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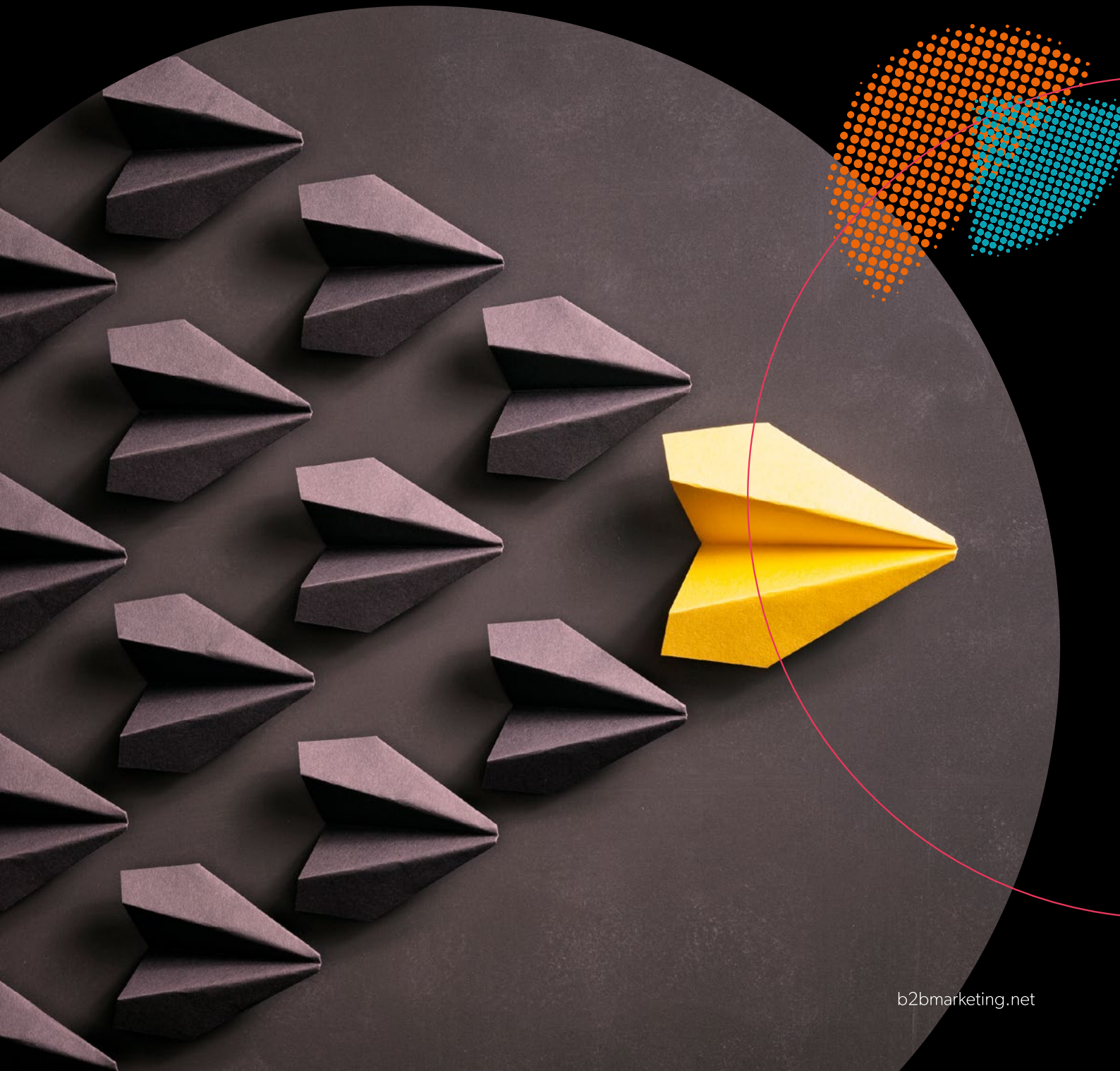
THE MAGNUS CLUB

B2B Marketing

Insight · Development · Training · Events

Dialogue

Benchmarking success criteria for highly successful B2B agencies



b2bmarketing.net

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Introduction

Better, more successful, happier agencies



Teresa Allan,
founding partner,
The Magnus Club

Welcome to Dialogue and the first Agency Leaders' Survey conducted by B2B Marketing in conjunction with The Magnus Club.

The main aim of this research is to discover as much as possible about how senior agency leaders view the world today, and the anticipated future challenges. And as respondents, for you to understand and benchmark your own business against your peers.

It may appear there isn't a huge amount that sets agency leaders apart in terms of their challenges, frustrations and thinking. But these differences highlight opportunities for change, with different ways of working that can help agencies to run better and realise greater profit with a happier workforce.

Without doubt we work in one of the most exciting, innovative, fastest-growing and challenging industries today. B2B marketing has undergone an enormous change over the past 15 years and is now recognised for both creative and strategic brilliance as well as the huge contribution it makes to the UK economy.

Introduction

Why now's the time for agency leaders to raise their game



Joel Harrison,
editor-in-chief,
B2B Marketing

Agencies are the driving force of the business-to-business marketing industry – that much was obvious to me from the minute we founded B2B Marketing, and has remained so ever since.

The role they perform is complex, multifaceted, nuanced… and sometimes little short of miraculous, in terms of feats of tremendous marketing achievement they pull off in often difficult circumstances - even against all odds. It cannot be overstated.

Consequently, running a B2B agency, let alone a successful one, can be extremely challenging. The combination of tight budgets, hard-to-reach customers, complex markets and (sometimes) poor appreciation of marketing within client companies can make running a B2B agency little short of masochism! These are challenges that would make most B2C agency owners run and hide.

Perversely, and despite all these obstacles, the B2B agency community has never been so vibrant or buoyant – as evidenced by our annual Agencies Benchmarking Report, which this year features its biggest ever league table of agencies. And the shortlist for the B2B Marketing Awards 2019 shows the rich variety and tremendous quality of work that they are creating.

But as anyone in marketing knows, success today never means guaranteed success tomorrow – B2B agencies today face a new wave of challenges; including insourcing by marketing teams enabled by martech; and new competitors from large B2C groups launching dedicated, specialist B2B arms.

So how should agency owners respond to these, and other challenges? What does success in B2B agency management and leadership look like today, and what's it going to look like in the future? To answer these and other compelling questions about the future of the B2B marketing agency world, we've teamed up with our friends at The Magnus Club, to produce our first ever report on successful B2B agency management.

We think the insights that we've captured provide some excellent input and food for thought for agency leaders looking to refine their existing practices and (perhaps more importantly) prepare for their ongoing evolution.

My thanks to everyone who took part – we appreciate your input and time to compete the questions. I hope you find the results as interesting as I have, and I look forward to your feedback.

Executive summary
Dialogue report 2019

Without doubt one of the most positive findings was the high morale enjoyed across the industry.

If you put this together with the reason most people come to work (great people and the diversity of work), it's a sound reflection of how we're not letting the political situation affect us by getting on with business as usual.

Generally agencies are all still worried about finding and keeping good people, as well as making sure we attract the best skillsets, and continuing to believe in training and investment in talent.

Many agencies have increased their service offering dramatically over the past 12-18 months and this will undoubtedly affect their need to attract different skills and possibly profitability which was one of the main challenges; 'learning on the job' can be expensive.

The yearly number of new business pitches that agencies are taking part in is high and this too can reduce profits. Interestingly the biggest reason cited for turning down work was client budgets – which does show a good degree of confidence and respect for the industry we work in.

This was the first year of the Senior Agency Personnel Dialogue Survey and we look forward to repeating it next year and comparing results.

