Canam Research

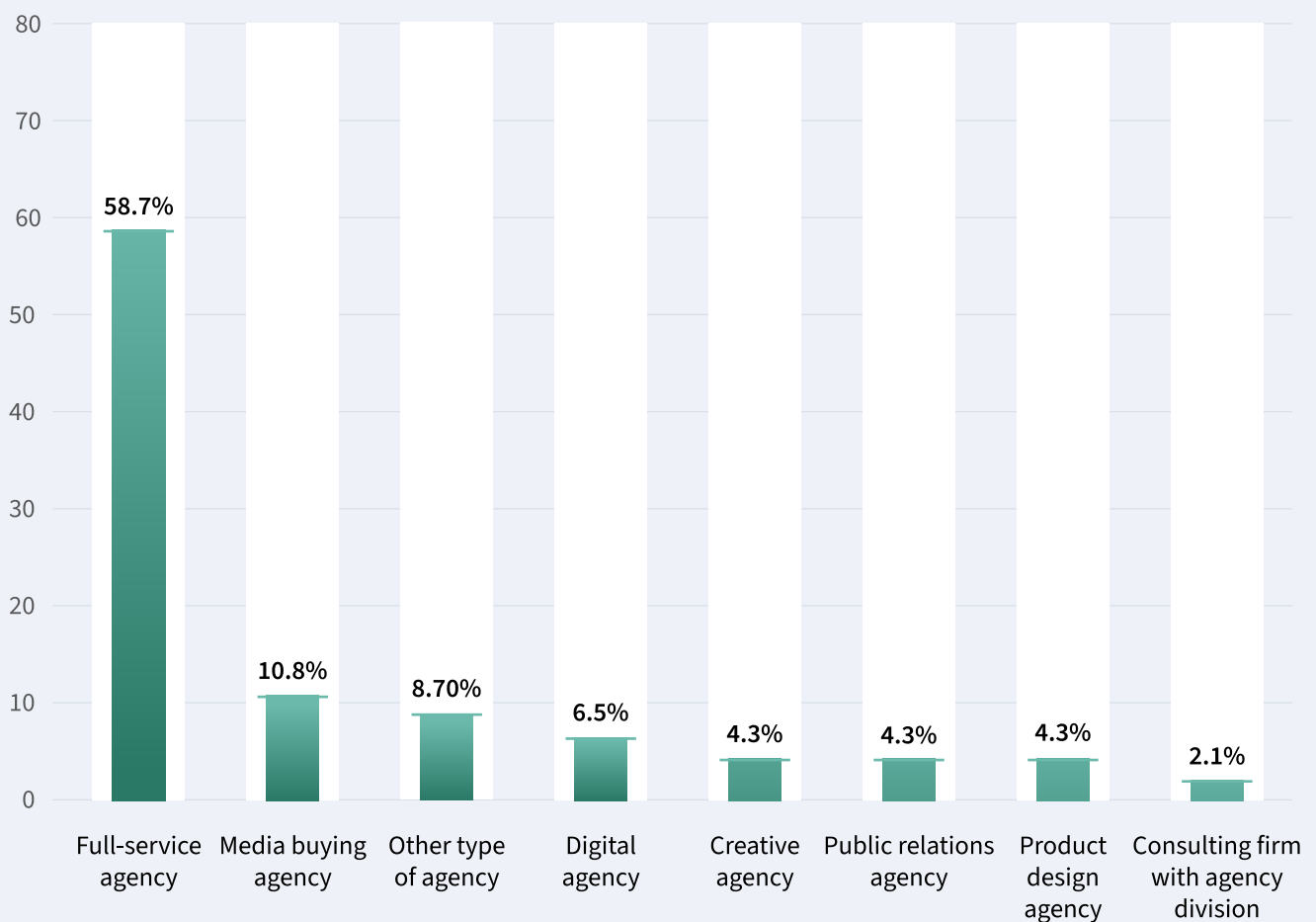# THE STATE OF AGENCY OPERATIONS SURVEY

INTRODUCTION

Canam Research partnered with Kantata and Salesforce to better understand the state of agency operations, current challenges facing agencies, and their priorities in shifting business strategies to address these challenges.

We heard from 51 professionals with job titles including, but not limited to, Account Director, Head of Strategic Planning, VP of Operations, Creative Director, Media Strategist, and Group Program Director.

