

For: CMOs

The Forrester Wave™: Innovation Agencies, Q4 2014

by Sarah Sikowitz, December 8, 2014

KEY TAKEAWAYS

SapientNitro, R/GA, And Frog Lead The Pack

Forrester's research uncovered a market in which SapientNitro, R/GA, and frog lead the pack. Huge, T3, Razorfish, Isobar, AKQA, and Critical Mass offer competitive options. Mutual Mobile shows promise but does not offer the breadth of services found at the other agencies.

Innovation Agencies Can Hasten Digital Business Transformation

In addition to digital design and development skills, innovation agencies enable CMOs to move quickly, access deeper market insight, and take measured risks as they figure out how to exploit digital technology to drive more value for their customers.

Agencies Differentiate With Business Strategy Services

Leaders in this category provide business strategy and educational services to help clients make the case for ongoing innovation in their organizations.

Access The Forrester Wave Model For Deeper Insight

Open the detailed Forrester Wave model to view every piece of data used to score participating vendors and create a custom vendor shortlist. Access the report online and download the Excel tool using the link in the right-hand column under Tools & Templates. Alter Forrester's weightings to tailor the Forrester Wave model to your specifications.



The Forrester Wave™: Innovation Agencies, Q4 2014

An Evaluation Of 10 Agencies Driving Innovation

by [Sarah Sikowitz](#)

with [Shar VanBoskirk](#) and Elizabeth Perez

WHY READ THIS REPORT

In Forrester's 27-criteria evaluation of innovation agencies, we identified the 10 most significant firms — AKQA, Critical Mass, frog, Huge, Isobar, Mutual Mobile, R/GA, Razorfish, SapientNitro, and T3 — researched, analyzed, and scored them. This report details our findings about how well each agency fulfills our criteria and where each stands in relation to others in order to help CMOs select the right partner for their innovation needs.

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Forrester conducted service evaluations in Q3 2014 and interviewed 10 agencies: AKQA, Critical Mass, frog, Huge, Isobar, Mutual Mobile, R/GA, Razorfish, SapientNitro, and T3.

Related Research Documents

[Brief: Business Models Determine Agency Strengths](#)

May 30, 2014

[Agency Partnerships Speed The Innovation Journey](#)

January 17, 2014

[The Next Act For Agencies: The Post-Digital Agency Landscape](#)

December 6, 2013

SELECT AGENCIES BASED ON CORE COMPETENCIES

Marketers need data, technology support, ideas, experience design, and change management — not just channel expertise — in order to differentiate themselves in the age of the customer.¹ To accommodate, agencies are redefining their core competencies to better align with three areas of marketers' demand: *innovation* around products and business models, *integration* of channels and customer data, and *implementation* of enabling technology systems. We structure the agency landscape by these three core offerings to help CMOs organize the vast number of agency partners available to them (see Figure 1).

Figure 1 Agencies Reposition To Meet Marketers' Demand

Marketing-led initiatives	Type of agency required		
	Innovation	Integration	Implementation
Create campaigns to drive awareness		✓	
Automate internal marketing processes			✓
Establish a customer experience strategy	✓	✓	✓
Bring digital concepts to in-store experiences			✓
Build digital products or services	✓		✓
Automate media buying		✓	
Produce video content for digital and broadcast		✓	
Develop mobile-first brand experience deployment	✓		
Revisit the brand/business strategy	✓	✓	
Develop a process and support for marketing innovation	✓		

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Innovation Agencies Catalyze Digital Business Transformation

Innovation agencies are critical to helping CMOs accelerate their firms' transformation into digital businesses, so we prioritized our evaluation of them over agencies that offer integration or implementation offerings.² Specifically, innovation agencies — marketing services firms that develop transformational new products, insights, or experiences for clients — enable CMOs to:

- **Move fast.** Firms that can't move at the pace of digital disruption risk losing their competitive advantage.³ But they can hasten their own development through agency partners that invest to maintain cutting-edge practices around experience and product development. For example, Huge is experimenting with No-UI design, which leverages artificial intelligence and audio recognition to build device-to-device solutions. Some agencies also use agile processes and work more nimbly than enterprises can. R/GA can develop and design a new product that accounts for business viability, customer desirability, and technology feasibility in just 16 weeks.⁴