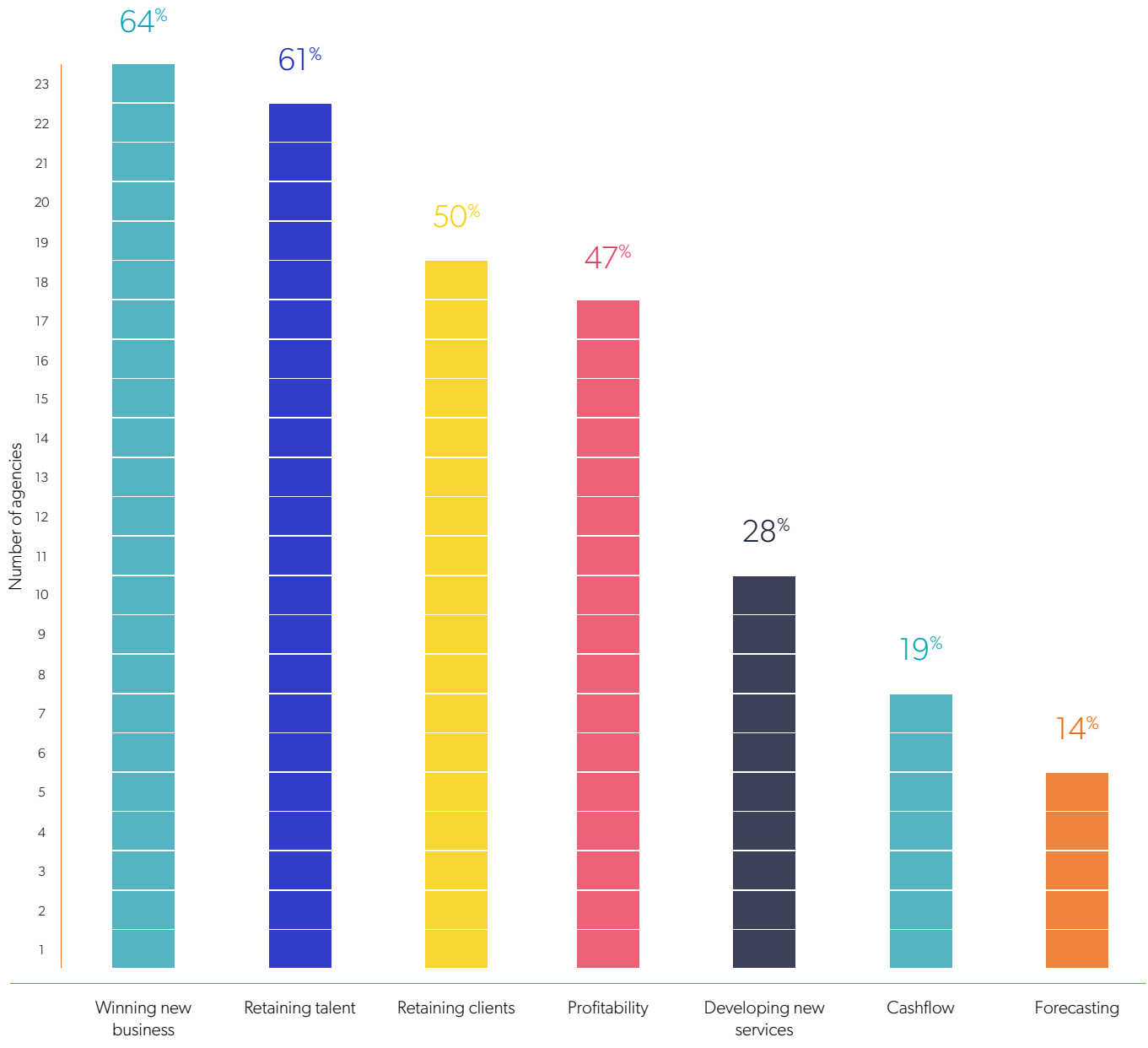
"There was an opportunity to shine a light on how B2B organisations could use marketing effectively to drive revenue. That was six to seven years ago – and it's just got more interesting as technology changes and impacts the buyer journey"

Top 5 challenges facing agency owners

The first Dialogue Survey found the following five areas to be most challenging for agency owners and management:

1. Pitching. High investment, low return as clients change briefs, pull pitches and the work fails to materialise.
2. Adding new services to meet clients' needs and stay competitive. Finding the right people to meet ever changing needs of the agency offering.
3. Processes. Developing and adhering to a process for an ever-changing agency model.
4. Profitability. The death of the retainer, rise of procurement and underestimating jobs pile on the pressure.
5. Succession planning, or lack of, can mean agencies are not optimising future opportunities.

Top challenges facing agencies



1. Pitching

Winning business is seen as one of the biggest challenges of running an agency today, with 42% of agencies having taken part in 10 or more pitches in the past year. The cost of pitching in terms of resource and the effect on existing business can be extensive. Then when you include the hard costs the total investment can amount to thousands with clients still very unlikely to contribute. Thus the need for a 'pitch or not criteria' is really important.

"Pitching is incredibly expensive and time consuming, we are just too small to compete. If the client doesn't know you and you don't have a relationship, then we've no chance of winning"

While intermediaries can be of huge benefit to both clients and agencies in the process, just over half of those surveyed had any kind of interaction with one (50% the same one) – and none of these with one of the more recognised B2C intermediaries, Oystercatchers and AAR.

Client budgets are by far the biggest reason for turning down work (47%) which reflects not only a good level of self-confidence but also the knowledge that the right levels of investment are needed in order to produce effective work.

