



THE AGENCY WORKS



AGENCY FOOD

April 2015

WELCOME TO **AGENCY FOOD**

This report, the second in the new Agency Food series, has again received fantastic support from agency heads who have shared their thoughts on the current trading climate, and how they feel about their anticipated success for the coming year.

As an anonymous quarterly barometer for the creative sector in the UK, we hope that sharing this insight will help agencies and their teams to feel more connected to their peers as shared challenges and goals are recognised, and in doing so will open up conversations and collaborations which can ultimately benefit the industry as a whole.

In this issue we are looking at the cost of new business for agencies. Staffing and time are always key issues which can underpin the success of both chasing leads and creating winning pitches. We want agencies to be in the best place possible to serve their clients with the talented team they have beside them, so we have created the Agency Hourly Charge Calculator. This online tool can not only help estimate the cost of resourcing a new business

pitch or tender, but can also help estimate the minimum hourly charge appropriate in relation to maintaining profitability.

Click [HERE](#) to access it.

Our team at The Agency Works supports more than 450 agencies across the country covering all creative sector disciplines – from digital and social to design, PR and integrated marketing.

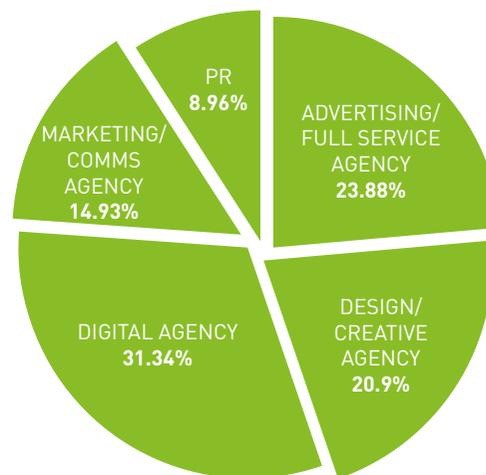
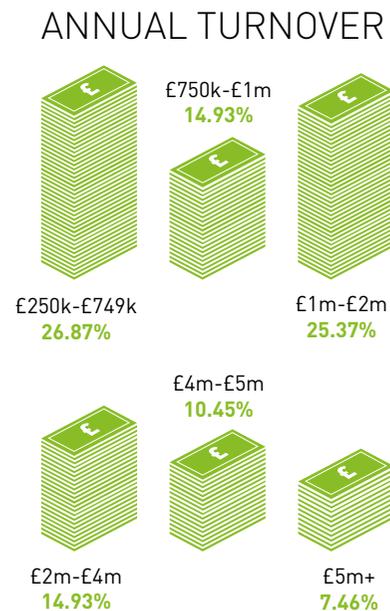
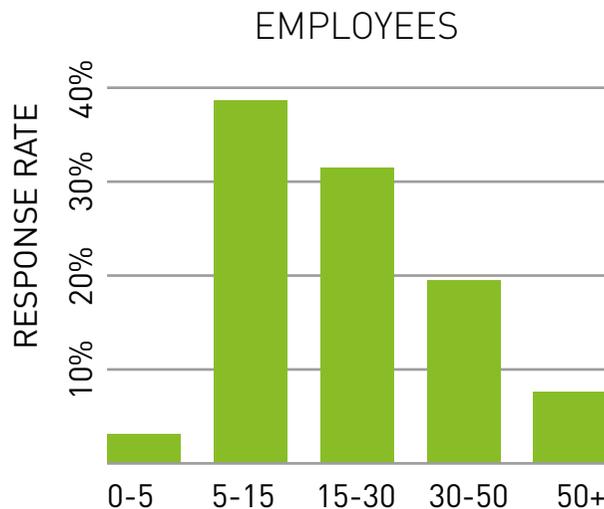
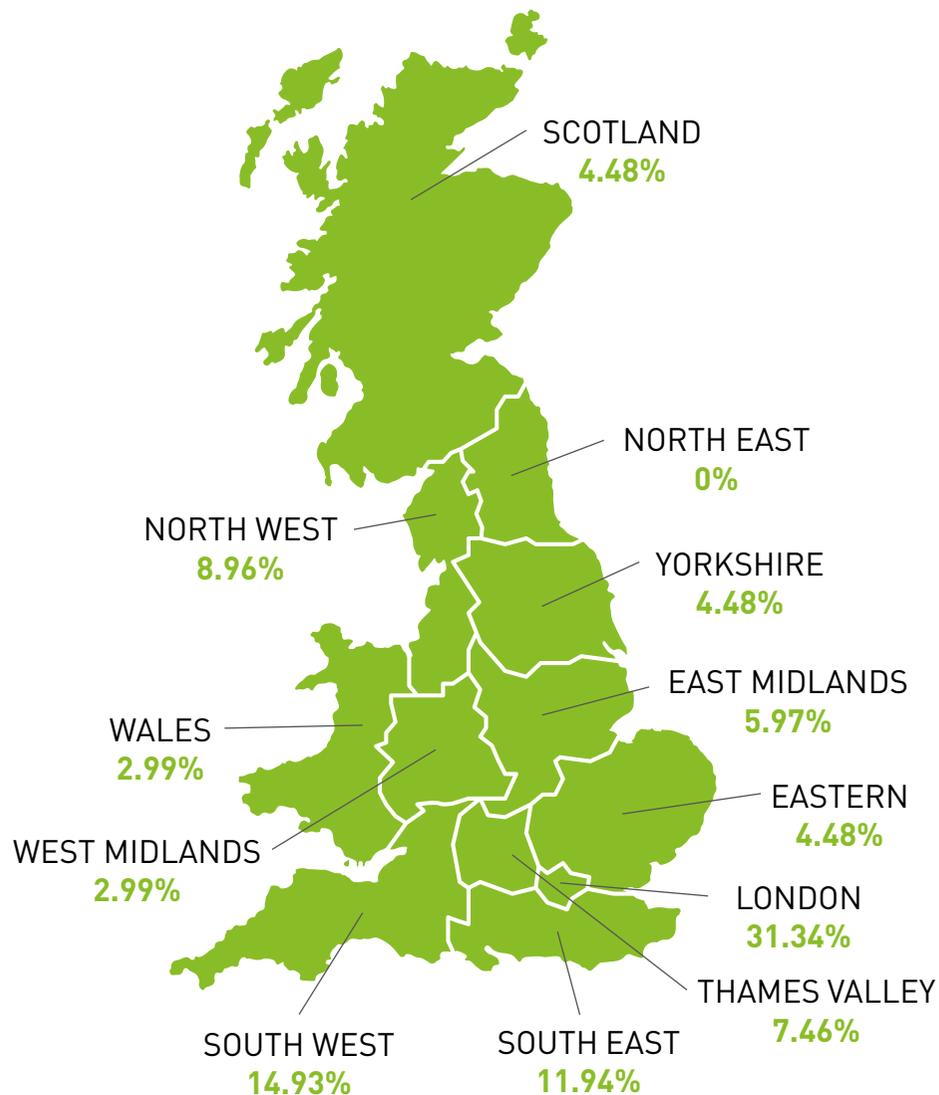
We hope that whatever the size or specialism of your agency you find our report summary an interesting read. As with our previous Agency Food report, the full set of questions we asked can be found at the back of this document.

Thank you for participating and sharing your valuable experience with us.