- **Tap market insight.** Agencies' broad multiclient exposure provides them with perspective on ideas, business challenges, and emerging technologies that a CMO just couldn't access. Frog brings its vast market point of view to clients through workshops focused on overcoming roadblocks that hinder innovation progress.⁵
- **Take measured risks.** Agencies also mitigate the risk that CMOs often associate with innovation; they can spread the costs for experimental labs, technology partnerships, and test products across multiple clients.⁶ Some agencies even co-invest in client innovation efforts to create continuous partnerships with a *shared* financial commitment to push innovation forward. For example, SapientNitro and Target run the Target Innovation Center. And T3 matches up to 5% in client investment for innovation projects.

Strategy Services Matter More Than Customer Experience Expertise

This research reminded us that “innovation agency” is a label that Forrester assigned to agencies with specific aptitudes. Most agencies don't have neatly packaged innovation offerings. But those we reviewed do offer strategy, change management, customer experience, and design and development services — capabilities that are core to enabling digital business innovation. Since CMOs may not find a standard blueprint for an innovation agency, keep in mind the following conclusions from our research as you review potential innovation agency partners.

- **Customer experience doesn't differentiate . . .** We know that this sounds counterintuitive in a future where customer experience is more critical to customer loyalty.⁷ In fact, 74% of client references list customer experience as the most important competency for an innovation agency. But our reviews found that *all* innovation agencies can lead an extensive customer experience engagement — complete with persona development as well as discrete journey and ecosystem mapping — equally well.⁸ While building good customer experiences matters to brands, all agencies construct digital experiences across web, mobile, and nonstandard platforms (e.g., the connected home, wearables) in a similar way.
- **. . . strategy services do.** Don't view business strategy offerings as supplemental to your core ask for product or experience innovation. You will find key differences in agencies' approach to strategy. For example, Isobar's strategy consulting practice uses a five-step process to guide clients from opportunity identification through product commercialization. And AKQA packages its strategy experience into educational offerings that provide clients with frameworks to approach topics like digital organization design.
- **Bias of origin will filter contenders.** We found that agencies either exclusively focus on new product or experience development or offer a broad solution that bleeds into full-service digital marketing. This means that you may be able to narrow your selection set based on primary need. CMOs looking principally for new product development and prototyping will turn to design

engineers frog or Mutual Mobile. But CMOs who need innovation related to brand and market positioning will value the online and social media experience of T3, Razorfish, or Critical Mass or the TV production resources available from R/GA.

INNOVATION AGENCY EVALUATION OVERVIEW

To assess the state of the innovation agency market and see how agencies stack up against each other, Forrester evaluated the strengths and weaknesses of top innovation agencies that build digital products, services, and experiences rather than those that lead creative strategy and run advertising campaigns. Ten agencies — AKQA, Critical Mass, frog, Huge, Isobar, Mutual Mobile, Razorfish, R/GA, SapientNitro, and T3 — screened into our evaluation because each (see Figure 2):

- **Supports enterprise clients.** The majority of Forrester's clients have 1,000 employees or more. So we opted in only agency partners that can scale to support their requirements: firms with at least half of clients spending \$1.5 million or more with them annually. This excluded innovation consultancies like Prophet and smaller agencies like Code and Theory.
- **Demonstrates innovation competencies.** This evaluation is just for firms that have at least 25% of annual revenues coming from customer experience, digital product development, and marketing innovation work. Digital agencies like Possible and Firstborn are good for brands that need digital brand strategy and creative design. But they don't prioritize the innovation competencies that are the focus of this study.
- **Features in client conversations.** We also used volume and sentiment of our client inquiries in the screening process. Since this is a first-time evaluation, we wanted to screen in agencies that are already in the consideration set of forward-thinking CMOs.

Figure 2 Evaluated Agencies: Agency Information And Selection Criteria

Vendor	Date evaluated
AKQA	Q3 2014
Critical Mass	Q3 2014
frog	Q3 2014
Huge	Q3 2014
Isobar	Q3 2014
Mutual Mobile	Q3 2014
Razorfish	Q3 2014
R/GA	Q3 2014
SapientNitro	Q3 2014
T3	Q3 2014

Vendor selection criteria

Selected vendors must have at least half of clients spending \$1.5 million or more with them annually.