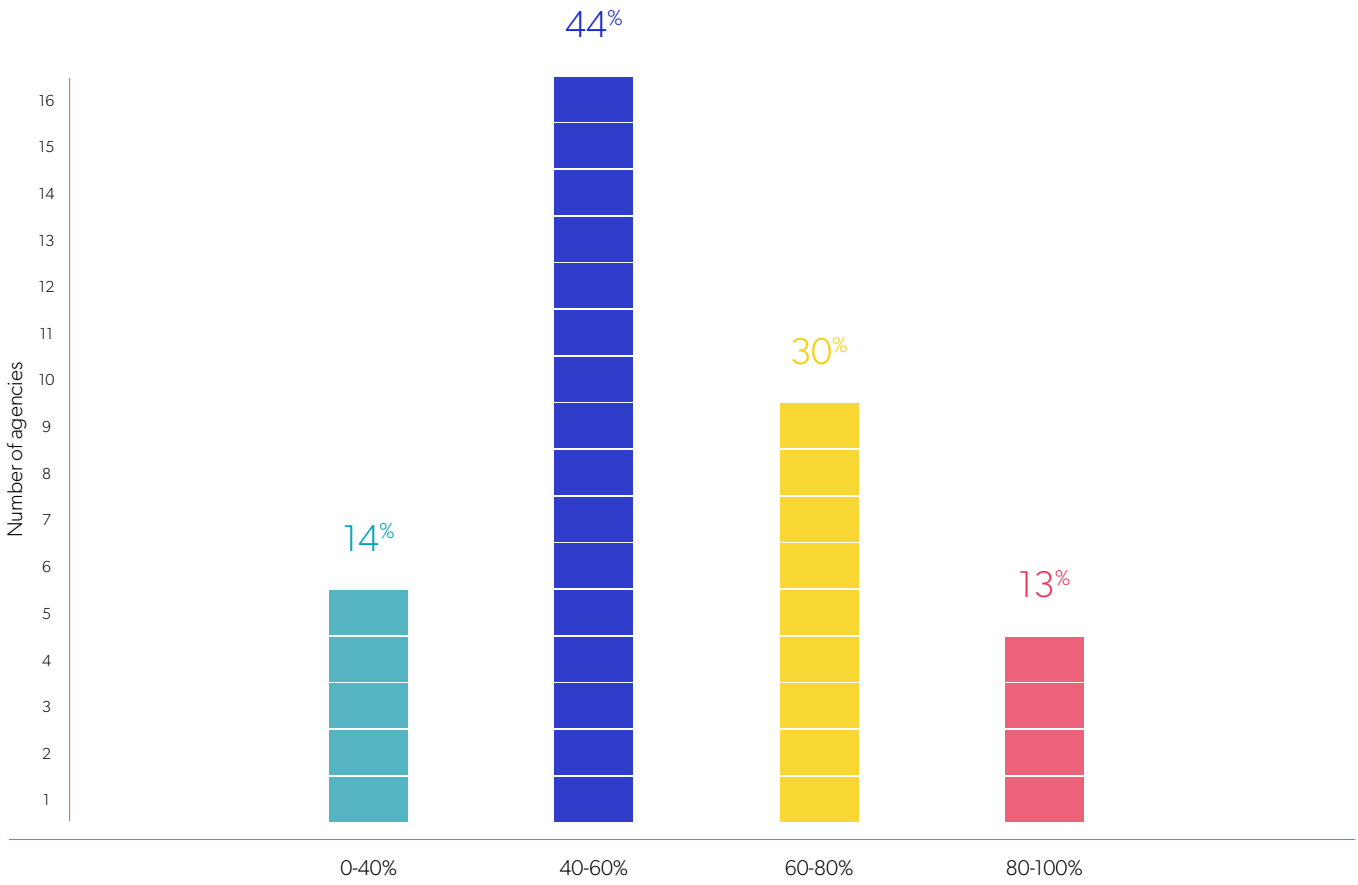
"There is very little medium – let alone long-term planning and budgeting from clients. It's a massive challenge for agencies. Even with the pitches we do win, we can't rely on all the budget coming through. Most have promised double what they have actually paid us. People change, priorities change, and they forget what they asked for in the first place"

Tips for managing the pitch process

1. Create a 'pitch or not' criteria. And stick to it.
2. Ask why the client is pitching. Why is there dissatisfaction with the incumbent agency?
3. If the brief is poor and the timing tight, the pitch needs to be questioned or turned down.
4. Try to find out who else is pitching, how many and if everyone received the brief at the same time.
5. Insist on knowing a budget.
6. Ask about pitch evaluation and if there's a scorecard ask to see it in advance.

The direct response to the new business challenge should always be: shouldn't retaining clients be so much easier than winning new ones? Agencies who follow good relationship management are far more likely to retain the clients they want to work with and reduce the need to rely on new business so much.

Figure 1.1: **What percentage of pitches have you won over the last 12 months?**



5 essentials for a healthy agency/ client relationship

1. Regular bi-annual client reviews. Use an agreed format; feedback survey, profitability report, relationship review to benchmark results year-on-year. Where needed, use external facilitators to help with difficult conversations.
2. Pick up the phone as much as possible – voice over email.
3. Tackle any problems or grievances head on. Don't let difficult situations escalate.
4. Understand your client's remit – the challenges they have and what they're trying to achieve.
5. Agree objectives upfront for each piece of work or project, then review the outcomes/results together.

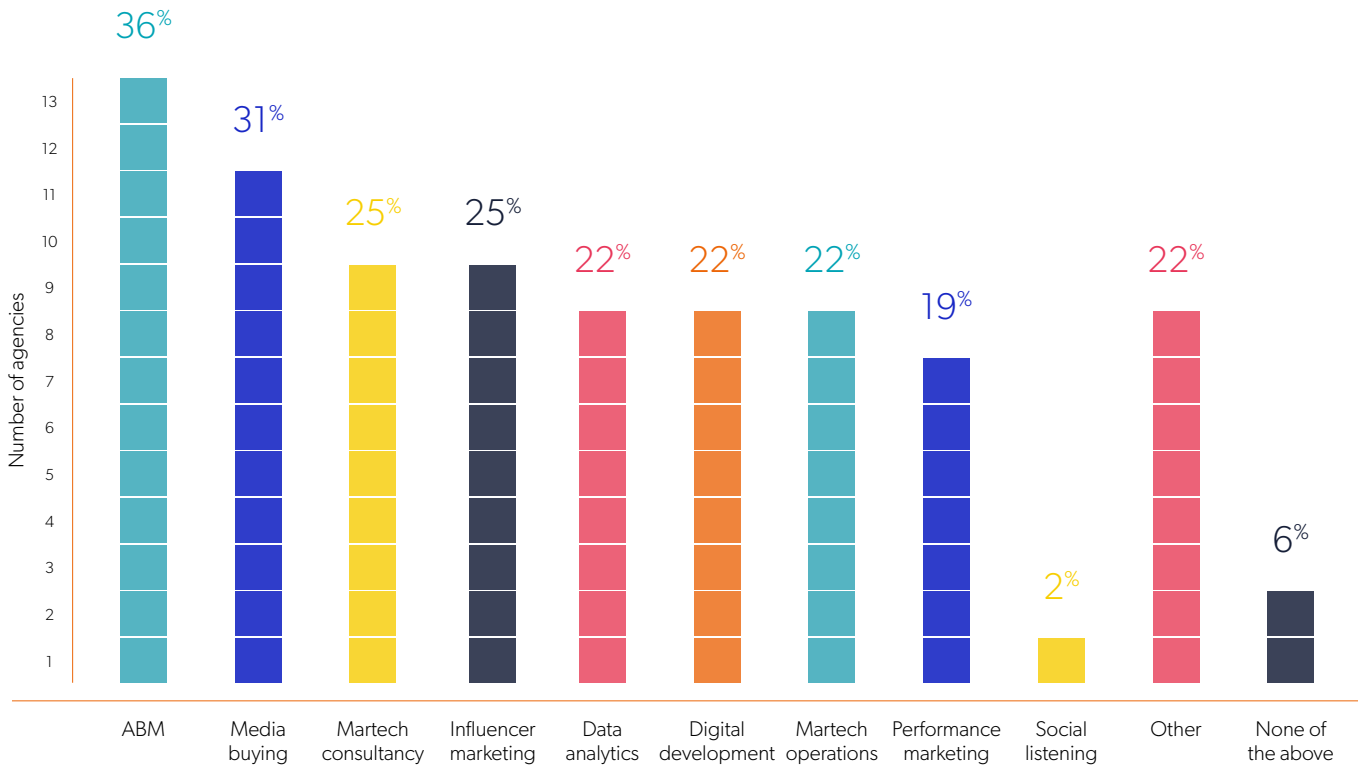
2. Services and skillset

With over 60% of agencies describing themselves as integrated, there is a trend for B2B agencies to become less specialist and more generalist, unlike their B2C agency counterparts. The agencies we surveyed have added a combined 23 new services to their offering over the past 24 months. That means an average agency offers more services than it has staff.

Of those new services, 36% added ABM, 30% added media and 47% added martech consultancy or operations. All of these require specific skills and technology investment to be able to deliver effectively.

> *"Clients expect agencies to have all the martech in-house. The biggest agency challenge is working out how best to monetise it, when it is now expected to do the job."*

Figure 2.1: **Which services have you added in the last 12 months?**



It is no wonder the biggest challenge for agency management, when it comes to operations, is finding the right skillset to deliver the task, when the tasks keep changing.

