



THE AGENCY WORKS



AGENCY FOOD

QUARTER 3 • 2015

WELCOME TO AGENCY FOOD

In the third Agency Food report compiled by The Agency Works, we aim to benchmark the challenges and goals shared by peers within Agencies in the creative sector in Q3 2015, against those in the last quarter of 2014.

Thank you again to all those who participated in the recent survey over the Summer. Without your feedback Agency Food could not happen and our hope is that the results will continue to provide hot topics for conversation and the possibility of collaboration and support, which will undoubtedly benefit the industry as a whole.

Firstly, we noticed that a higher number of respondents are indicating that the outlook for their business performance is decreasing in Q3 2015 compared to those surveyed at the end of 2014.

The statistics illustrate that there is a move towards increasing the new business leads that the Agency is generating, the growth and retention of existing clients is decreasing in a climate of reduced client budgets and increased competition. Does this statistic highlight that Agencies are not happy with the profitability that

their clients are delivering? Are they looking to replace these clients with shiny new ones?

In looking for replacements, has the Agency considered their internal processes to ensure these new clients are profitable and have longevity?

In this report, we also look at what success means to you and your Agency. As part of the senior team in your Agency, you will have personal goals and achievements, as well as working towards shared objectives with your teams and colleagues.

It has been fascinating to see what is driving the ambition of those creative sector leaders who have taken time to be part of the report, and to get a sense of the passion behind their direction.

The Agency Works team supports more than 450 Agencies in all creative sector disciplines – from Digital and Social to Design, PR and Integrated Marketing.

We hope there is something of note in this report for all those within the creative sector.

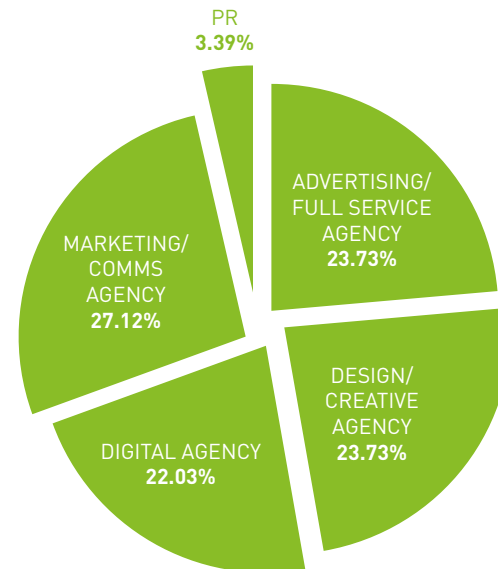
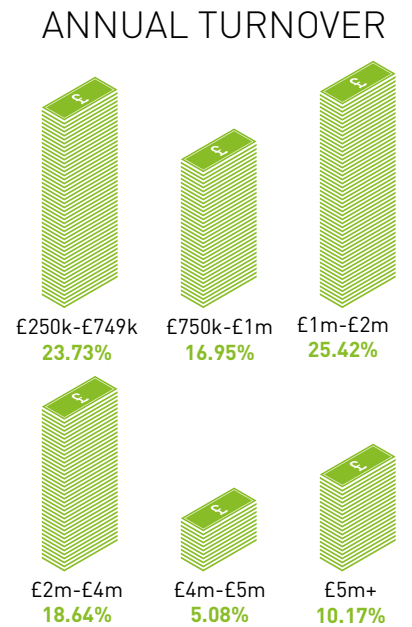
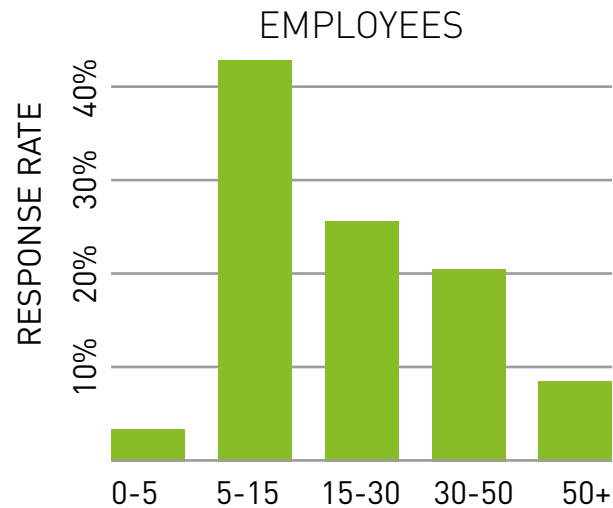
As with previous Agency Food reports, the full set of questions we asked can be found at the back of this document.