Selected vendors must have at least 25% of annual revenues coming from customer experience, digital product development, and marketing innovation work.

Selected vendors must be featured in client conversations.

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The Evaluation Considers Three Dimensions

After examining past research, user need assessments, and vendor and expert interviews, we developed a comprehensive set of evaluation criteria. We evaluated agencies against 27 criteria, which we grouped into three high-level buckets:

- **Current offering.** We evaluated each agency's customer experience strategy, including leadership, market research, methodology, staff, and collaboration tools. We also looked at each agency's digital product and service development, focusing on platform-specific deployment (connecting digital and physical), staff, and promotional capabilities. Finally, we evaluated each agency's marketer innovation support that represents business strategy services, education and training, and support of innovation; overall client satisfaction; reporting flexibility; and client feedback on account management.

- **Strategy.** We compared each agency's future vision, development plan, and funding strategy for technology investment.
- **Market presence.** We determined the number of active and new clients as well as client retention rate. We also counted the number of non-US offices to assess agencies' global footprint.

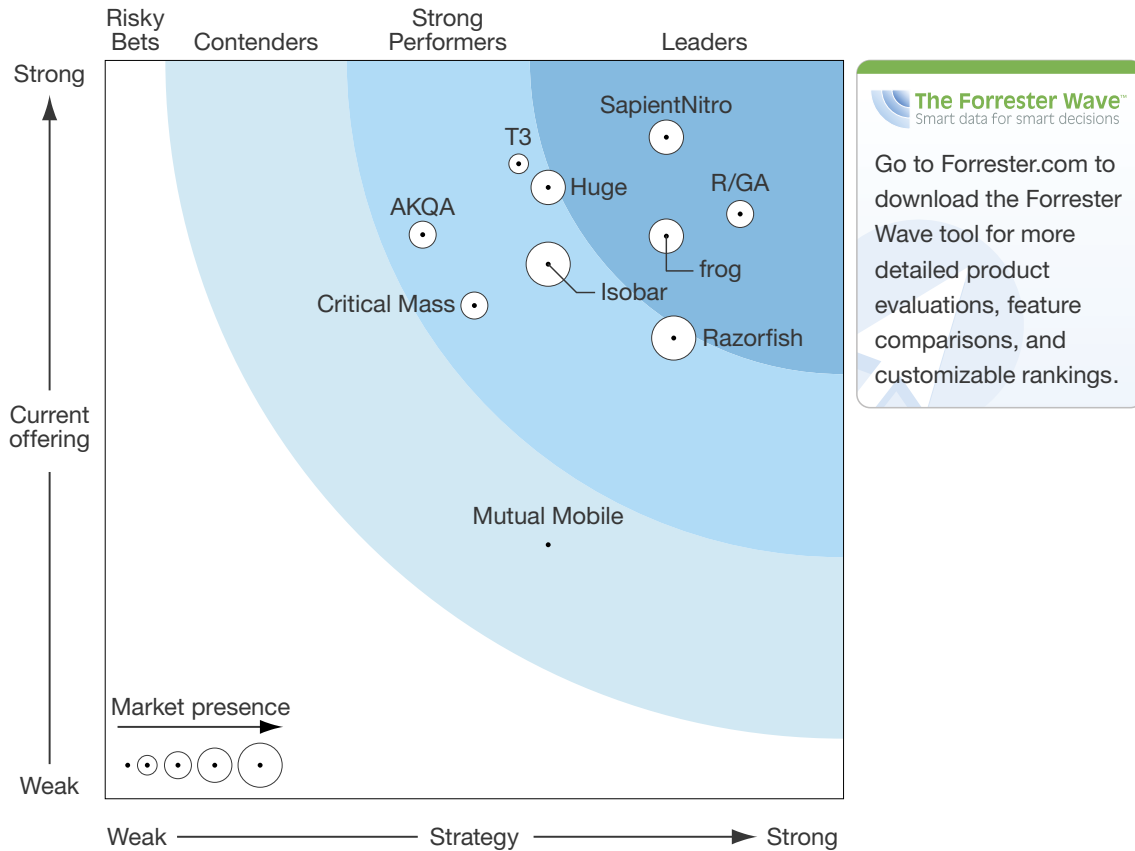
LEADERS HAVE BUSINESS TRANSFORMATION APTITUDE

The evaluation uncovered a market in which agencies are repositioning to support clients' business needs beyond digital marketing and advertising services (see Figure 3):