Either, existing staff are having to learn new skills at a rapid pace or new people are coming in to deliver the new service. Scaling at such a pace will impact profitability. Upskilling existing staff can be a positive for both staff and agency but also involves considerable time and training investment.

> *"The biggest challenge is not finding specialist skills but the right characteristics of the individual. Motivation is more important than skills, we can train those. If we lose a person, we lose the skillset. We cannot have everyone being experts, we need multi-disciplinary people"*

It can be hard for agencies to diversify at such a rate without it having a negative impact on business, which begs the question, is generalist the best structure for agencies, and does it give clients the best service available?

> *"We are trying to find T-shaped people and only have a few specialists"*

> *"Great agencies hire brilliant people, then give them the freedom to create brilliant work, for brilliant clients"*

5 tips for managing people and service requirements

1. Be clear about your positioning and service offering. If you don't offer a service, consider strategic partnerships with external partners that do; instead of venturing into new areas that require monetary and time investment.

2. Don't be afraid to say no to clients if you don't offer a service.

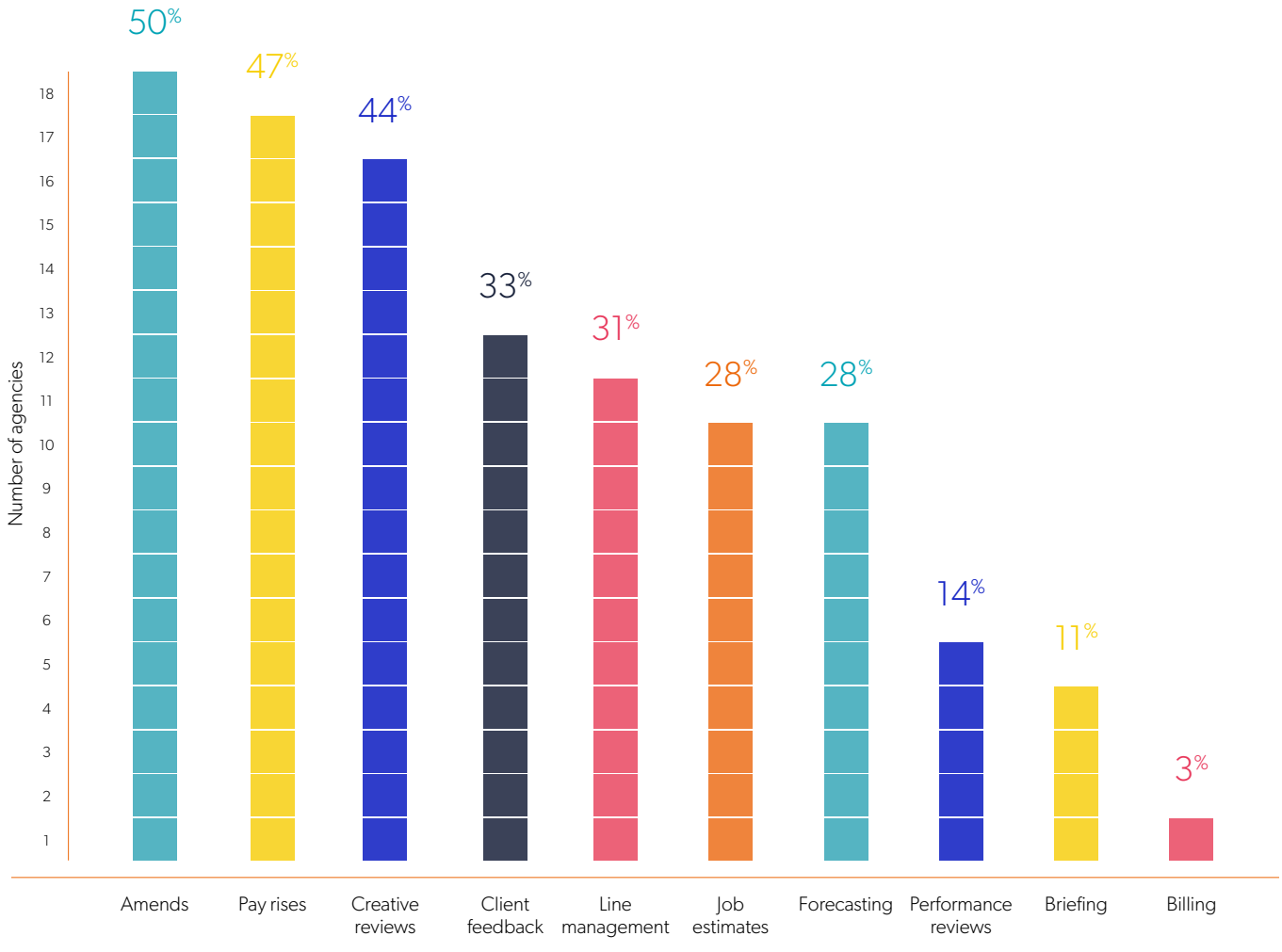
3. Look for people who will fit culturally and have a good work ethic over specialist skillset.

4. Commit to training to retain your best talent and evolve your service offer from within.

5. Drop services that lose you money. It may sound obvious, but many agencies don't run a 'services profit analysis'.

3. Processes

Figure 3.1: **Which of the following do you have an agreed agency process for?**



65% of agencies have either an off-the-shelf (47%) or bespoke (35%) business intelligence (BI) solution for their business, to give them insight on profitability and efficiencies, with Synergist being the most popular off-the-shelf product for agencies by a substantial margin.

"There is so much tech out there for agencies. We are constantly in review mode. Peoples' patience with learning new systems is very low"

90% of agencies keep timesheets, mostly on the BI product. However, basic agency process systems are still a huge challenge, with process still cited as one of the biggest operational challenges for agency owners.

"Large organisations and other agencies are inefficient, lack process and do not bring the creative, technology and user experience together"

Delving into this further, only 50% of agency respondents have a creative review or amends process.

All the agencies surveyed offer creative services, and the lack of a review process related to core delivery. Lack of a structured procedure for client feedback can lead to time being wasted and vulnerability if clients change the brief mid-project.

Only 11% rarely underestimate the time it takes to complete a job, meaning 89% of agencies get it wrong too often. This has a massive impact on profitability and can often be addressed by implementing simple processes at key stages of the delivery process.

"As a growing business the need to control a quality assurance standard is hard. As we grow, we will need new processes. Will people adhere to it? ...probably not"

Processes are only ever successful when implemented in the right way. Change can be disruptive and unsettling. Staff need to understand why new processes are being introduced and how these will benefit not only the business but their working day too.

5 tips for improving your agency processes

1. If processes are in place but not being followed they need to be reviewed to make sure they are right for the business. What are the barriers to success? Can they be simplified? Have they been articulated to all employees? And has the relevant support and training been provided?

2. Changing ways of working won't happen overnight. Ensure due diligence is done before making drastic work changes. What's best for the management team might not work for account services or creative teams. Make sure it's fit for purpose by considering and listening to all departments.