Thank you again for sharing your experience with us and we hope you will continue to be a part of this insight into such a dynamic industry for the future.



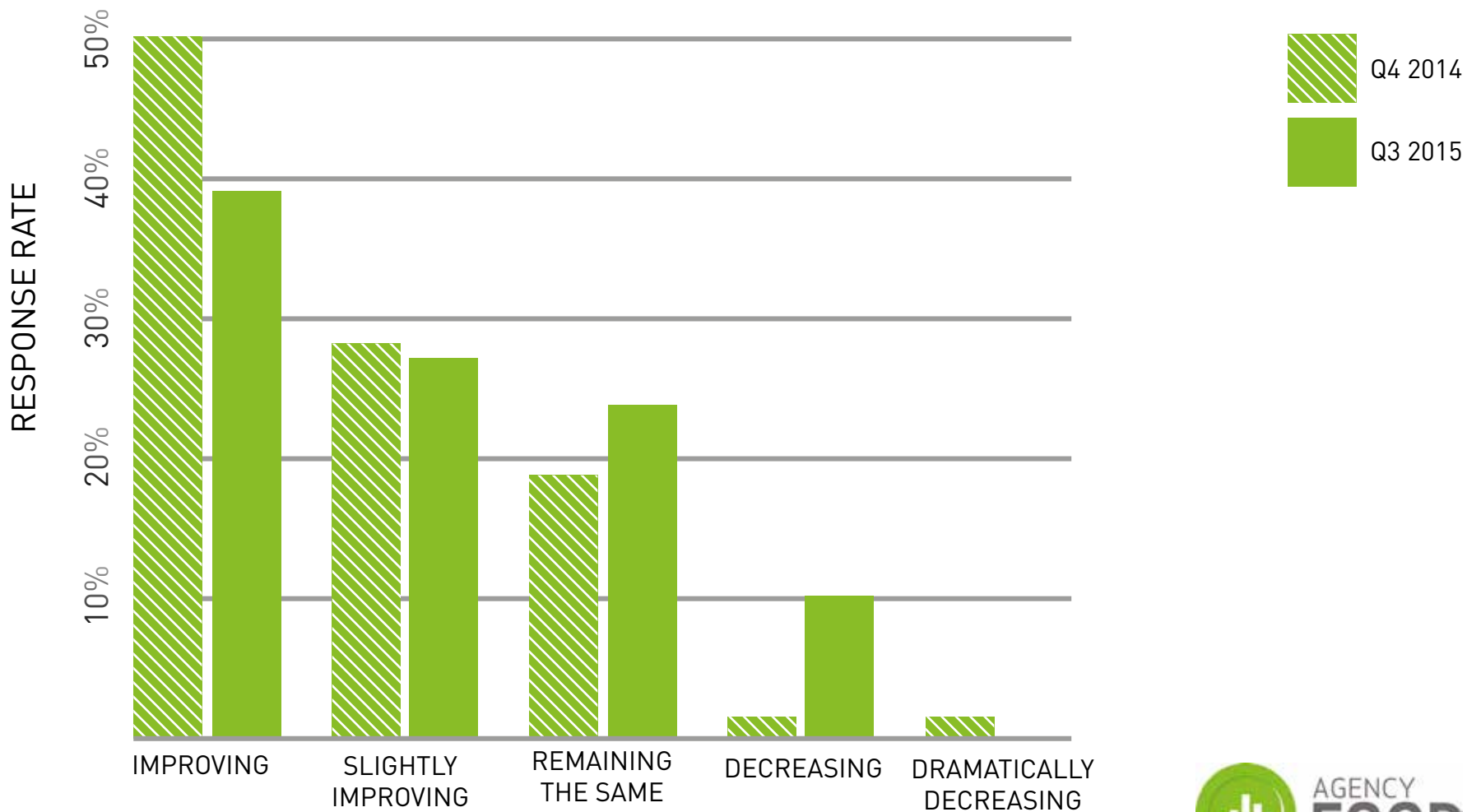
Jay Neale, co-founder
The Agency Works Team Ltd

WE SPOKE TO...