Jay Neale, co-founder
The Agency Works

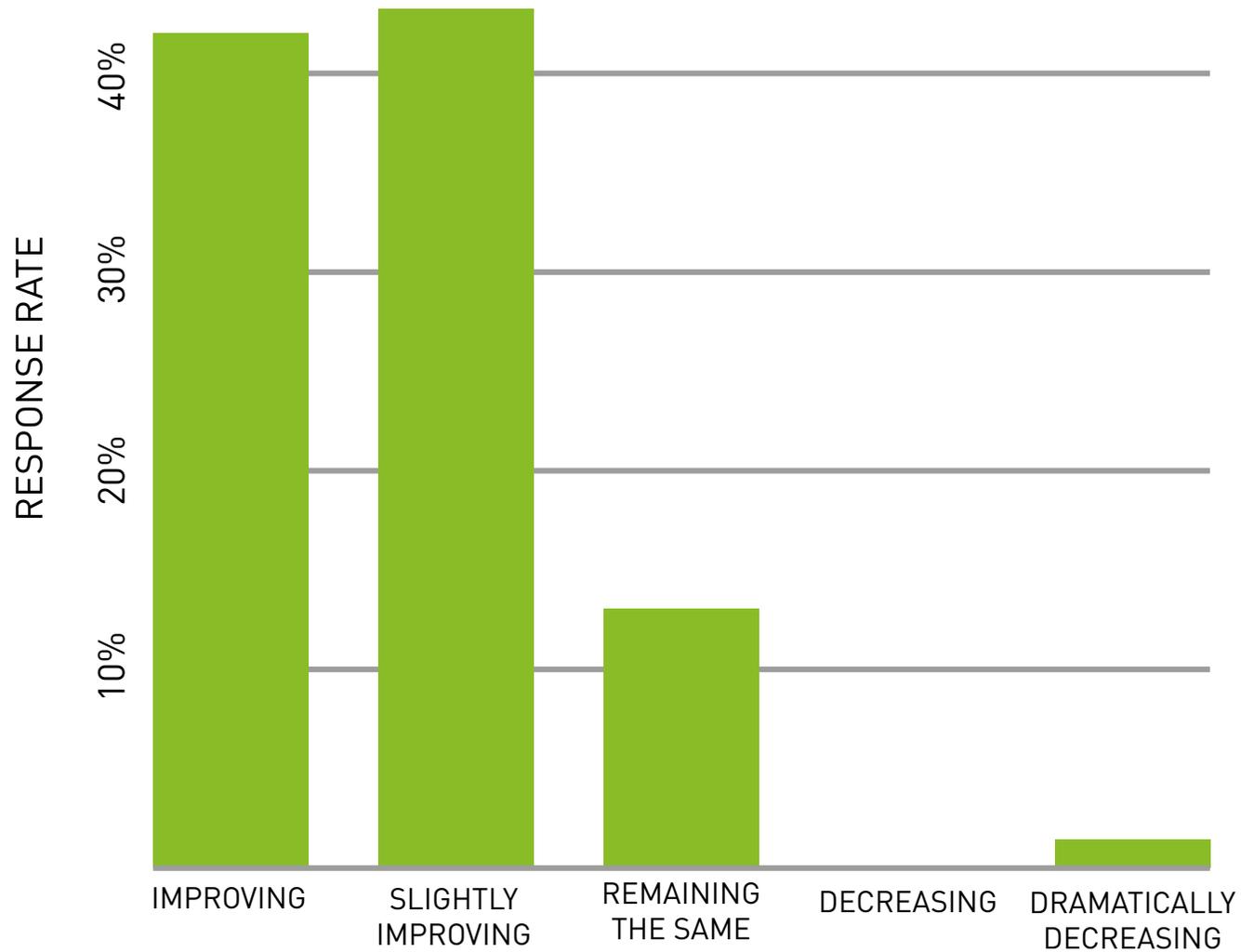
WE SPOKE TO...