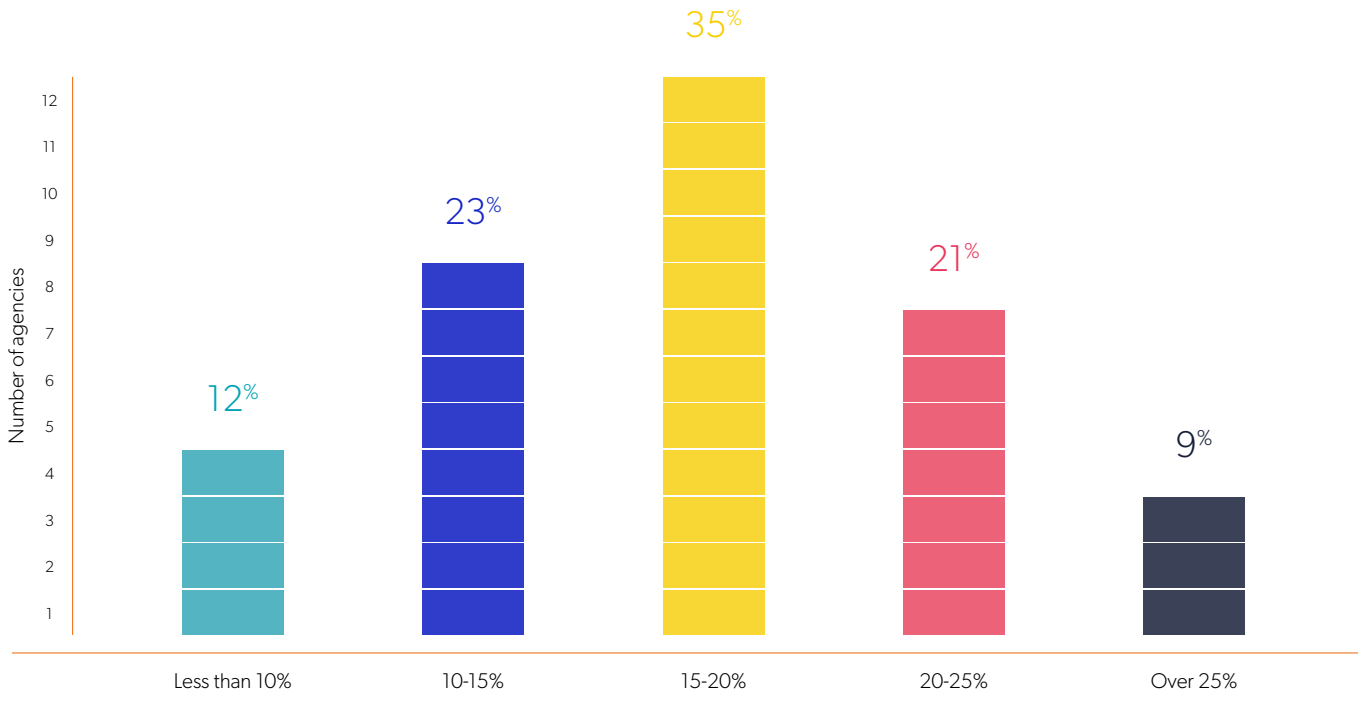
3. Timesheets are always a challenge but accurate completion is vital for proper analysis and review of client profitability and agency productivity. Try incentivising. For example leaving at 5pm on a Friday if timesheets are completed. (Or the opposite – no expense payments if timesheets are outstanding.)

4. Ensure your clients are aligned to your creative and review process. If needed, do a workshop on brief writing and stakeholder management.

5. Develop an SLA to manage client's expectations. Commit to timings for responding and set out the process they should follow for new briefs.

4. Profitability

Figure 4.2: **How profitable is your agency?**



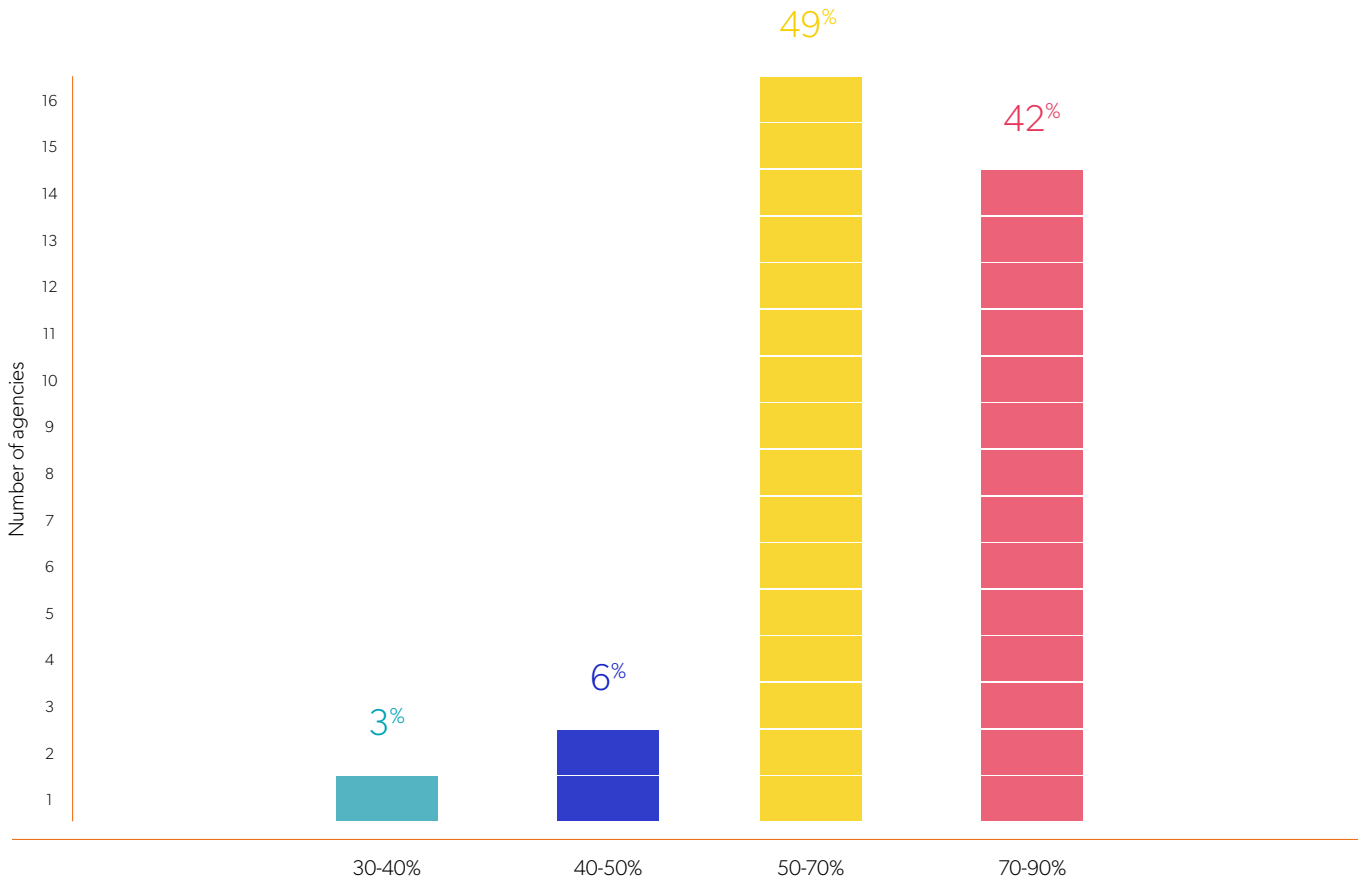
Profitability remains high on every agency's list of challenges and with less than 10% of clients now on retainers it makes it more difficult for agencies to predict income, and therefore the associated resource that will be needed to deliver it.

"Nine-out-of-10 conversations at board level are about new business. The move to project work from retainers and short-term CMO tenure creates big issues for agencies. It means much less reliable revenue forecasting. When you are relying on new business to cover costs two months down the line, it becomes a priority"

As the biggest cost for any agency is its people, getting resource levels right can have the biggest impact on profitability. Interestingly 61% of agencies have less than a 10% freelance workforce – greatly restricting the ability to resource up or down quickly and depending upon income and need.