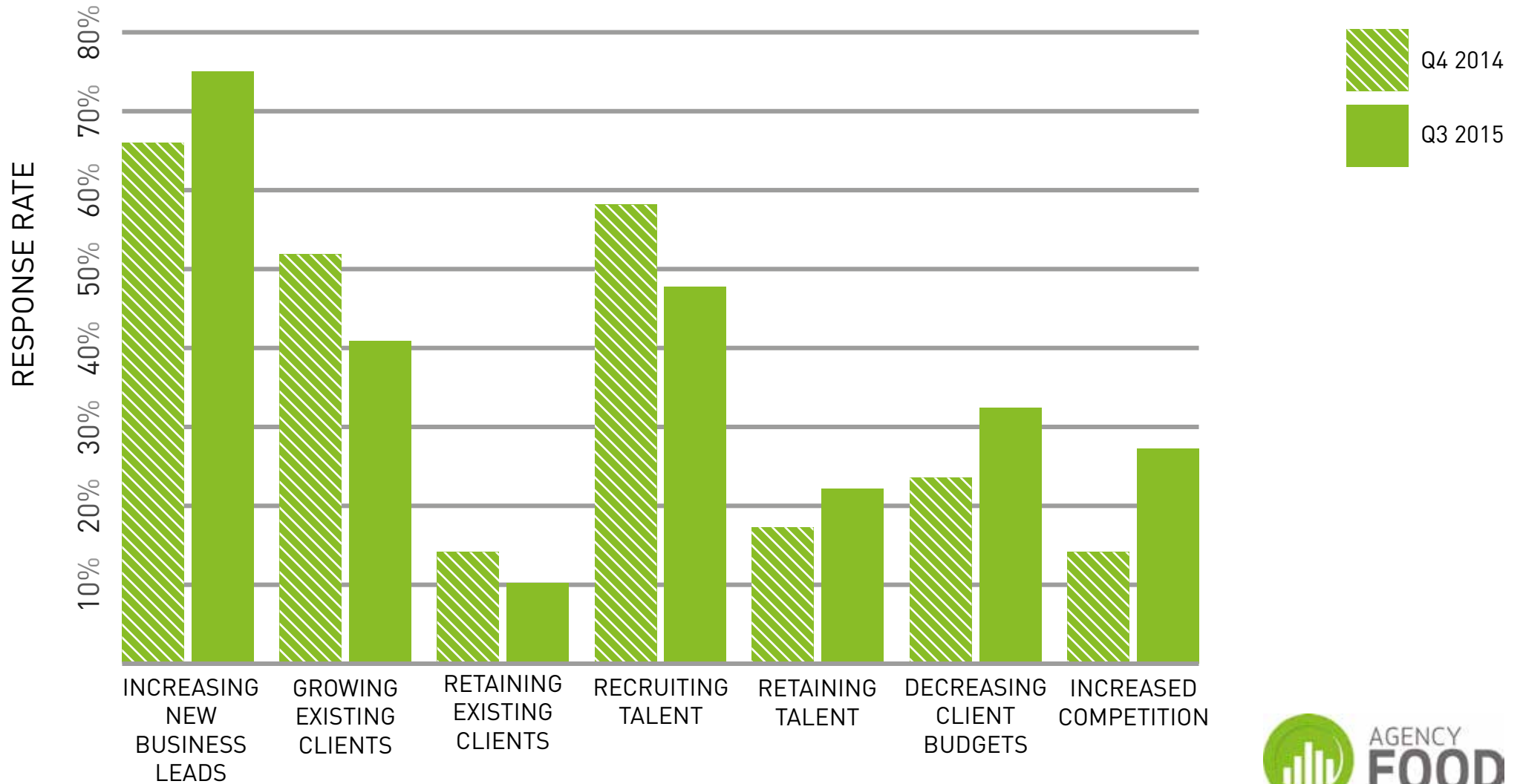
OUTLOOK?

