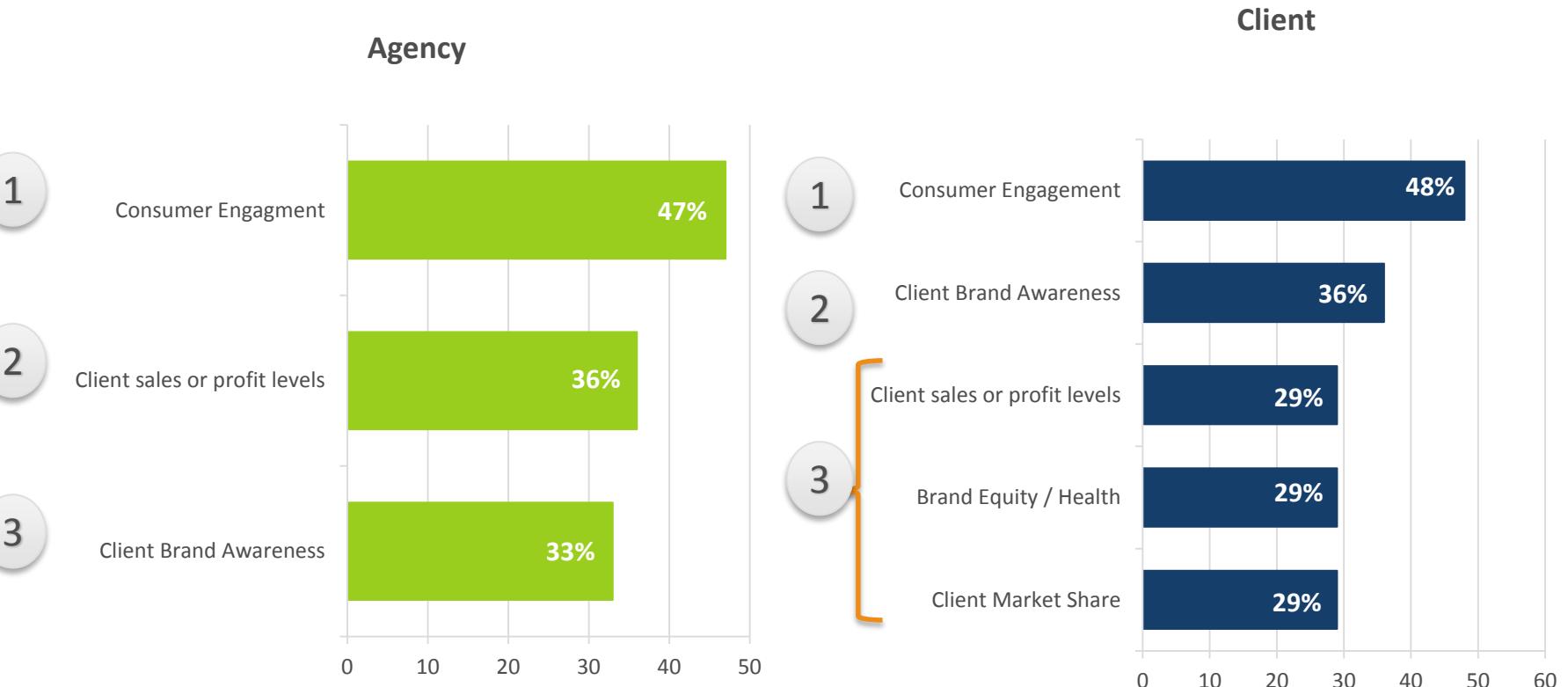


To create the most meaningful brand connections with the lives of people everywhere

Focus

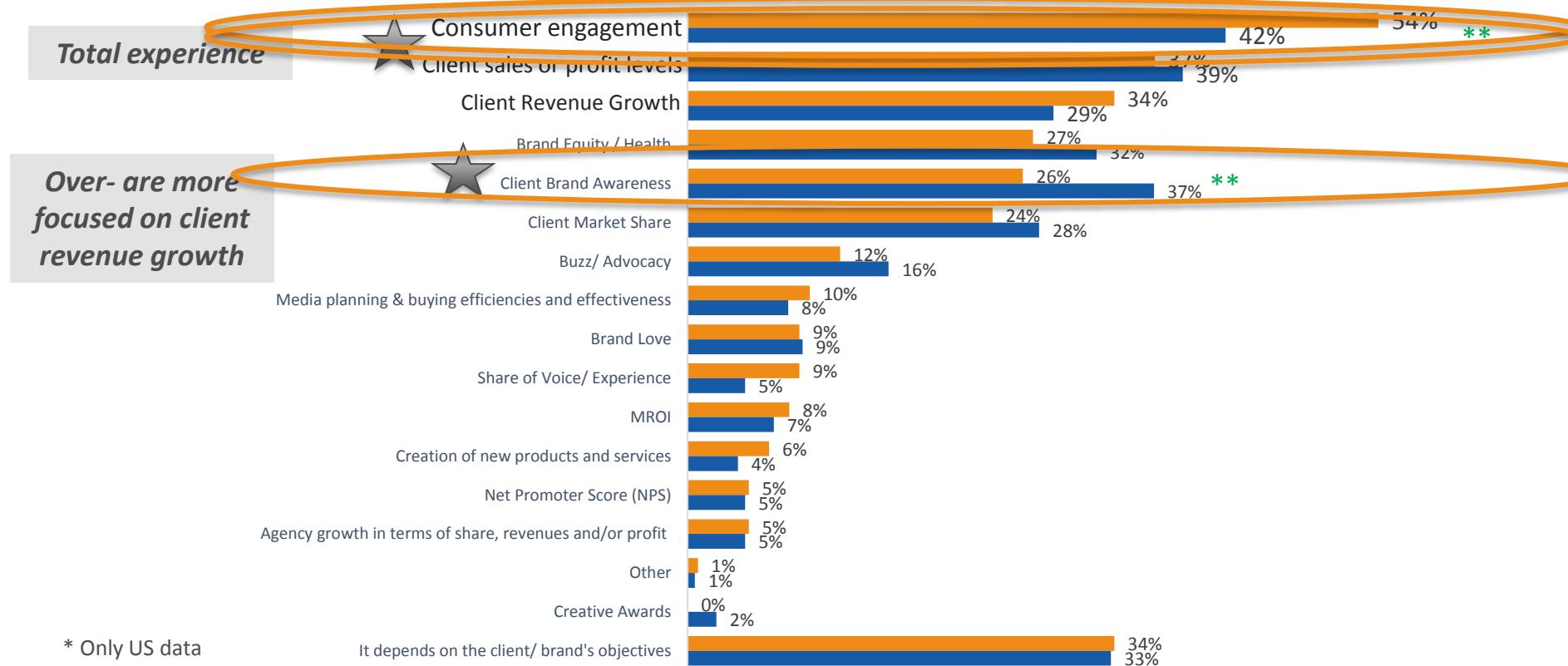


Agencies and clients are generally well aligned when it comes to the best measures



For over-performers, consumer engagement and sales best capture the value of the agency

Q6. Which 3 measures or metrics best capture the value of the ideas that agencies create for brands?