Another area greatly affecting profitability is charging for time – only 43% of agencies say they have billable time of over 70%. Plus, 20% of agencies underestimate the time needed to complete a job 50% or more of the time. Getting billable time up and underestimation down can contribute massively to income with suggestions for how both of these areas can be improved below. Interestingly only 9% of agencies disagreed with the statement 'we are always chasing our month end target'.

Figure 4.3: **What percentage of your staff time is billable?**



5 tips for improving agency profitability

1. Get forecasts as near right as possible – forecast sales, income and costs, and review each month against actuals.
2. Make sure there is some flexibility on some costs – when income is reduced this will be needed. Resource is one of the greatest areas for flexibility.
3. Review each job against hours charged for and ensure lessons are learned if under-charged.
4. Don't be afraid to ask clients for more money, but do it as early as possible after you realise it's needed. Give absolute reasons as to why the job was underestimated in the beginning, or why the brief has changed, or more time is going to be incurred.
5. Understand what 'billable time' is – is too much admin time going down on time sheets when really it's client-related work? Review with internal teams and consider what should be charged to client/entered against jobs.

5. Success planning

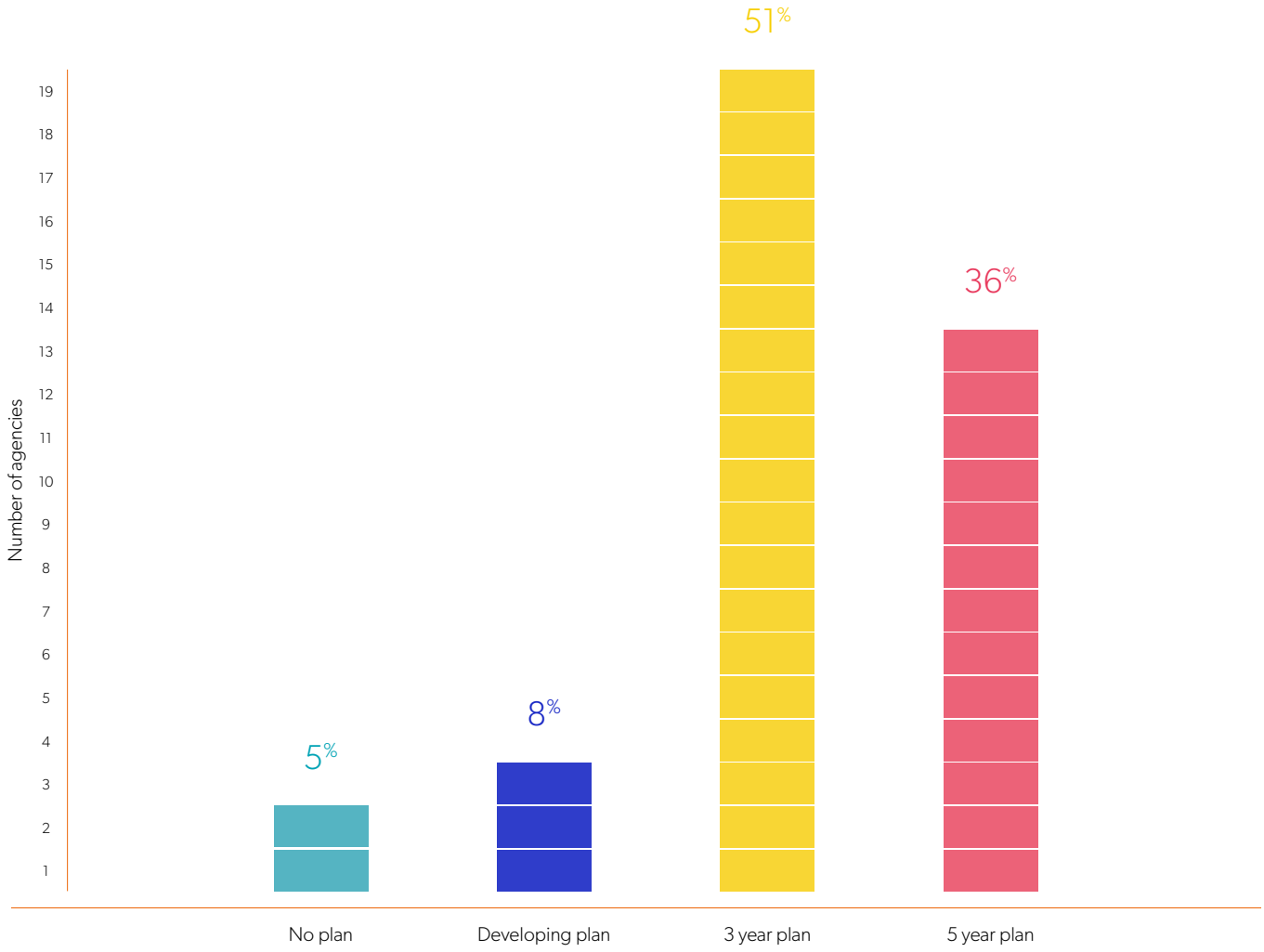
While 79% of agencies are future-proofing their business, which is encouraging for the industry in general, only 53% have a succession plan which is contrary to this. Maybe we all feel we are invincible and forever young, or that we love the business so much we don't want to think about retirement. Any agency without a succession plan is vulnerable, particularly if they are looking to sell at some point in the future. Interestingly there are still a low number of mergers and acquisitions in B2B compared to B2C. This year saw a couple of strong strategic sales but generally there have been few of note over the past five years, with many of the big agency groups perhaps still not identifying the massive opportunities represented by B2B.

Among the daily challenges for the agency management team, there are also many positives that make agency life rewarding.

Your top three were:

1. People are valued. Training budgets are higher than average.
2. Agencies are robust. They can stand the test of time, recessions and hopefully Brexit.
3. Morale is high. Agencies are fun and fulfilling places to work.