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



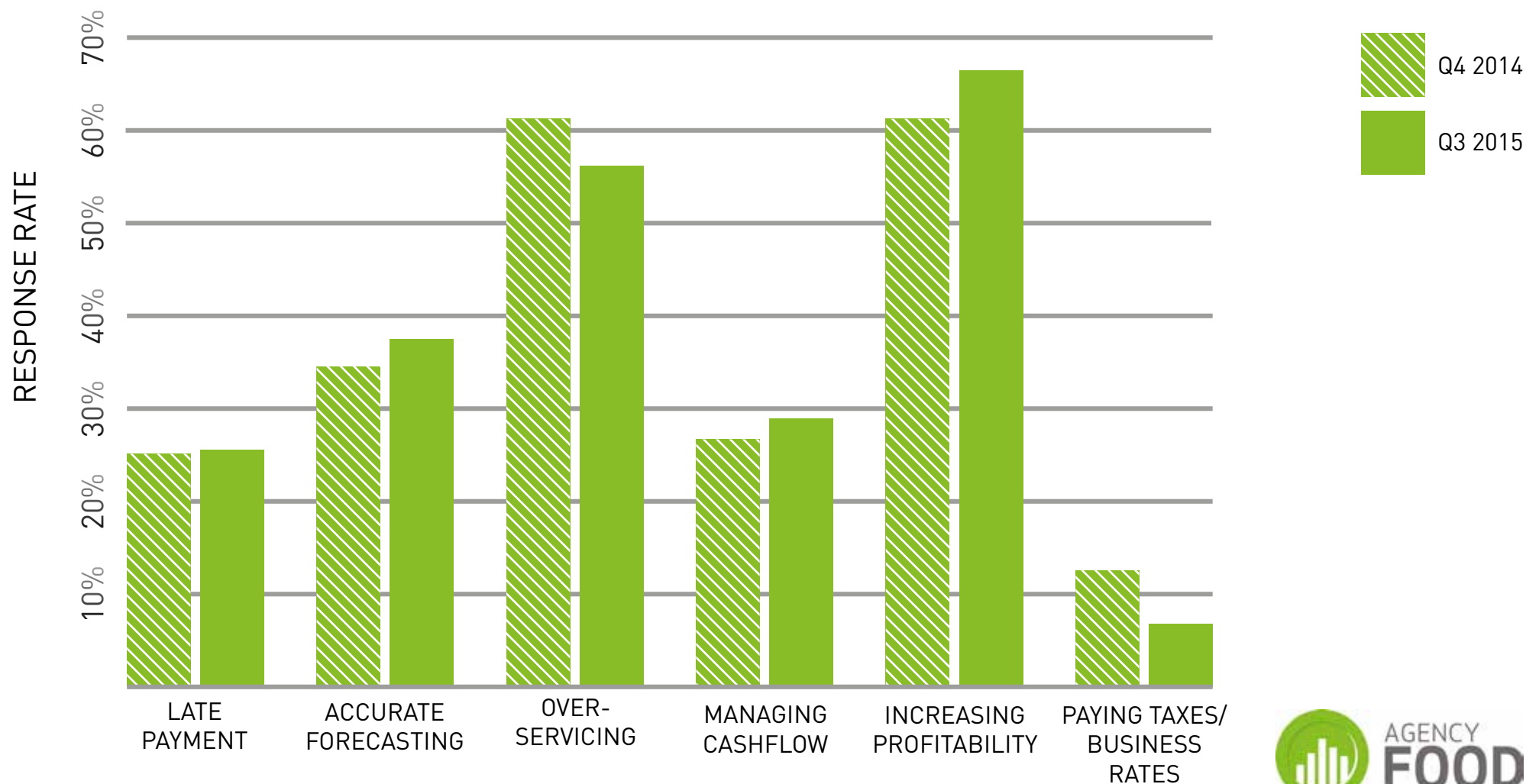
CHALLENGES?