* Only US data

It depends on the client/ brand's objectives

Based on the scores of the agencies

The "unknown" category is excluded (n=71)

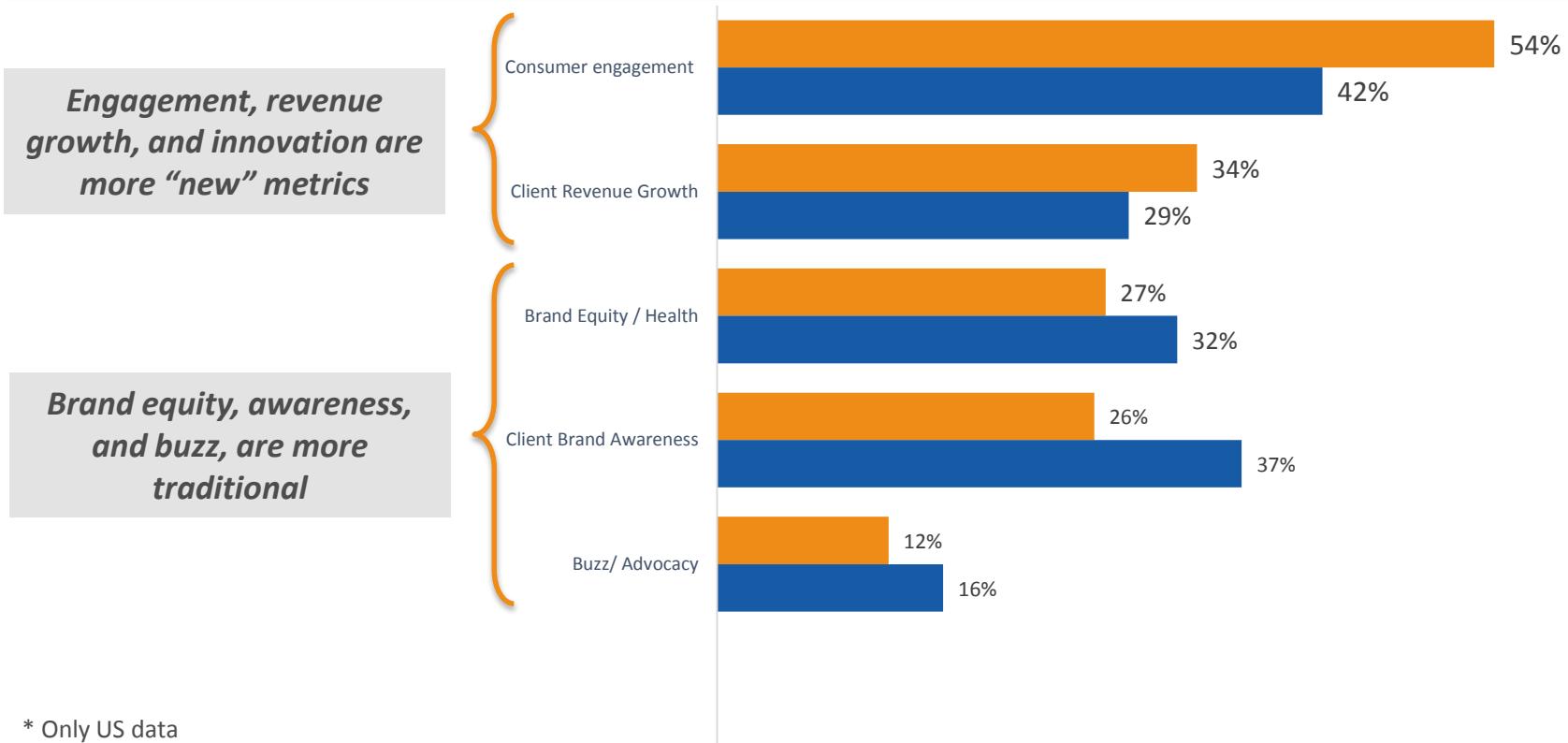
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Overperformers Rest

Over-performers are using “new” metrics

Zooming in on capabilities

Q6. Which 3 measures or metrics best capture the value of the ideas that agencies create for brands?



* Only US data

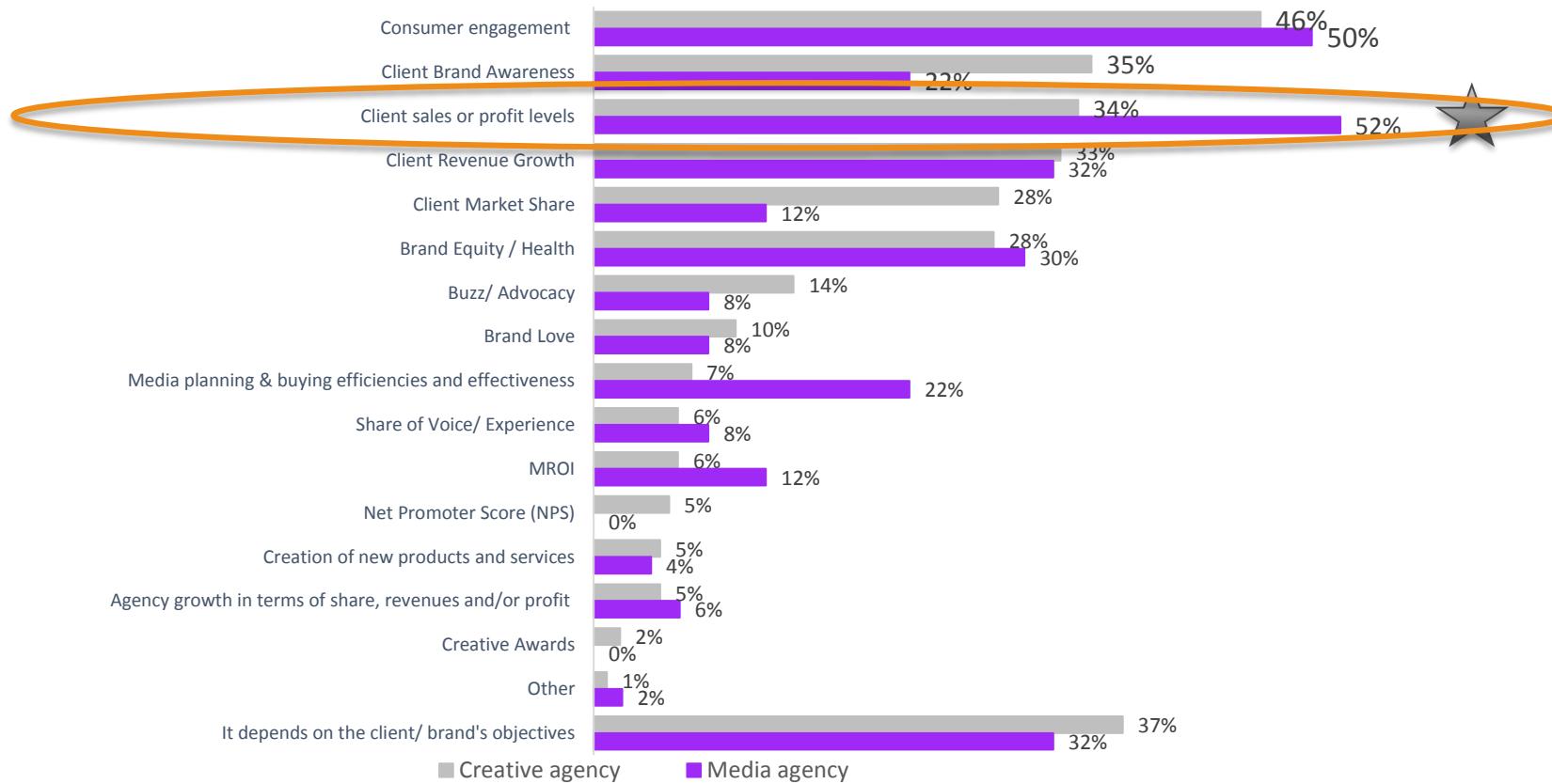
Based on the scores of the agencies

The “unknown” category is excluded (n=71)