AGENCY HEADS

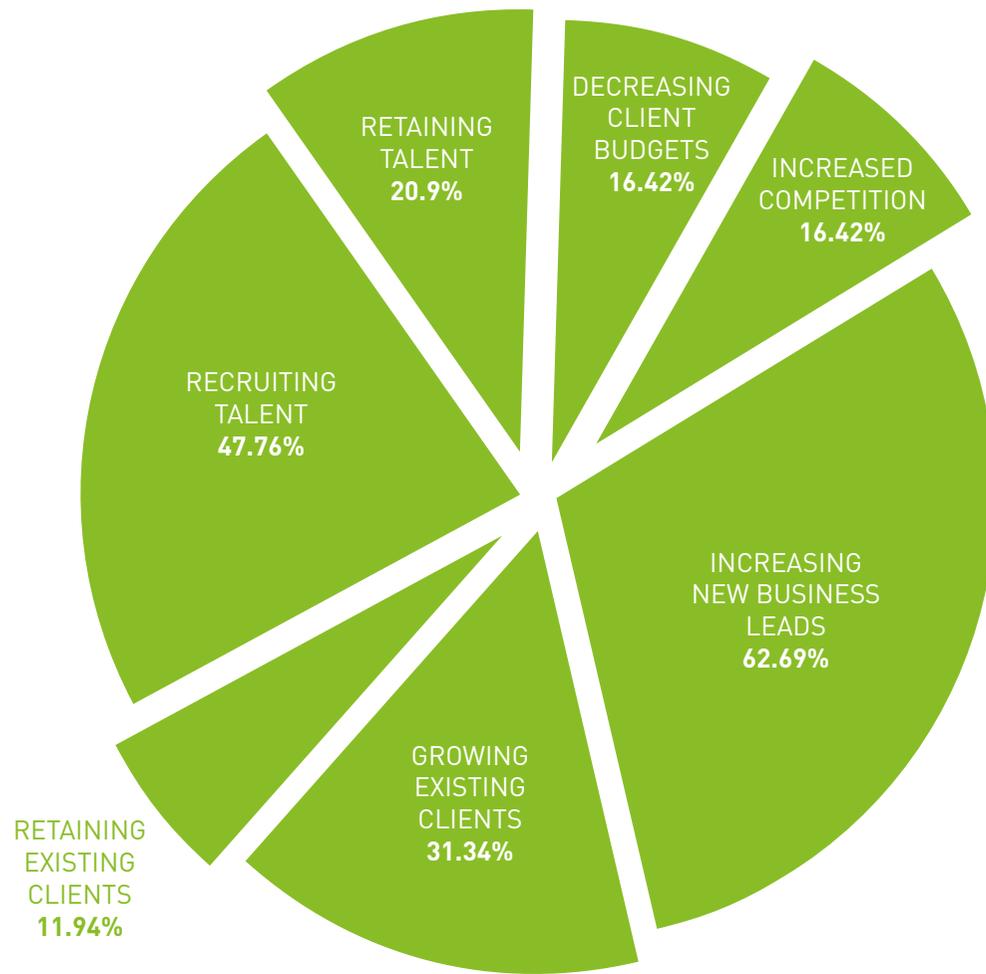
OUTLOOK?

WHAT IS THE GENERAL OUTLOOK OF YOUR AGENCY'S PERFORMANCE OVER THE NEXT QUARTER?