- **SapientNitro, R/GA, and frog lead.** Each of these firms sells packaged innovation offerings, which include business-model-level strategy consulting, educational modules to help clients foster innovation practices, and design and development services that build customer-obsessed products. SapientNitro stands out for its ability to combine digital and physical experiences to enable commerce. R/GA's business transformation practice helps its clients create ecosystems of value for their customers. And frog leads with frogLabs, the concept testing and prototyping platform that it uses to accelerate technology innovation.
- **Huge, T3, Razorfish, Isobar, AKQA, and Critical Mass offer competitive options.** We found that these agencies had less mature business consulting services, marketer education offerings, and technology accelerators than did Leaders. But all were good at building digital experiences and creating digital marketing campaigns. For example, AKQA built mobile and tablet applications designed to meet Delta Air Lines' customers' needs throughout the travel journey. And Razorfish created Audi City, a virtual showroom designed for urban areas, where customers can shop for cars via 3D visualization technology.
- **Mutual Mobile is still growing.** As the youngest agency in the evaluation, Mutual Mobile's Contender status is driven by its lack of formalized service offerings and absence of experience in building personalized omnichannel experiences. We like that it is focused on emerging technology and works mainly with clients on discrete digital projects, but it doesn't have the size or scale to tackle large-scale digital transformation initiatives.

This evaluation of the innovation agency market is intended to be a starting point only. We encourage clients to view detailed product evaluations and adapt criteria weightings to fit their individual needs through the Forrester Wave Excel-based vendor comparison tool.

Figure 3 Forrester Wave™: Innovation Agencies, Q4 '14



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Figure 3 Forrester Wave™: Innovation Agencies, Q4 '14 (Cont.)

	Forrester's Weighting	AKQA	Critical Mass	frog	Huge	Isobar	Mutual Mobile	Razorfish	R/GA	SapientNitro	T3
CURRENT OFFERING	50%	3.82	3.34	3.81	4.14	3.62	1.72	3.12	3.96	4.48	4.30
Customer experience strategy	20%	4.20	3.80	4.60	4.60	4.20	3.40	4.20	4.20	4.60	4.20
Building digital products and services	20%	4.60	3.20	3.20	3.60	4.30	2.00	3.20	5.00	4.60	4.30
Enabling marketer innovation	20%	5.00	3.70	5.00	4.30	2.90	0.00	3.00	5.00	5.00	4.40
Client satisfaction	20%	2.80	3.00	5.00	3.70	3.70	1.70	1.70	3.10	3.70	3.60
Reporting flexibility	15%	3.00	3.00	0.00	5.00	3.00	1.00	3.00	3.00	5.00	5.00
Account management	5%	1.00	3.00	5.00	3.00	3.00	3.00	5.00	1.00	3.00	5.00
Cost and pricing structure	0%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
STRATEGY	50%	2.15	2.50	3.80	3.00	3.00	3.00	3.85	4.30	3.80	2.80
Executive vision	50%	2.00	2.00	4.00	3.00	3.00	3.00	4.00	5.00	4.00	2.00
Development strategy	35%	2.00	3.00	3.00	3.00	3.00	3.00	4.00	3.00	3.00	3.00
Technology investment	15%	3.00	3.00	5.00	3.00	3.00	3.00	3.00	5.00	5.00	5.00
MARKET PRESENCE	0%	3.00	2.48	3.37	3.12	4.27	1.00	4.02	2.90	3.90	1.27
Revenues	45%	3.00	3.00	3.00	3.00	5.00	1.00	5.00	3.00	5.00	1.00
Customers	45%	3.00	2.40	3.60	3.60	3.60	1.00	3.60	3.00	3.00	1.70
Globalization	10%	3.00	0.50	4.00	1.50	4.00	1.00	1.50	2.00	3.00	0.50

All scores are based on a scale of 0 (weak) to 5 (strong).