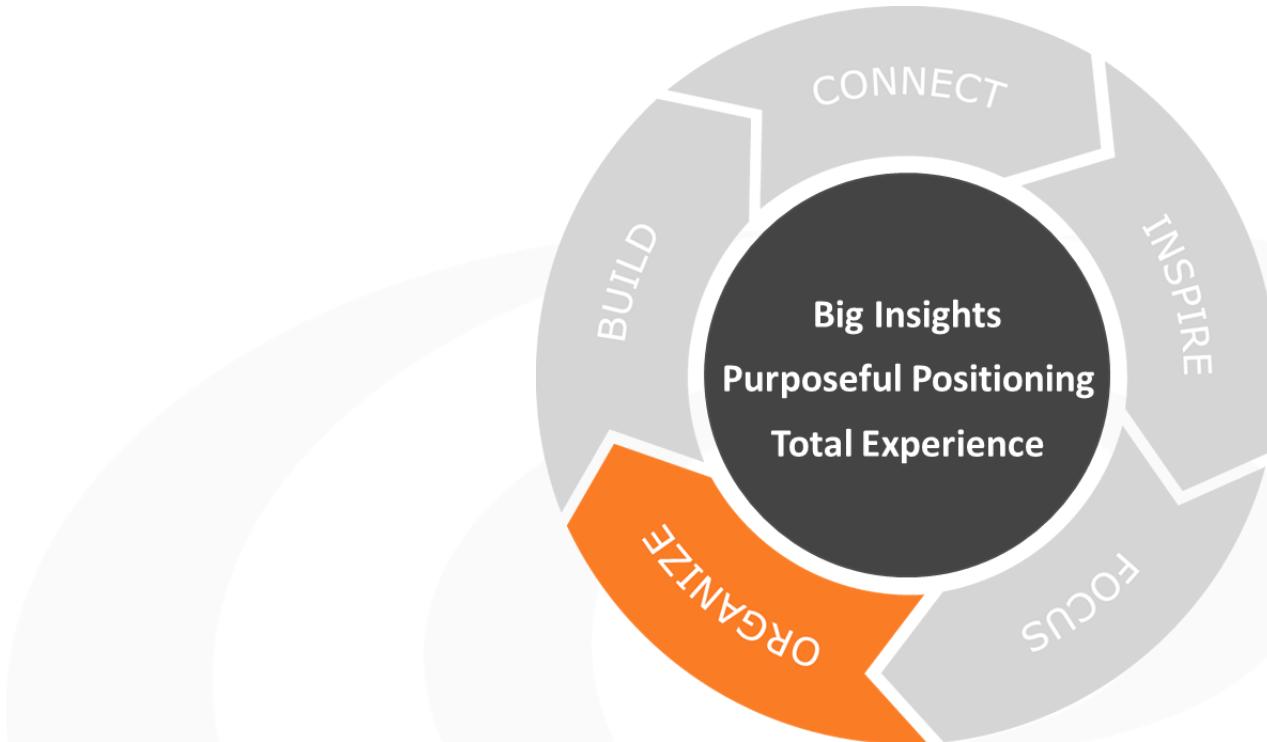
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Measurement – creative versus media

Q6. Which 3 measures or metrics best capture the value of the ideas that agencies create for brands?



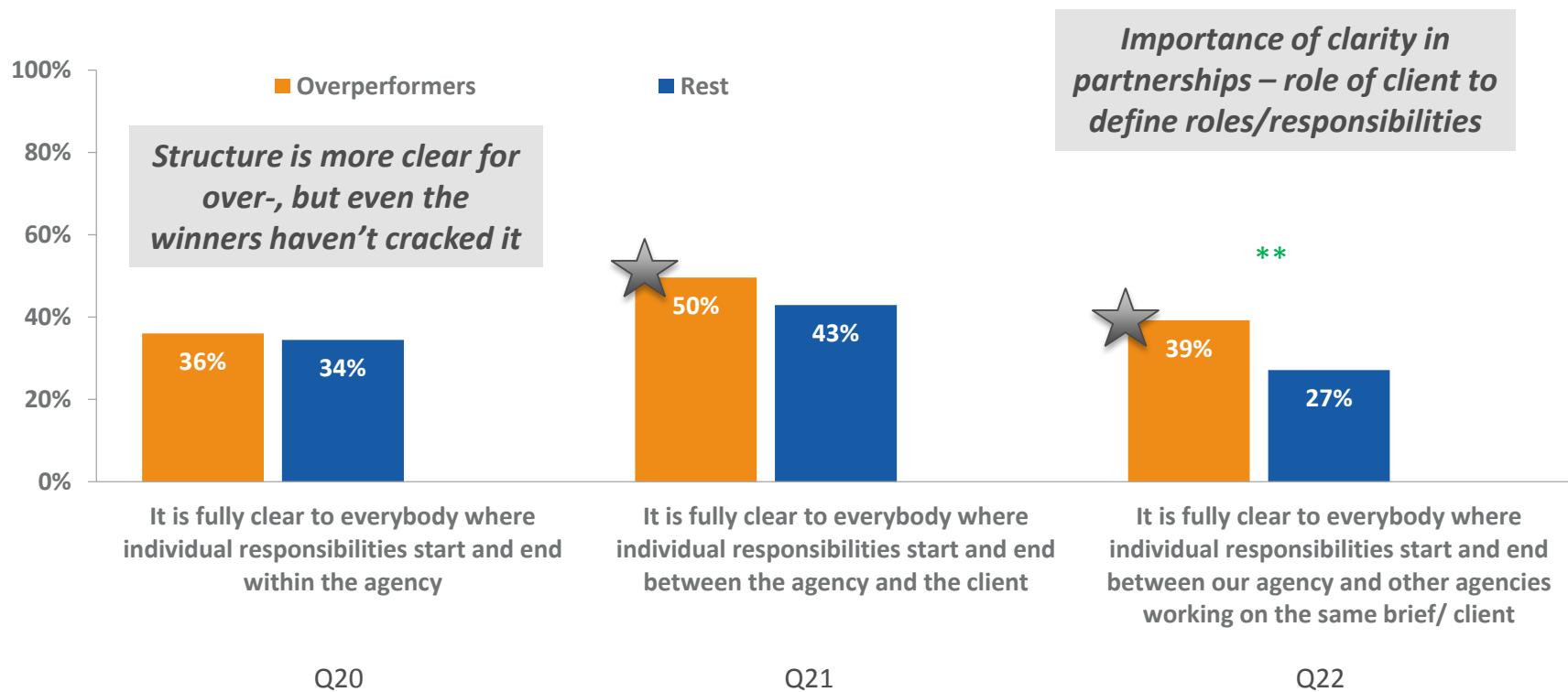
Organize



Lack of clarity around roles and responsibilities is a major issue



Even for over-performers, huge opportunity to create clarity around roles and responsibilities



* Only US data (& only M2020 US data)