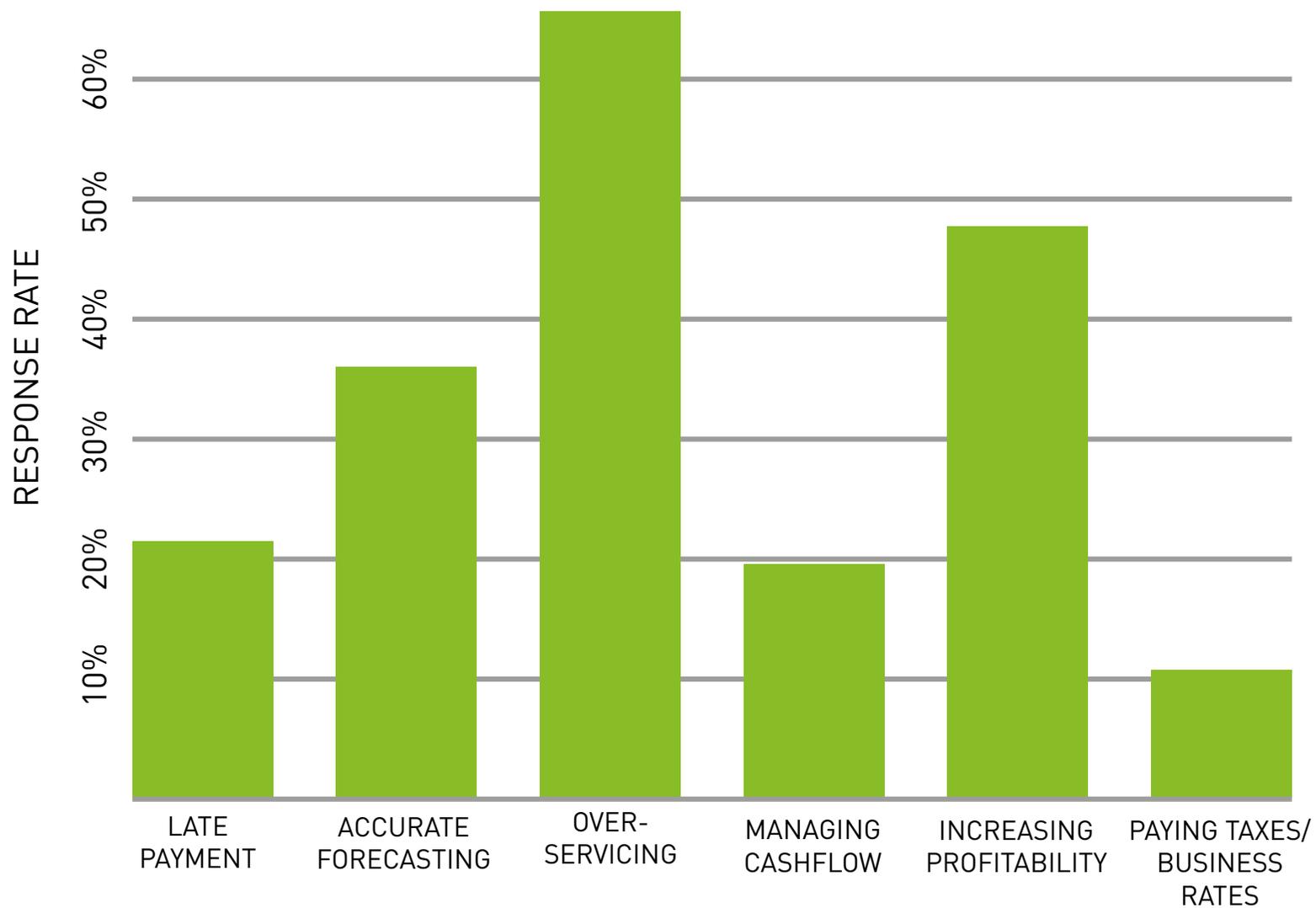
CHALLENGES?

WHICH OF THESE IS A KEY CHALLENGE FOR YOUR AGENCY AT PRESENT?



THE FINANCES

WHAT ARE THE BIGGEST FINANCIAL CHALLENGES YOU FACE IN RUNNING YOUR BUSINESS?



FOCUS ON NEW BUSINESS HURDLES

The Barometer revealed that the biggest hurdles currently facing agencies in the pitch process, which will no doubt be familiar obstacles to many, are that for over a quarter of agencies, finding the time to do it is still the greatest issue **28%**, with unknown budgets **27%** and poor briefing **20%** a close second and third place.