Figure 5.1: **Forward planning: Business planning status**

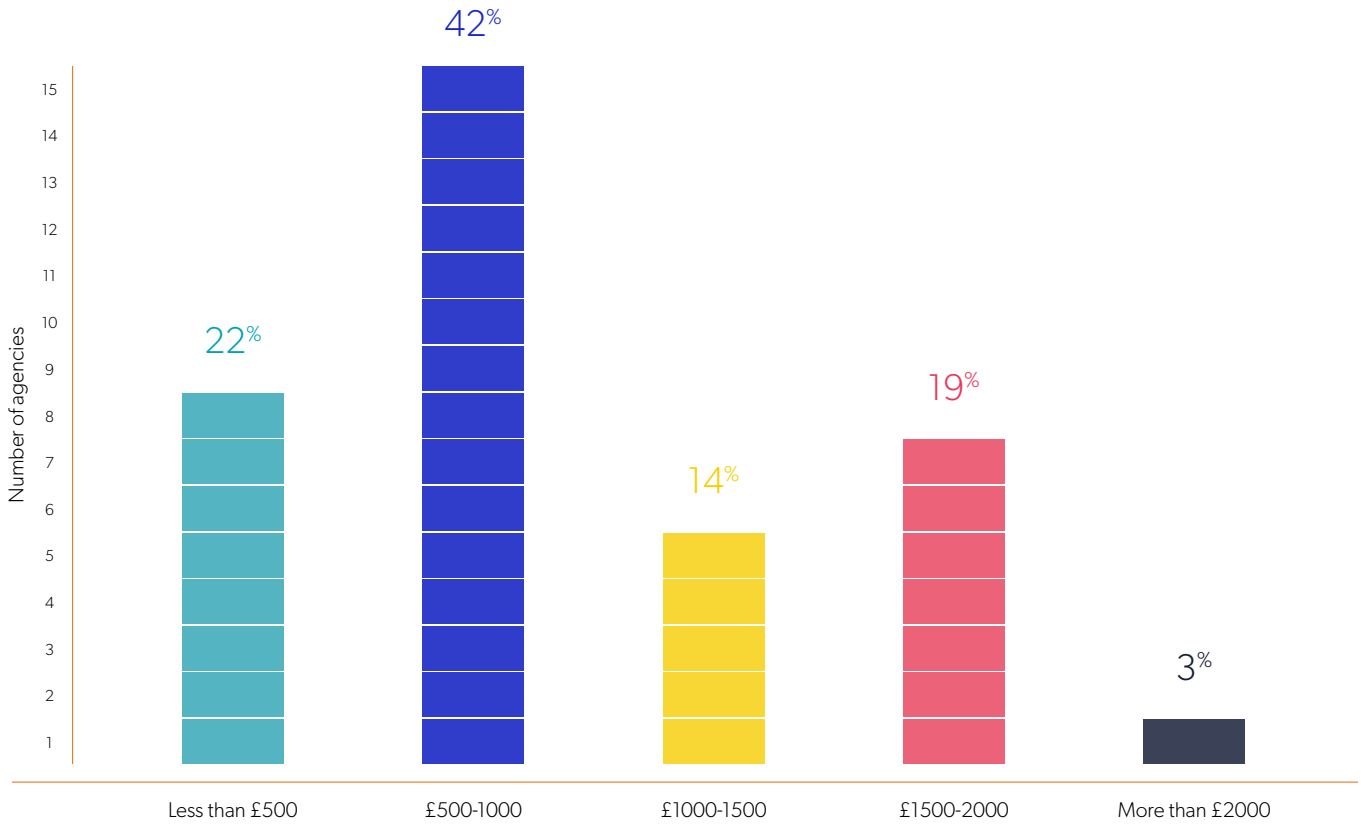


5 tips for succession planning

1. In five years' time, will the board and management team still be the same or will it have grown/reduced?
2. Are you planning on any staff share scheme (e.g. enterprise management incentives)?
3. Who are the people that are with you now that you want to be with you in five years?
4. How will you retain and motivate your best people? Bonuses, other incentives?
5. What do you want personally from the future agency? E.g. remuneration, work/life balance, management buy-out, M&A? Commit to a plan and work backwards as to how to achieve it.

6. Training and investment

Figure 6.1: **How much training and development budget do you have for each full time employee?**



"I love seeing our people become better people, and seeing them progress"

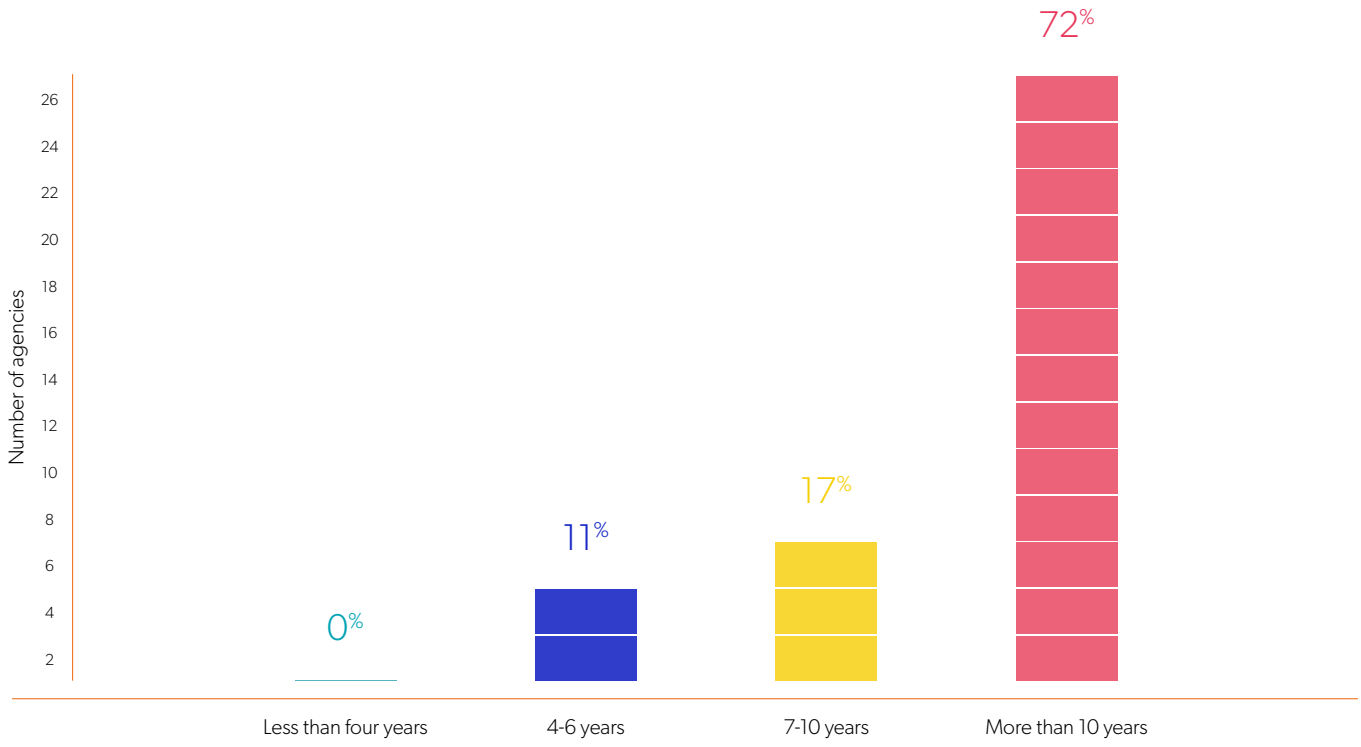
With an average training budget per head of £500-1000 (well above the UK average per employee) the industry is demonstrating it recognises the importance of its talent. As the agency model changes, so must its skillset – not just in what can be delivered but delivering it in a proactive and agile way. The biggest internal challenge is finding and recruiting those with the right skillsets.

It's often easier to train existing team members than to find new ones and this alone can help keep people motivated and focused. Retaining the best staff in a market that's always looking for good new people to hire can be difficult. Interestingly people rarely move jobs for a salary increase. A survey by Recruiting Daily cited the number one reason for leaving a job was 'lack of opportunity'. If a workplace does not offer opportunities for growth and advancement, employees will go where they can find them.

"I take huge pride in developing this business, and also the people within it"

7. Durability

Figure 7.1: **How many years has your agency been in business?**



Nearly three-quarters of all agencies (73%) have been in business a decade or more, demonstrating that the B2B agency industry is robust enough to weather recession and economic downturn.