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AGENCY PROFILES

Leaders

- **SapientNitro.** This agency leads for its ability to connect digital and physical touchpoints as well as its business consulting services. For example, it has built retail experiences that use in-store behavior, like scanning an item for a registry, to provide product recommendations based on inventory availability via mobile. It also has a Continuous Innovation Consulting practice, which does operations consulting work like optimizing supply chains and enabling real-time commerce opportunities through image recognition technology. These strengths make SapientNitro well suited for hands-on retailers that won't let the firm's size impede the agility they require.

- **R/GA.** Firms that need to rethink an entire business strategy, or just dip into a discrete development area, will like R/GA's balance of client business strategy, digital product development, and promotion capabilities. For example, the agency's Business Consulting practice helps firms like Nike develop connected ecosystems of product and services.⁹ And its Accelerators program invests in new technologies that can inform future client solutions.
- **Frog.** Frog packages a toolkit to educate customers and foster innovation. But this agency feels different than other Leader-level firms. The firm's investment in frogLabs shows its prioritization of digital technology innovation and product design over almost every other service offering. As such, this firm is best suited for organizations that need to develop a future-focused growth strategy or a new product line.

Strong Performers

- **Huge.** The agency offers a robust portfolio of website and mobile development projects including the HBO Go platform — which helped HBO launch a new product to remain relevant in a highly competitive and disrupted category. Client references also praise Huge for its ability to combine customer and business insights into product and process design. But Huge only works for marketers that need to improve digital customer experiences; it has yet to demonstrate developments that offer personalized omnichannel experiences or an advanced lab offering.
- **T3.** We like this firm's Think Tank approach to customer experience strategy. It builds in opportunities for paid and earned channel planning and applies actual industry expert insights — like those from veterinarians for pet-care clients or healthcare professionals for pharmaceutical ones — to its strategic plans. But T3 won't satisfy clients seeking support for business transformation. This agency zeroes in on marketing strategy rather than supporting business strategy needs like financial modeling or change management.
- **Razorfish.** This firm's breadth of customer experience, development, and digital marketing capabilities will suit large clients looking for service at scale; it has 1,700 business, marketing, and technology experts dedicated to CX strategy. And it develops new product prototypes in its Emerging Experience labs. But Razorfish doesn't have standalone education offerings, and it doesn't offer training for client employees beyond the corporate level.
- **Isobar.** This agency is a good partner for brands that need to scale digital experience development globally because of its 66-office global footprint. We like this firm's web and app design, advertising, business strategy, and product development experience. But it lacks formal education and training modules. And its approach to accelerating innovation seems untenable with only one full-time lab employee per market for a lab program that spans 34 global offices.

- **AKQA.** Organizations looking for help in building experiences or products that use digital technology to increase customer engagement will like AKQA's customer experience, design, and development capabilities. But the agency's own strategy and development plan lack a clear focus on innovation. Instead, its development plan is weighted toward the agency's internal process improvements and doesn't include a clear timeline.
- **Critical Mass.** The client commitment and hands-on involvement in client strategy from the CEO and president of this agency make it well suited for marketers that want a high-touch agency to design and develop experiences and run integrated marketing campaigns. However, it is less capable at developing digital business strategies beyond those that center on customer experience. Additionally, the agency has not invested in the areas that are core to driving digital business transformation, including the exploration and development of emerging technology through a formal innovation lab.

Contenders

- **Mutual Mobile.** This agency does not have the infrastructure to support business consulting, formal education initiatives, or a fully funded innovation lab. But this small five-year-old agency might be a refreshing departure from incumbents for a marketer seeking a small shop to tackle a specific customer engagement or user experience challenge. Mutual Mobile approaches every client engagement with a focus on developing a differentiating product and preinvests in digital solutions aimed at specific categories as part of its new business process.

SUPPLEMENTAL MATERIAL

Online Resource

The online version of Figure 3 is an Excel-based agency comparison tool that provides detailed product evaluations and customizable rankings.