Based on the scores of the agencies

The "unknown" category is excluded (n=71)

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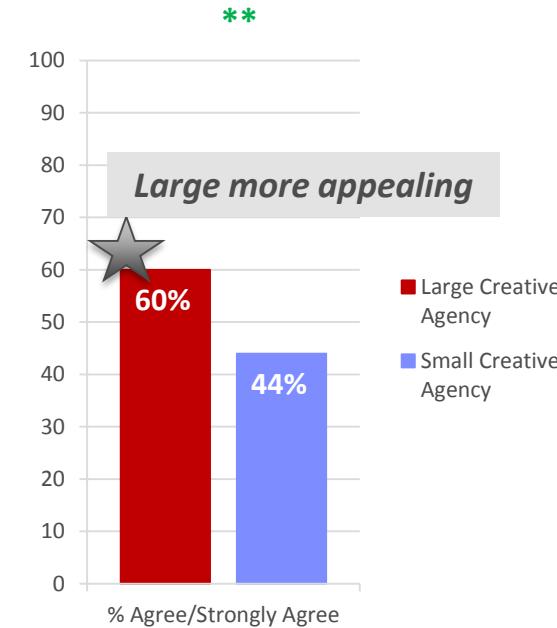
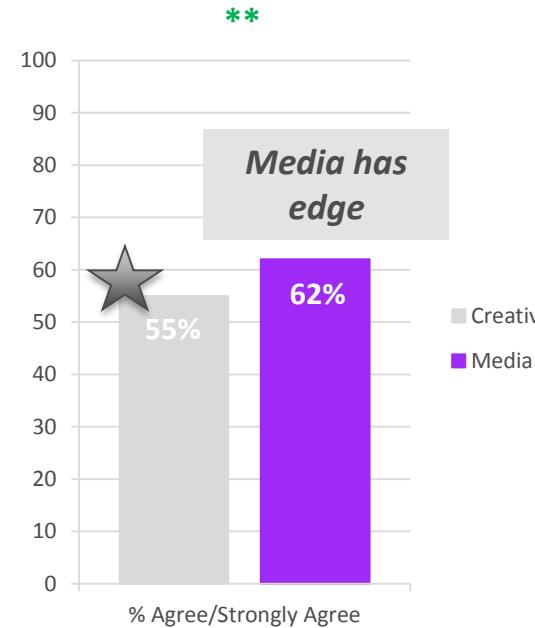
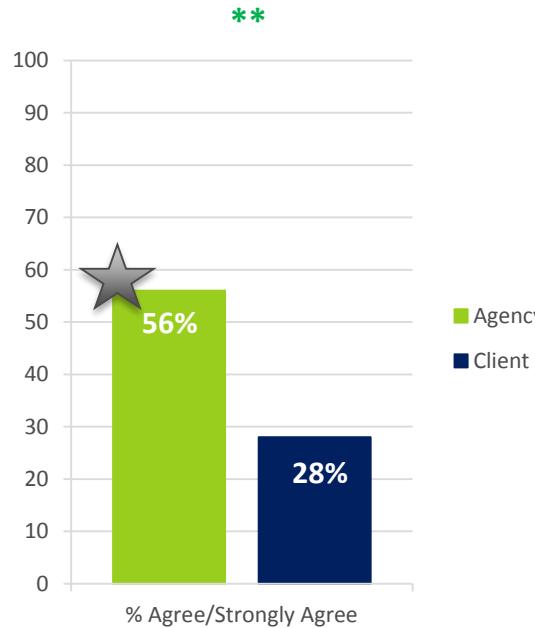
**represents a difference that is significant (95% of confidence)

*represents a difference that is indicative (90% of confidence)

Where do agencies stand when it comes to Millennials?

Significant differences across three dimensions

Q24 Our Agency is successfully attracting, developing, and retaining Millennials



Over-performing agencies more successfully attract, develop, and retain Millennials



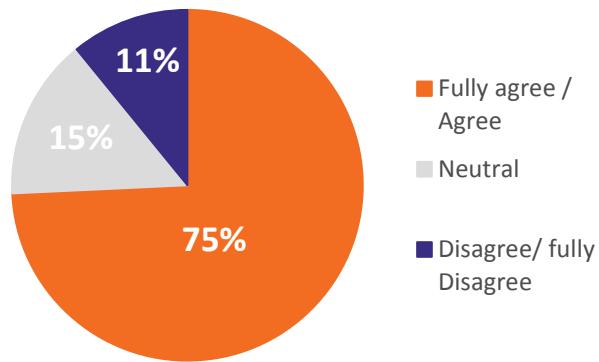
% Strongly agree & Agree

Q24

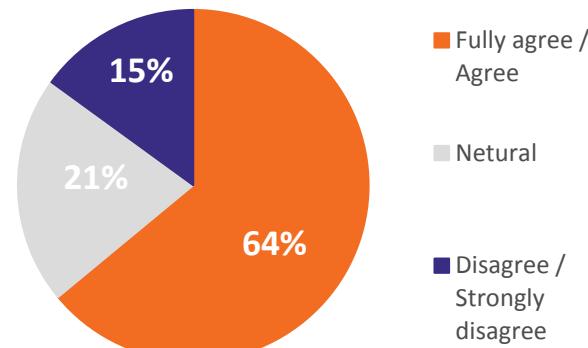
Employees at over-performing agencies see a more clear career path...