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 IT'S ALL IN THE TIMING

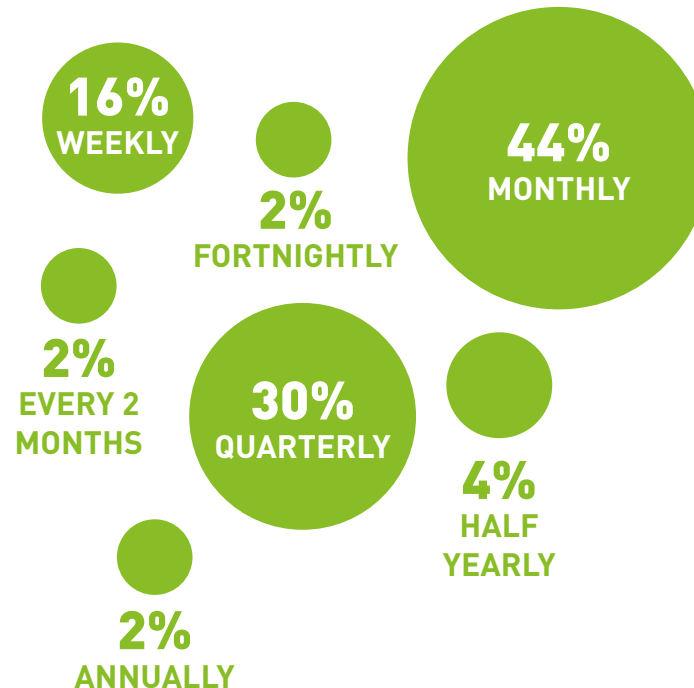
As part of this particular Agency Food report, we have focussed on a new area and delved a little more into the planning process for you and your Agency. We wanted to find out what time-scales you are working towards to achieve your ambitions, and also how far-reaching the goals for your business actually are.

Firstly, **86%** of respondents said that they are, as senior Agency leaders, transparent with their employees about their Agency's KPIs for the year so for the most part, Agencies are sharing goals with their teams.

The results also showed Agency leaders are juggling a number of deadlines of varying time periods to reach their set goals:

- 62%** THE NEXT 6 MONTHS (2015)
- 72%** NEXT YEAR (2016)
- 30%** THE NEXT TWO YEARS
- 28%** THE NEXT FIVE YEARS
- 2%** THE NEXT 10 YEARS
- 2%** ALL OF THESE

And when its comes to reviewing the targets they are setting, the majority of Agencies are favouring frequent re-assessments:



JAY SAYS:

“With figures showing that the majority of Agencies are looking at next year when planning ahead, and over one in four looking to the next five years, you may feel prompted to reflect on how far ahead you are planning and setting goals and targets for your Agency. These time periods might not be right for your Agency, but it’s interesting to see how industry peers are setting their stalls, none the less.”

FOCUS ON WHAT'S YOUR DREAM?

The latest Agency Food report has shown that the top five annual goals among Agencies are:

- 80% INCREASED REVENUE**
- 74% INCREASED PROFIT MARGIN**
- 68% NEW BUSINESS REVENUE TARGET**
- 54% INCREASED CLIENT REVENUE**
- 50% SPECIFIC NEW BUSINESS TARGETS**

For 2015 specifically; Agency Food has revealed in more depth what precise Agency challenges have been set by senior Agency figures for this year:

- 60% INCREASE VISIBILITY THROUGH OUR OWN MARKETING/PR**
- 56% SPECIFIC NEW BUSINESS TARGETS (REVENUE)**
- 48% SPECIFIC NEW BUSINESS TARGETS (BRANDS)**
- 44% SPECIFIC NEW BUSINESS TARGETS (WINS)**
- 38% ADD A NEW DISCIPLINE TO OUR OFFERING (DEPARTMENT OR SPECIALIST INDIVIDUAL)**

Through all this ambition, it is also interesting to look at what success actually translates to for Agencies. For the respondents to this Agency Food survey, success means for their business come 2016:

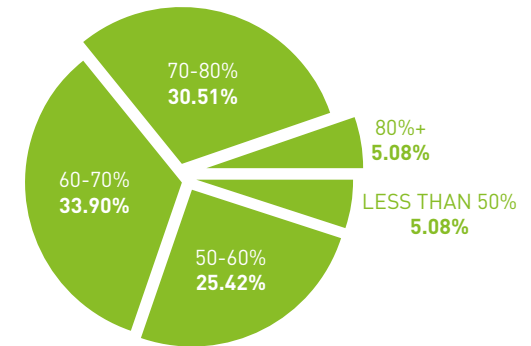
- 74% PERSONAL SATISFACTION**
- 64% PAY RISES (FOR ALL)**
- 60% INVESTMENT IN STAFF TRAINING**
- 60% DIVIDEND FOR ME/DIRECTORS**
- 44% ABILITY TO INCREASE HEADCOUNT**
- 44% PROFIT SHARE FOR EMPLOYEES**

JAY SAYS:

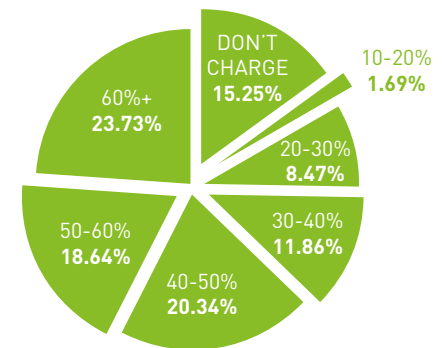
“The statistics on utilisation rates are still low in comparison to other professional service industries. If you consider that the majority of Agencies are achieving around the **60-70%** utilisation rate, there is a great deal of lost revenue each year within the creative sector. As an example, an Agency with 20 resources on the creative/digital side with a **70%** utilisation rate will be operating on a lost revenue model of around £800k per year (based on 37.5 hrs per week @ £80ph for 46 weeks). Food for thought...”

We asked respondents to give us an idea of what utilisation rate their creative/digital and their client service teams achieve currently. Here's how they responded. How does your Agency compare?

CREATIVE/DIGITAL TEAM



CLIENT SERVICES



JAY SAYS

“UK Agency bosses have clear ambition to not only further the success of the sector, but also see clear paths to achieving goals for their Agencies and their colleagues. There is a real feeling from these results that Agencies are pushing themselves and striving to develop, be nimble and move forward with the times.

Looking back on the first Agency Food report of Q4 2014 with these latest findings in mind, Agencies are feeling increased competition, but profitability, managing cashflow and over-service remain in the fore. Compared to the end of last year, an increasing number of Agencies see trading conditions remaining the same in the coming quarter.

The creative sector is an exciting and dynamic place to do business and this is corroborated by the importance Agency bosses clearly place on the development and retention of key talent; seeing success in 2016 as a reward to be shared.

Operationally, it is essential that the industry has as much support as possible to realise the ambition for their business. We believe this begins with the back-office function, ensuring that Agencies are helped to ease the burdens challenging their business, aiming for that all important increase in revenue for this year, and years to come.”

THE DRUM NETWORK

“Most Drum Network members are owner/managed Agencies so the success of the Agency very much reflects the aims and ambitions of its owner.

From that perspective I think we are seeing a few specific trends. Firstly, there is a growing willingness for Agencies to collaborate more with other marketing and tech specialists in order to run a more profitable and successful operation. Secondly, there is an increasing desire for Agencies to have a louder voice and higher profile in the industry, so that Agencies can talk about their successes. And thirdly, Agencies are increasingly looking further afield for new business opportunities. Recently we saw one of our member Agencies expand into three new overseas territories in order to increase its footprint. Success is a subjective measure, but these three trends are the drivers to Agency success and satisfaction that we are seeing at present.”

Richard Draycott

The Drum Network MD

THE DRUM[®]
NETWORK



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?

OVER WHAT PERIOD OF TIME DO YOU SET GOALS FOR YOUR BUSINESS?

CONSIDERING THOSE KPIs THAT YOU PUT IN PLACE FOR YOUR AGENCY, HOW OFTEN DO YOU REVIEW TARGETS?

ON AVERAGE, WHAT UTILISATION RATE DOES YOUR DESIGN/ CREATIVE/DIGITAL TEAM ACHIEVE?

WHAT KPIs DO YOU SET ON AN ANNUAL BASIS FOR YOUR AGENCY?

WHAT WILL THESE SUCCESSES MEAN FOR YOUR BUSINESS BY 2016?

WHAT AGENCY SPECIFIC CHALLENGES HAVE YOU SET FOR YOUR BUSINESS IN 2015?

ON AVERAGE, WHAT UTILISATION RATE DOES YOUR CLIENT SERVICES TEAM ACHIEVE?

ARE YOU TRANSPARENT WITH YOUR EMPLOYEES ABOUT YOUR AGENCY'S KPIs FOR THE YEAR?

HOW DO YOU MANAGE RESOURCE PLANNING & CAPACITY IN YOUR BUSINESS?

IF YOU COULD GIVE A PIECE OF ADVICE TO A START UP/ GROWING AGENCY, WHAT WOULD IT BE?

HOW DO YOU MANAGE REPORTING IN YOUR 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



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