Data Sources Used In This Forrester Wave

Forrester used a combination of three data sources to assess the strengths and weaknesses of each agency:

- **Agency surveys.** Forrester surveyed agencies on their capabilities as they relate to the evaluation criteria. Once we analyzed the completed agency surveys, we conducted agency calls where necessary to gather details of agency qualifications.
- **Executive briefings.** Forrester met with members of each agency's executive team to discuss the company's strategy, services, and road map.

- **Customer reference calls and online surveys.** To validate service and agency qualifications, Forrester also conducted reference calls with two of each agency's current customers and required 10 of the agency's customers to fill out an online survey about their experiences and satisfaction.

The Forrester Wave Methodology

We conduct primary research to develop a list of vendors that meet our criteria to be evaluated in this market. From that initial pool of vendors, we then narrow our final list. We choose these vendors based on: 1) product fit; 2) customer success; and 3) Forrester client demand. We eliminate vendors that have limited customer references and products that don't fit the scope of our evaluation.

After examining past research, user need assessments, and vendor and expert interviews, we develop the initial evaluation criteria. To evaluate the vendors and their products against our set of criteria, we gather details of product qualifications through a combination of lab evaluations, questionnaires, demos, and/or discussions with client references. We send evaluations to the vendors for their review, and we adjust the evaluations to provide the most accurate view of vendor offerings and strategies.

We set default weightings to reflect our analysis of the needs of large user companies — and/or other scenarios as outlined in the Forrester Wave document — and then score the vendors based on a clearly defined scale. These default weightings are intended only as a starting point, and we encourage readers to adapt the weightings to fit their individual needs through the Excel-based tool. The final scores generate the graphical depiction of the market based on current offering, strategy, and market presence. Forrester intends to update vendor evaluations regularly as product capabilities and vendor strategies evolve. For more information on the methodology that every Forrester Wave follows, go to <http://www.forrester.com/marketing/policies/forrester-wave-methodology.html>.

Integrity Policy

All of Forrester's research, including Forrester Waves, is conducted according to our Integrity Policy. For more information, go to <http://www.forrester.com/marketing/policies/integrity-policy.html>.

ENDNOTES

- ¹ In response to marketers' new demands, smart agencies are redefining their core competencies. Many agencies we spoke with now offer a wide range of new services and have built substantial new practice areas to handle things that were barely blips on the radar five years ago. See the December 6, 2013, "[The Next Act For Agencies: The Post-Digital Agency Landscape](#)" report.
- ² CMOs need to accelerate their digital business in order to remain competitive in the age of the customer. See the September 12, 2014, "[The CMO's Blueprint For Strategy In The Age Of The Customer](#)" report.
- ³ Digital technology is disrupting all businesses and speed-to-market is one way to stay competitive. See the March 10, 2014, "[The Future Of Business Is Digital](#)" report.
- ⁴ R/GA's process includes three rounds of qualitative in-home research sessions to uncover latent/observable goals and behaviors and obtain design feedback, a 12-week online community study, which validates concepts, and an online survey of approximately 1,000 people to provide final brand and product validation.
- ⁵ Forrester believes that outside-in education is critical to driving digital transformation. See the June 11, 2014, "[Build An Effective Digital Education Program](#)" report.
- ⁶ CMOs often lean on agencies to drive innovation because the agencies have invested in new innovation processes, talent management, and labs. See the January 17, 2014, "[Agency Partnerships Speed The Innovation Journey](#)" report.
- ⁷ In order to remain competitive, firms must invest heavily in improving customer experience. See the October 6, 2014, "[Brief: Why Good Customer Experience Isn't Good Enough](#)" report.
- ⁸ To learn more about journey mapping, please see the October 1, 2014, "[The Seven Steps Of Highly Effective Journey Mapping](#)" report.
- ⁹ Digital technology is disrupting all businesses and speed-to-market is one way to stay competitive. See the March 10, 2014, "[The Future Of Business Is Digital](#)" report.

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Forrester Focuses On CMOs

As the top marketing executive for your company or division, you're engaged in orchestrating and building a competitive brand while fueling business growth. You're also responsible for ensuring consistency in digital and traditional marketing channels and empowering others across the organization to deliver a consistent brand experience.

« CATHERINE MELISSA OLIVER, client persona representing CMOs