Q27 There is a clear career path for me

Over-performers

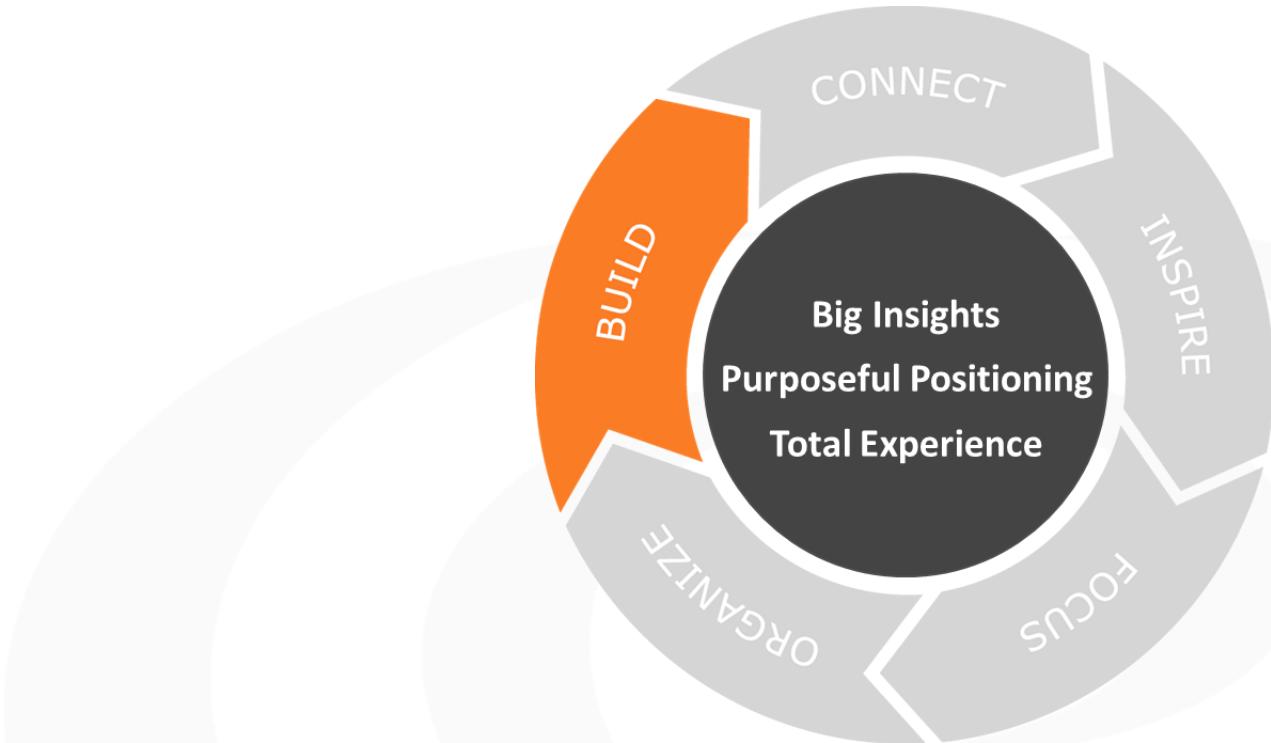


Rest



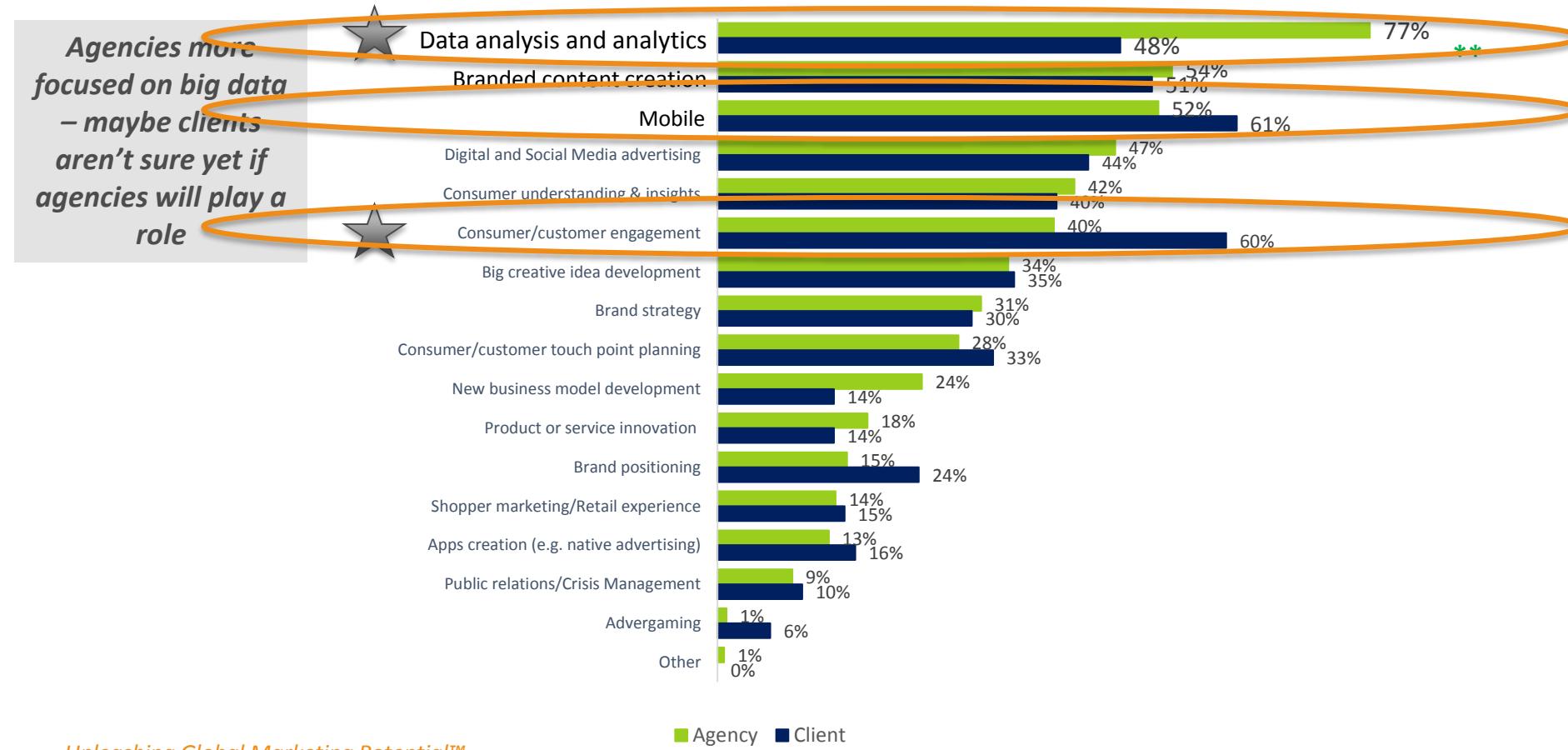
** (Fully agree)

Build



What are the capabilities for the future?

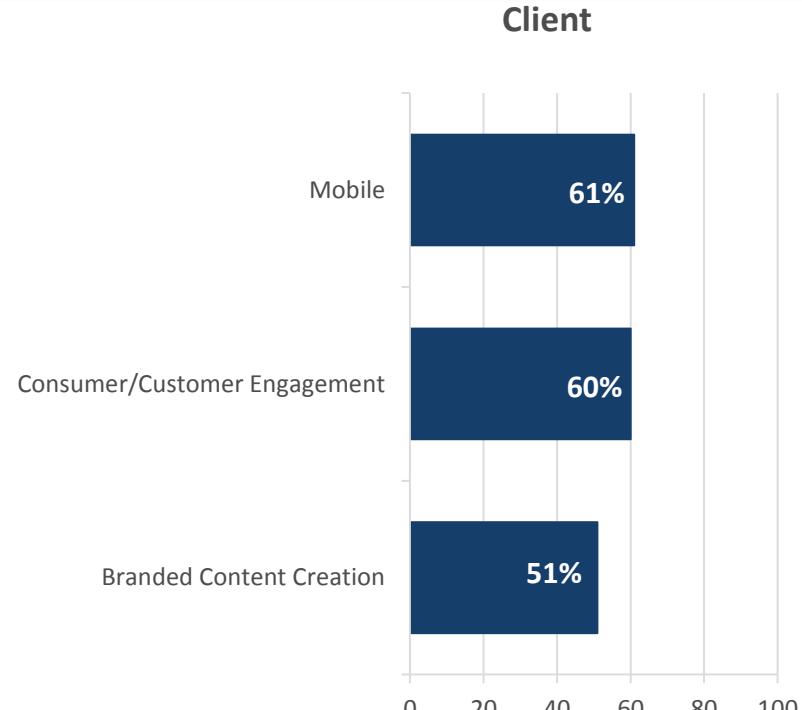
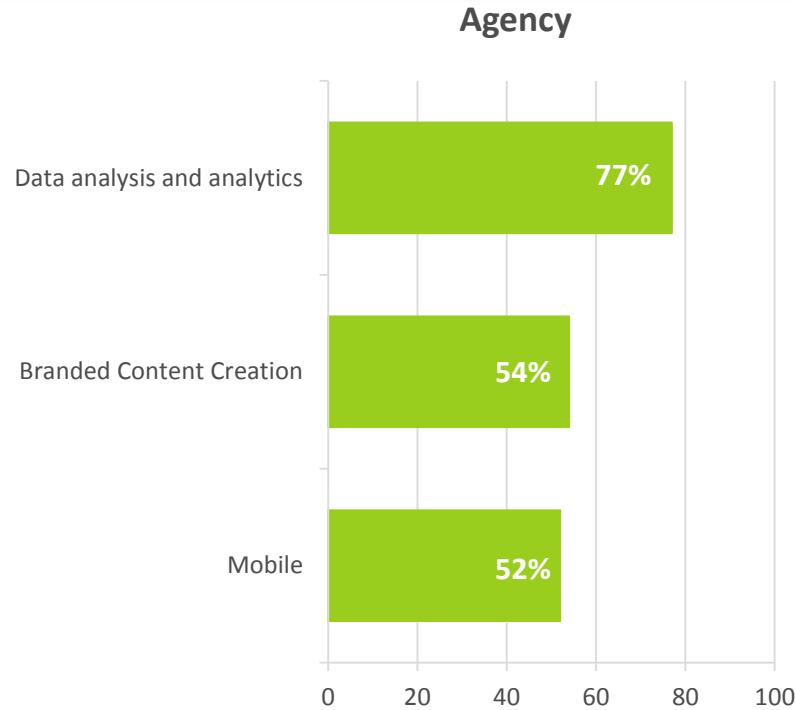
Q28. Which of the following capabilities will become more important for your agency in the next 5 years?