The focus of our research was mid-size and enterprise agencies, with respondents hailing from businesses like RPA, 9th Wonder, Publicis, Horizon Media, Iris Worldwide, GKV, and Infiniti Research.

■ Nearly 60% of survey respondents are currently employed by full-service agencies.

Which best describes your business?

Bar chart: Which best describes your business?

Category	Percentage
Full-service agency	58.7%
Media buying agency	10.8%
Other type of agency	8.70%
Digital agency	6.5%
Creative agency	4.3%
Public relations agency	4.3%
Product design agency	4.3%
Consulting firm with agency division	2.1%

KEY OBSERVATIONS

The economic downturn has placed significant pressure on agency businesses. They are struggling to acquire new clients, and understand that they need to do more to deliver exceptional client experiences to their existing clients, all while managing against leaner operating models.

The result? Agencies have shifted their business strategies to combat these challenges and refocus on efforts that better drive performance and profitability. The most pervasive change has been an increase in focus on client retention, with client experience being the top initiative agencies are prioritizing in the coming year.
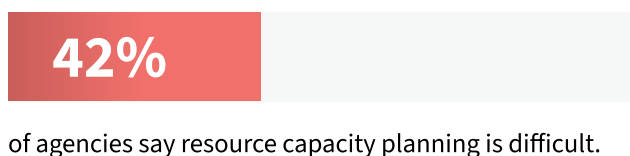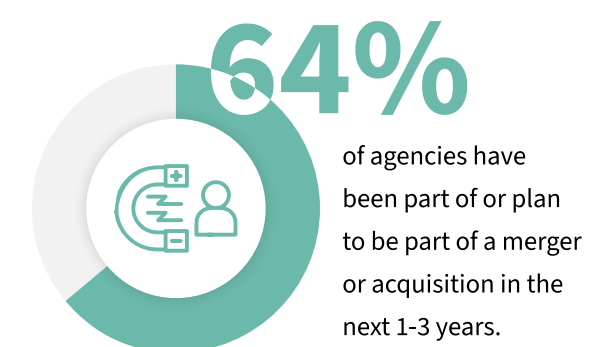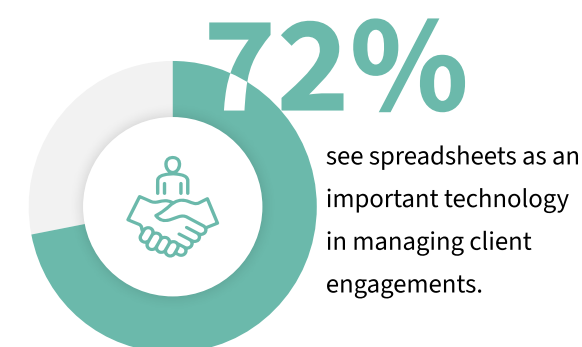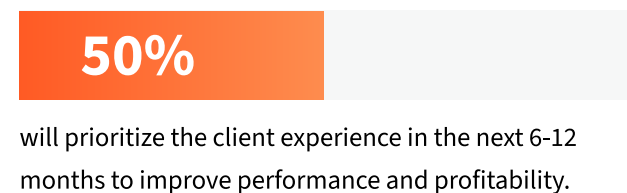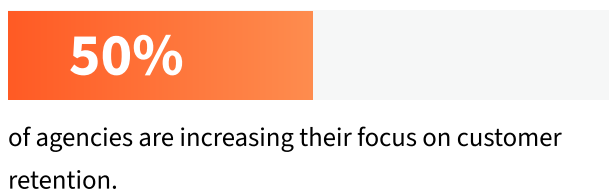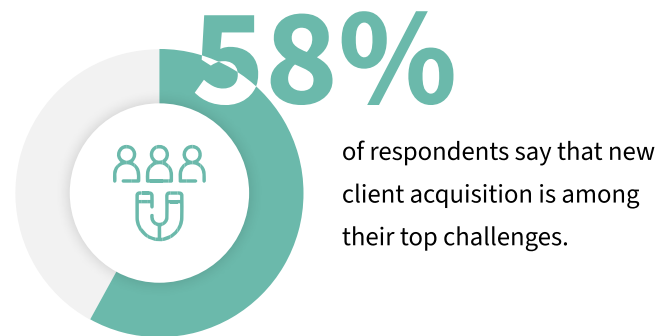
Agencies are also making changes designed to address their top challenge, new client acquisition, ensuring they are better able to win and then reap the benefits of new business. At least 28% of respondents say their organization has either expanded their portfolio of product and services options, revised their proposal process, or revamped pricing in response to changing business conditions.