However, when asked why agencies believe they miss out on a new business win, almost a third **30%** cite budget constraints as the reason. We have already seen in this quarter's barometer that decreasing client budgets are less of an issue in the first quarter of 2015 **16%** compared to the last quarter of last year **23%**, so is money really the object? Or in reality, could it be that because of the lack of time to prepare, some agencies aren't giving themselves a fair shot at success?

So if finding the time is challenging for an agency, what measures or processes can be put in place to support this vital revenue stream? Forecasting and new business specialists could perhaps be a consideration to ensure investment can be measured and the cost of new business can be monitored?

JAY SAYS:

In the first quarter of 2015, we can see from this Barometer that the majority of agencies are again reporting a 1 in 3 success rate when it comes to winning new business. But for agencies to better this success, they will need to carefully manage the resource needed to convert new business and see tangible ROI on this investment of staff time. Putting resource planning into place for any part of the new business process from completing RFI, PQQ, tenders, or full-on creative pitches could mean that agencies are giving themselves a better chance of getting the budget, the ideas and the chemistry right, ensuring that a poor brief is questioned and the right fit of experience is matched to the client's needs.

THE TOP 5 NEW BUSINESS CHALLENGES FOR AGENCIES ARE:



FOCUS ON PEOPLE POWER: BRING ON THE SPECIALISTS

According to the research, two thirds **62%** of agencies have a dedicated new business resource (from exec to director level) who is responsible for new business within their agency. But while their skills in seeking out new leads and information gathering will be invaluable, there is still a resource need from agency teams to deliver the strategy and creative ideas for a pitch or a tender in tandem perhaps with a new business exec. And with the remaining **38%** of agencies most commonly relying on whoever has the right experience for the client enquiry, the cost of winning a piece of new business to an agency has the potential for some to spiral and become less and less manageable.

So while some agencies may think “we have a new business person who takes care of this”, are they in reality keeping an eye on and planning the time and budget that needs to be allocated to the support squad?

Over half **53%** of agencies said they sometimes, but not accurately, will earmark funding to new business, and of those who said they do, the majority, **22%** allocate **10-15%** of their sales target. Again, an agency might be thinking “I do this as part of my agency’s financial planning”, but the key here is that agencies are only sometimes and not accurately allocating any budget.

JAY SAYS:

A little planning goes a long way and it’s fantastic to see that some agencies have clear and defined parameters in terms of new business investment levels. But just imagine how much more effective their new business function could be if more, or even all agencies, were helped to use planning and management models. When asked what percentage of sales they think will come from new business over the next quarter, the majority of agencies, **68%**, answered between **10-20%**. And while this level of sales may be in proportion with existing client spend, the value of new business wins an agency needs to bring in to make it worth while for an average 1 in 3 hit rate, is a spend of **30-60%** of their resource for a **10-20%** return.

62%

OF AGENCIES
HAVE A DEDICATED
NEW BUSINESS
RESOURCE

53%

SAID THEY
SOMETIMES, BUT NOT
ACCURATELY, WILL
EARMARK FUNDING
TO NEW BUSINESS

FOCUS ON NEW BUSINESS FIXES

Enough of the whys and wherefores, how can all this insight make a change to agency life and ensure that ROI is not just a client conversation, but moreover an internally used one too. Here's a few fixes we can suggest with all this in mind:

MONITOR SPEND

52% of agencies are in fact monitoring how much is spent on winning new business, but **48%** are either definitely not or "not really" keeping an eye on spend. Bring a keen financial eye to new business planning and try to be realistic about how much it's costing, setting achievable targets to try and bring any over spend in line with budgets.

STICK TO CALCULATED RATES AND VALUE THE AGENCY'S WORTH

As part of the Barometer, the number of agencies who said that they have not reduced their rates to win a new business contract in the last quarter has remained at around half, **54%**, in the first quarter of 2015.

Of those that admitted to reducing their rates, there has been a sharp rise in those cutting rates by up to **20%**, from **37%** in Q4 2014 to **43%**.