The top three capabilities differ from the client and agency perspective

Both are focused on data as a trend – so could it be that
 Clients are not yet convinced that agencies will play a role?

Q28. Which of the following capabilities will become more important for your agency in the next 5 years?



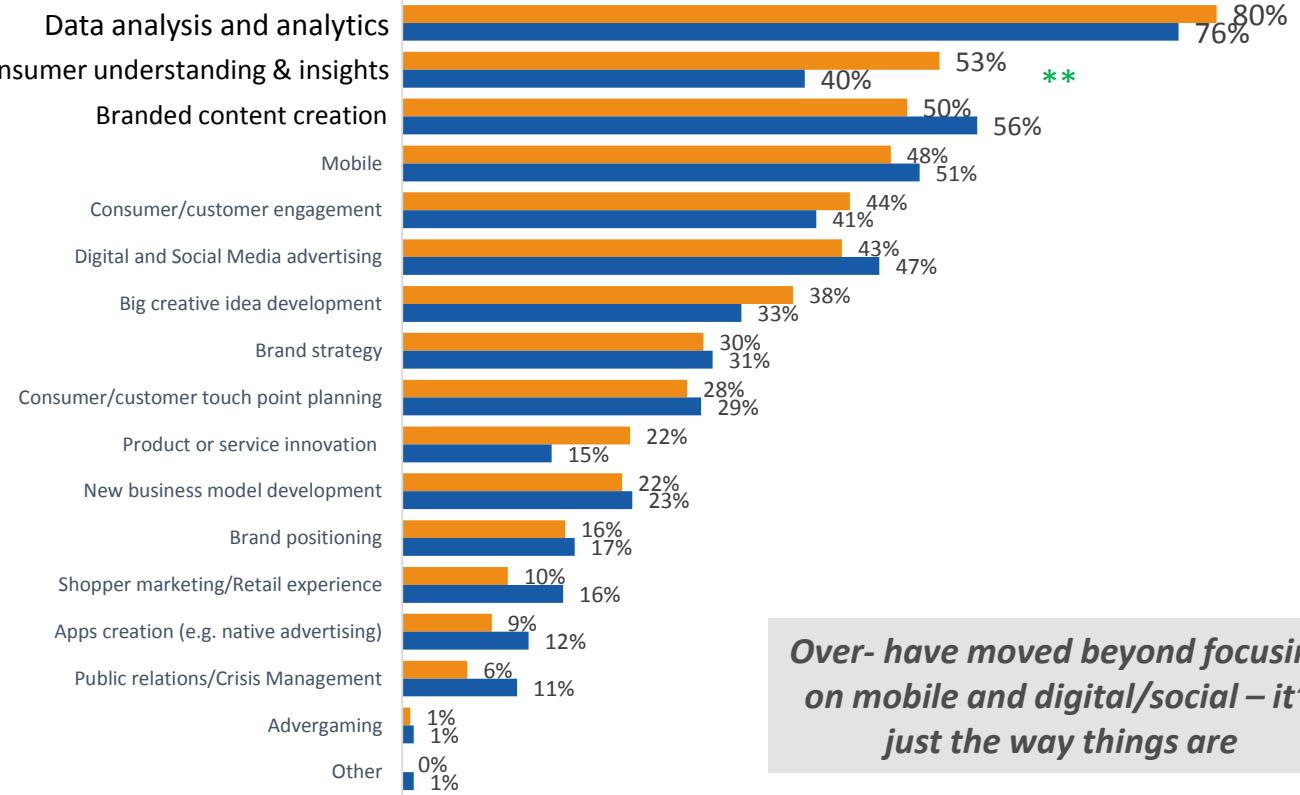
Over-performers are combining data analytics with consumer understanding to get to *Big Insights*

Q28 Which of the following capabilities will become more important for your agency in the next 5 years?