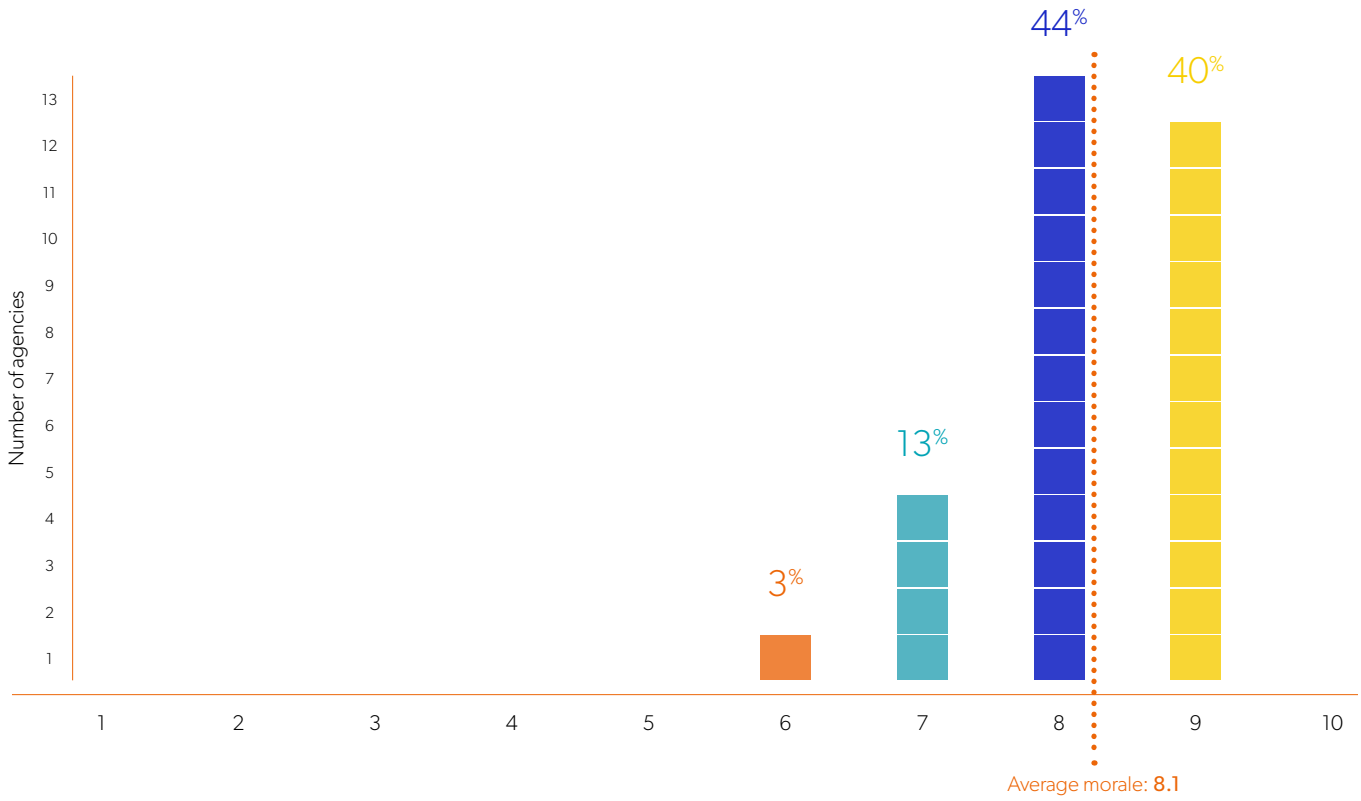
As reported, the agency model is constantly changing to meet new client needs. The need to be agile, both in offering new services and delivering faster were in the top three answers of what leaders think their business will need to change to meet future client requirements, along with being more proactive with ideas.

Whatever the right answer on diversification, it's fair to say agency leaders are doing a good job in navigating a difficult economic and ever-changing technology environment to stay in business and remain positive.

"I'm excited about where this can go, and how good we can be"

8. Morale

Figure 8.1: **Agency morale: How would you rate your agency morale? Out of 10, with 10 being the highest**



A recent 'Happiness Survey' conducted by Recruitment Buzz reports that the marketing, communications and ad industries currently have the happiest employees. With an average score of 8.13/10, 36% of our respondents scored morale at 9/10, which backs this up and shows what a happy industry we work in.

As mentioned previously, one reason for this could be that the average training budget per head is well above the UK average for each employee of a little over £300. 79% of agencies also said that they are future-proofing their business and are positive about the future – both of which will have a positive effect on internal teams and give the reassurance and confidence that's needed for a happy workplace. But be aware that the third biggest challenge cited by respondents is 'internal comms' – getting this right can greatly improve positivity but have completely the opposite effect if not successful.

> *"I love the buzz of creating change for our clients and our people, and change in this industry never slows"*

Conclusion

The future's bright for bold agencies



Joel Harrison,
editor-in-chief,
B2B Marketing

The findings of this report serve to underline both the evolutionary nature of the B2B marketing agency landscape, as well as its precariousness.

B2B marketing agencies need to change constantly in order to both survive and thrive, and those participating in this survey have demonstrated that they recognise this. Those agencies that fail to be willing and able to pivot will undoubtedly rapidly become yesterday's news, and agency brands are notoriously fickle. It's all too easy for today's powerhouse of creative ideas house to become a footnote in tomorrow's marketing industry history.

Yet at the same time, other challenges discussed in this report are perennial. For example: 'to pitch or not to pitch' is likely always to be an angst-filled conundrum for B2B agency owners, seeking to balance potential opportunity with upfront costs and distraction. It's highly unlikely that there will ever a clear and simple formula to address this question, and the answer will be determined by gut feel at the time, with a retrospective view taken on success based on whether the business was won or not. In other words, it isn't going away, and won't get any easier.

Arguably the real challenge for agency owners is to understand the difference between those disciplines or functions that determine good management in today's world, and which factors will be critical in determining the future of their business, and shaping the next wave of opportunities. They can't afford to ignore either, although they have quite different implications.

At B2B Marketing, we believe passionately that there's never been a better time to be a B2B marketer – and consequently, there's never been a better time to be a B2B marketing agency. The industry has never been better resourced, better recognised and (above all) better populated with energetic, capable and savvy marketers – on both sides of the client/agency fence. Agencies have never been better placed to help drive success for both their clients and the industry as a whole.

In other words, the future of the industry is in your hands – it's up to you to grasp it.

About

B2B Marketing

Established in 2004, we are the number one go-to resource for B2B marketers across the globe.

Through our content hub and professional development services – including events, training and networking – B2B Marketing users are empowered with the tools, insight and inspiration they need.

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About

The Magnus Club

The Magnus Club helps agencies and clients be the best version of themselves; to develop successful long-term relationships that deliver results for everyone. We focus on internal operational efficiency and external positioning effectiveness. With clients we help to identify, gain and maximise brand clarity and for agencies we help them to run better and be more profitable.

We are a collective of experienced agency and client professionals who have extensive experience across a number of different disciplines. We understand business growth, mergers and acquisitions, talent management, executive coaching, financial planning and NPD. We also understand the day to day challenges of running an agency and the all too common one of thinking we have to put clients' needs before that of our own. By working alongside the agency management team we provide focus to the business and identify key areas that either need to be shaken up completely, realigned or maximised to enable future growth. We do this by working through a five P methodology process around purpose, product, people, process and performance.

Importantly we not only identify areas of improvement but work as part of the agency team to help implement real change within the business. Depending on what's needed we can work with agencies on total transformation projects over a long period or merely support as an advisor on an ongoing basis.

We also provide help with agency/client relationships. At a time when both parties are increasingly under pressure from many different areas including procurement and in-housing, Keep:Fit is a dedicated service engineered to keep existing client relationships healthy and productive. This can include conflict resolution, bi annual health check surveys, and help with financial challenges.

If you'd like to learn more and maybe even talk through some of the challenges and opportunities that you'd like to resolve, please contact Teresa Allan at teresa@themagnusclub.com.

themagnusclub.com

THE MAGNUS CLUB

B2B Marketing

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Contact us

B2B Marketing
Clover House
147–149 Farringdon Road
London
EC1R 3HN

Tel: +44 (0)20 7014 4920
info@b2bmarketing.net
b2bmarketing.net

In association with:

THE MAGNUS CLUB

themagnusclub.com