While rates obviously must stand up against competition, dropping rates to win new business is a slippery slope as they can be difficult to get back up to the return rate needed to be profitable and for the client to see the true value and worth of the agency.

USE A RESOURCE MANAGEMENT TOOL

Many agencies will have a finance resource, but even so, a resource and financial management tool with real time reporting can have a huge effect on the speed at which an agency can evaluate and adjust its behaviour and practices. For the **66%** of respondents in the Barometer for example for whom over servicing is a challenge for their agency, just being able to spot and report on those pressure points could be worth its weight in gold. Literally.

48%
AREN'T
KEEPING
AN EYE ON
SPEND

66%
FIND OVER
SERVICING IS A
CHALLENGE FOR
THEIR AGENCY

43%
HAVE REDUCED
THEIR RATES BY
UP TO 20%

WHAT WE ASKED...

HOW MANY EMPLOYEES WORK AT YOUR COMPANY?

IN WHICH REGION OF THE UK IS YOUR COMPANY BASED?

WHAT IS YOUR AGENCY'S DISCIPLINE?

WHICH OF THESE IS A KEY CHALLENGE FOR YOUR AGENCY AT PRESENT?

WHAT IS YOUR BUSINESS' ANNUAL TURNOVER?

WHAT IS THE GENERAL OUTLOOK OF YOUR AGENCY'S PERFORMANCE OVER THE NEXT QUARTER? (compared to last quarter)

WHAT ARE THE BIGGEST FINANCIAL CHALLENGES YOU FACE IN RUNNING YOUR BUSINESS?

DURING THE LAST QUARTER, HOW MUCH HAVE YOU REDUCED YOUR RATES BY TO WIN A NEW BUSINESS CONTRACT?

WHAT IS YOUR BIGGEST CHALLENGE IN NEW BUSINESS?

WHAT IS YOUR AVERAGE NEW BUSINESS WIN RATE AT THE MOMENT?

WHAT % OF YOUR SALES DO YOU THINK WILL COME FROM NEW BUSINESS (e.g. a brand new client) OVER THE NEXT QUARTER?

ARE YOU MONITORING HOW MUCH YOU SPEND (internal & external costs e.g. resource, materials) ON WINNING NEW BUSINESS?

WHEN YOU DO LOSE OUT ON A NEW BUSINESS PITCH, WHAT DO YOU THINK ARE THE MAIN REASONS?

WHO IS RESPONSIBLE FOR NEW BUSINESS WITHIN YOUR AGENCY?

WOULD YOU BE INTERESTED IN ATTENDING AN AGENCY FOOD EVENT IN THE FUTURE?

DO YOU ALLOCATE A BUDGET TO WIN NEW BUSINESS?

ABOUT THE AGENCY WORKS

The Agency Works helps agency owners, MDs and senior teams with the financial and operational aspects of running their businesses offering both strategic counsel and workable solutions, depending on their needs. The insight that we have gained over the past 10 years means that we're ideally placed to understand the challenges agencies face when looking to launch, build and grow a sustainable, profitable business.

We hope you've found our Agency Food Barometer an effective way to share collective experiences, trends and feedback. And, will be interested in taking part next time.

IF YOU'D LIKE TO SPEAK TO US:

For further information on how The Agency Works can make an impact on your business please call Jay Neale on **01455 553 246**.

www.theagencyworks.co.uk



THE AGENCY WORKS



CONTACT DETAILS/LINKS



[Linkedin.com/company/
the-agency-works](https://www.linkedin.com/company/the-agency-works)



hello@theagencyworks.co.uk



[LinkedIn Agency Food
discussion group](#)



The Agency Works, The Cottage,
37a Station Road, Lutterworth,
Leicestershire LE17 4AP



[Facebook.com/
TheAgencyWorks](https://www.facebook.com/TheAgencyWorks)



01455 553 246



[Twitter.com/
theagencyworks](https://twitter.com/theagencyworks)