All understand importance of big data, but over- are focused on big insights



Innovation more important for over-

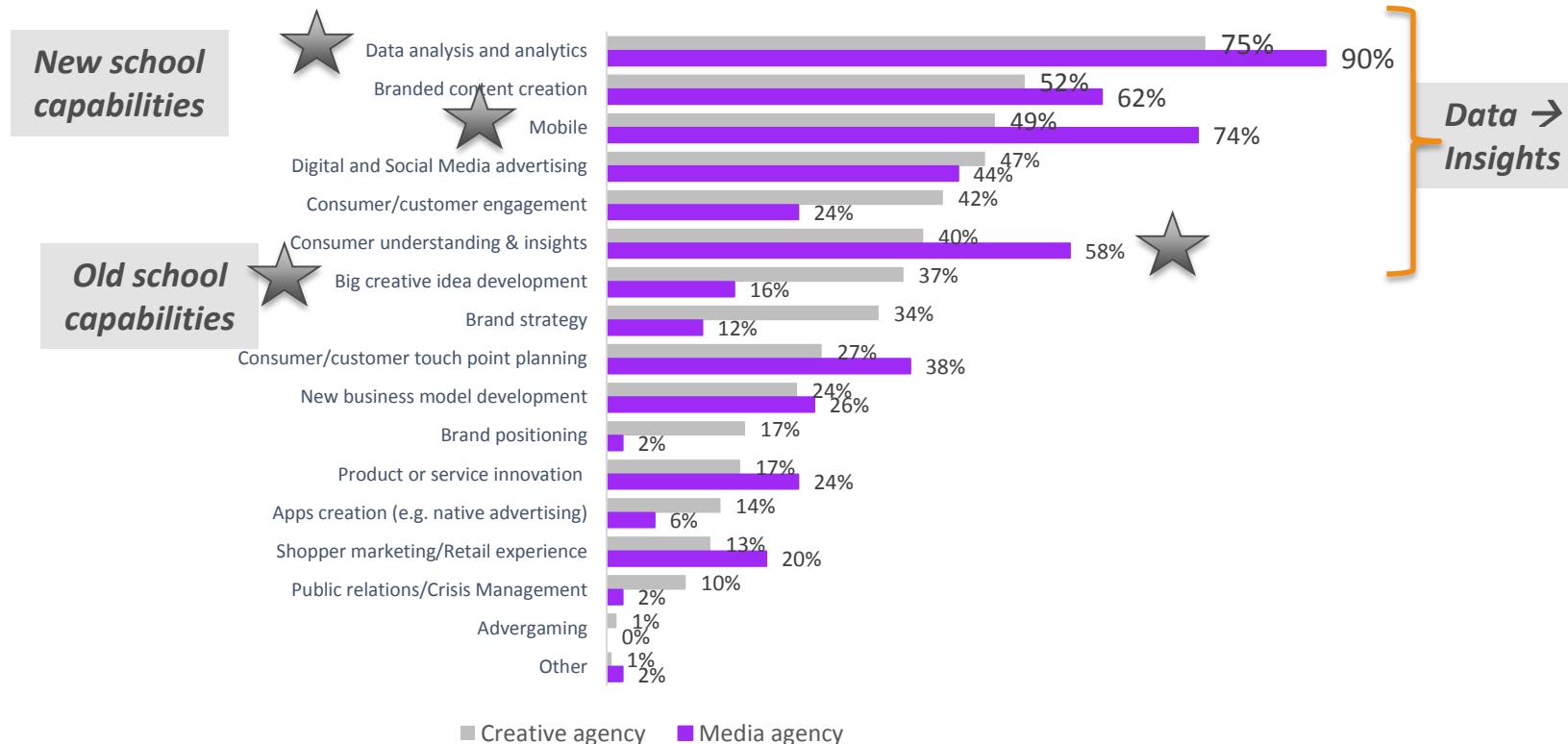


Over- have moved beyond focusing on mobile and digital/social – it's just the way things are

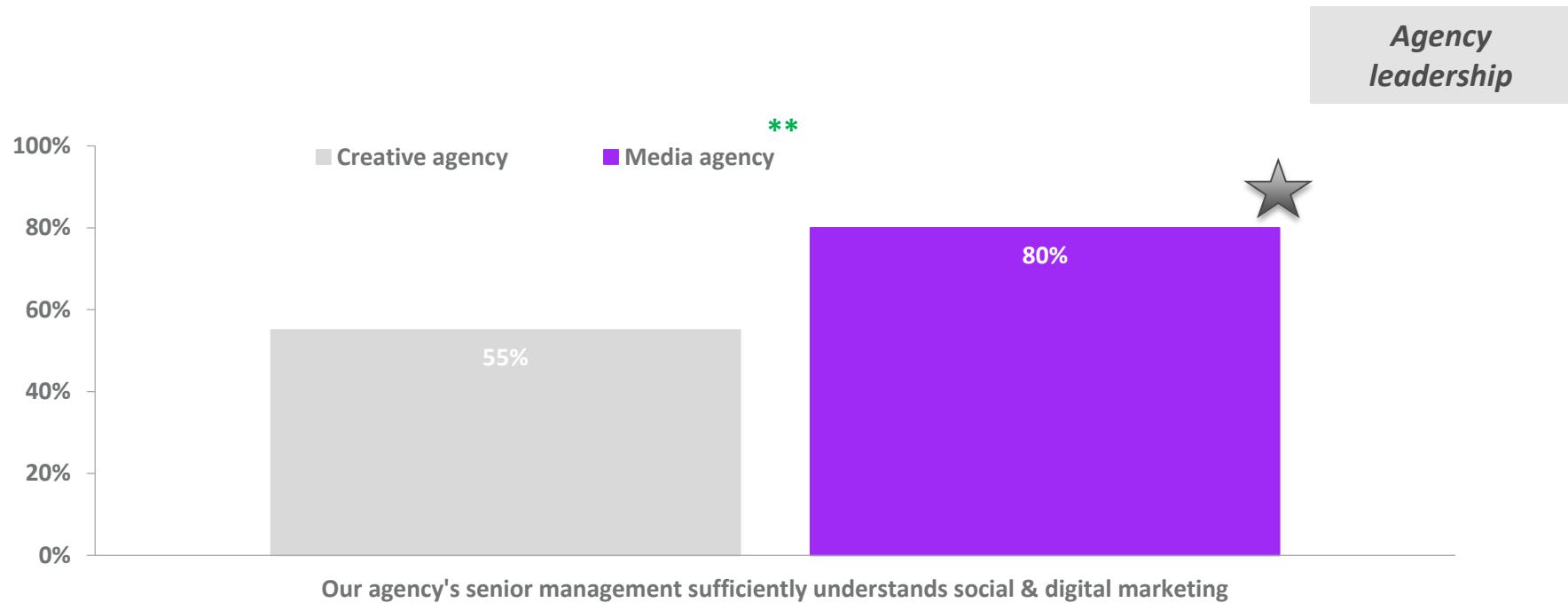
Results indicate that Media agencies may be focusing on different capabilities than Creative agencies

Awaiting
significance
testing

Q28. Which of the following capabilities will become more important for your agency in the next 5 years?



Media leadership is leading by example when it comes to social



Q25

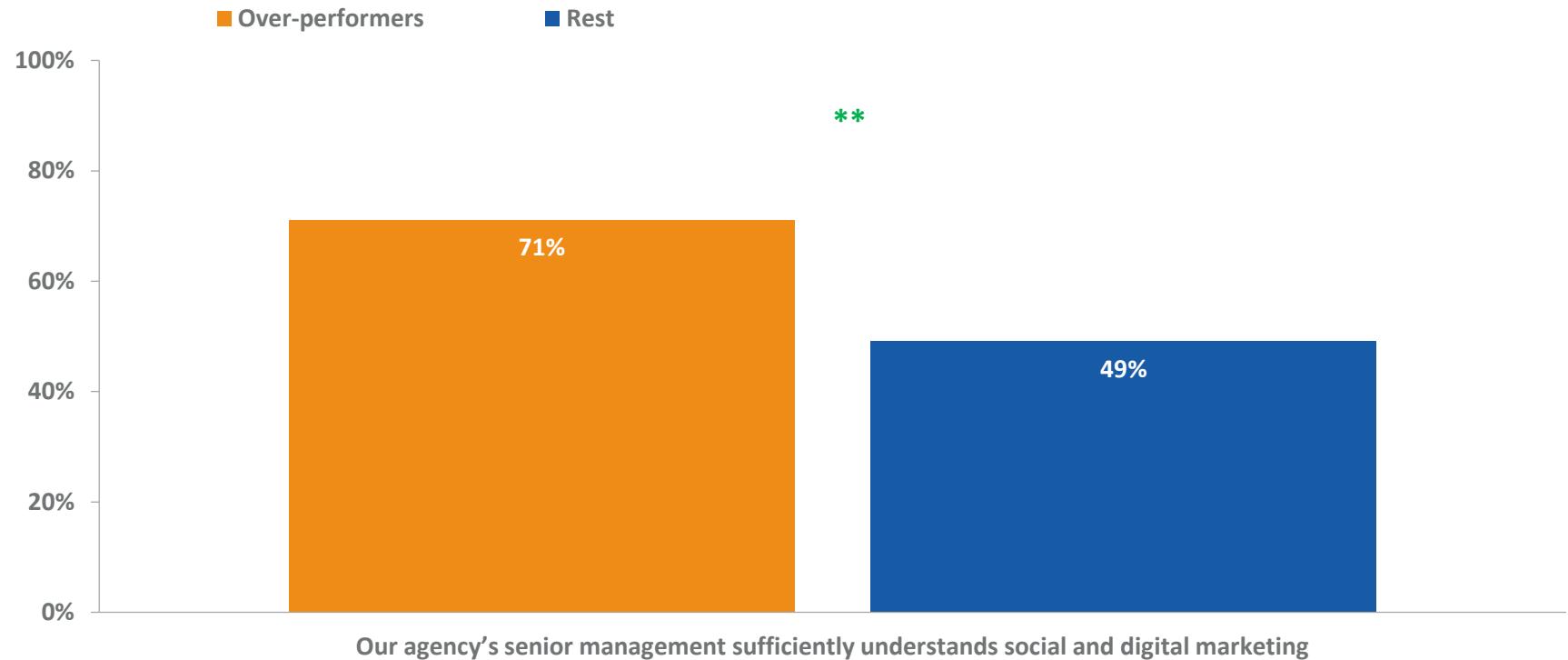
% Agree

* Represents a difference that is indicative (90% confidence)

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Senior mgmt. at winning agencies better understand digital and social – leadership?



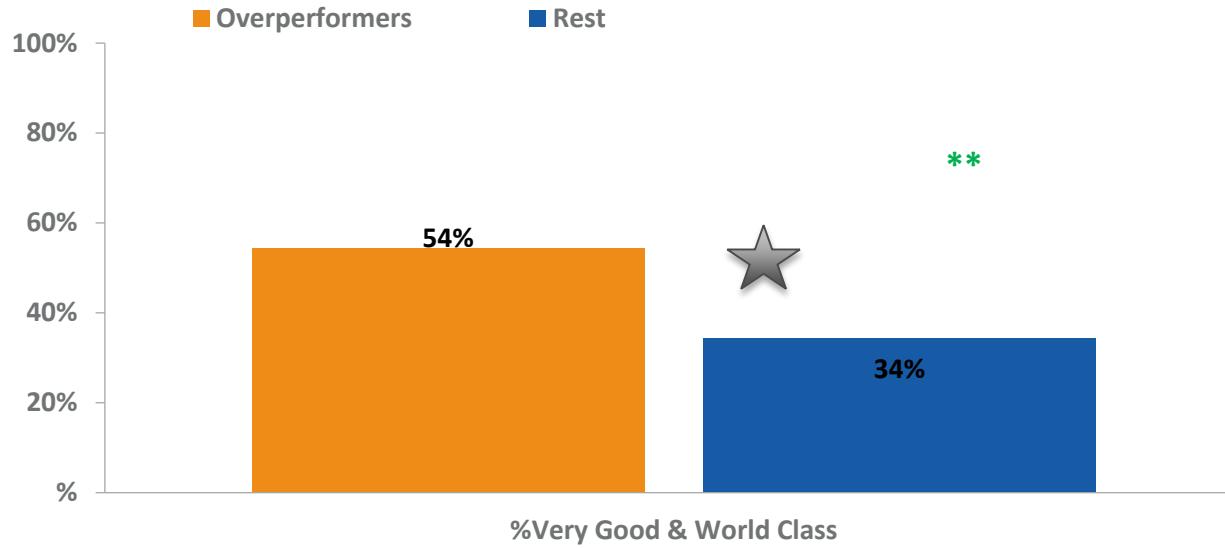
Clients are not entirely convinced of how equipped their agency is

Q24. Please score your agency's capabilities versus the job requirements 5 years from now



Over-performing agencies feel better equipped for the future

Q24. Please score your agency's capabilities versus the job requirements 5 years from now

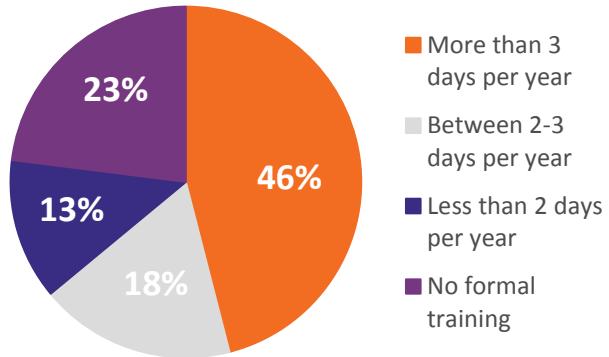


And employees get more training ...

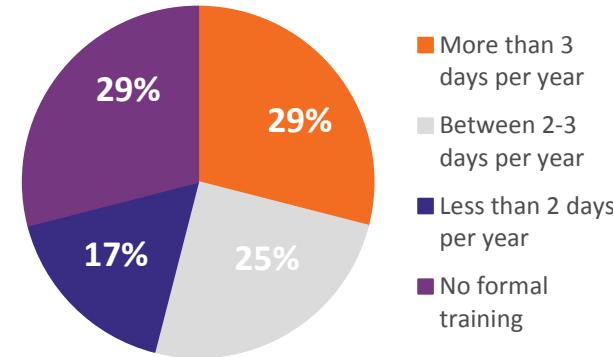


Q30 How many days of training do you receive on a regular basis?

Over-performers



Rest

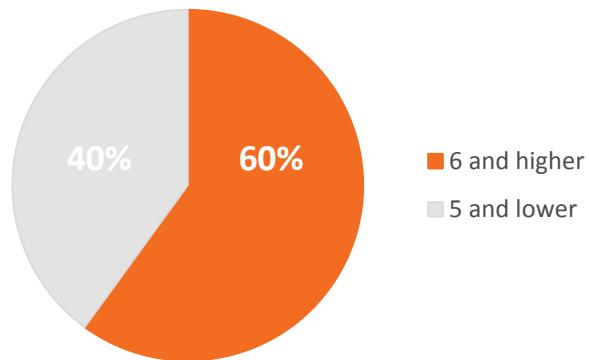


** (>3 days)

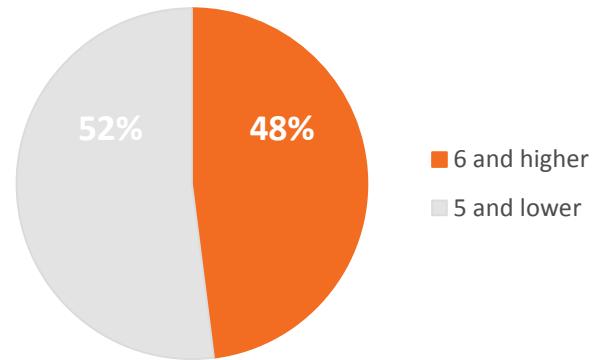
...which they feel is of a higher quality

Q29 How would you rate the quality of your agency's training program (1-10)?

Over-performers



Rest



** (>6)

Thank you



NEW YORK

648 Broadway, Ste 502
New York, NY 10012
USA
T: +1 212 358 9638

LONDON

28-30 Little Russell Street
London WC1A 2HN
United Kingdom
T: +44 207 831 8444

TOKYO

World Udagawa Bldg 6F
36-6, Udagawa-cho,
Shibuya-ku
Japan
T +81 3 6855 7845

AMSTERDAM

Singel 540
1017 AZ Amsterdam
The Netherlands
T: +31 20 330 2636

SINGAPORE

17A Duxton Road
Singapore 089483
Singapore
T: +65 6221 3693

info@effectivebrands.com