Clients aren't the only group keeping agency leaders up at night: employee retention and productivity are also major areas of need. To address this, 41% of respondents are focusing on the employee experience and learning & development in the next year.

It's not just holding on to top talent that's proving difficult; agencies also lack confidence in the resource management processes that ensure the workforce they have is optimally utilized on revenue-generating work. Around 4 in 10 agencies report that resource allocation and resource capacity planning are difficult.

While resource management software has become critical to agency operations because of its ability to streamline those processes, with the majority of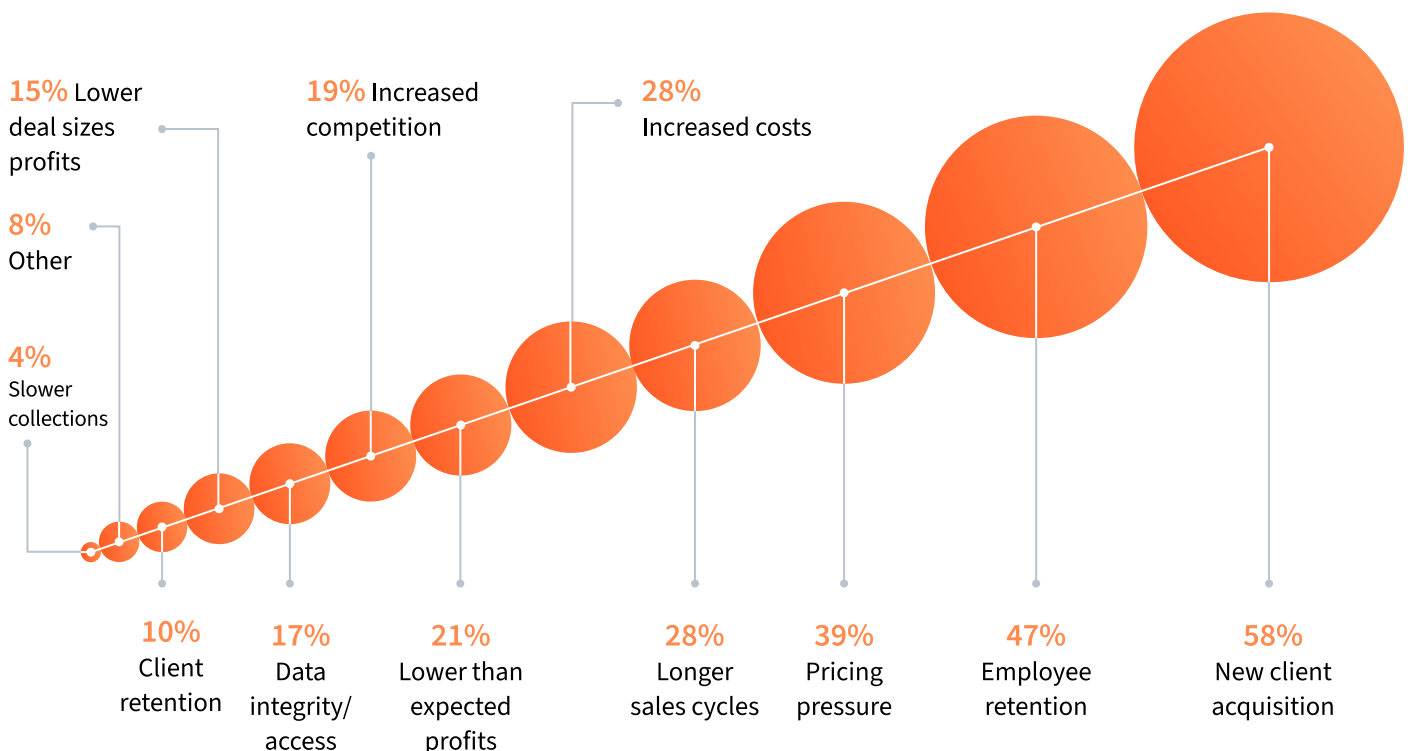 respondents identifying it as an important part of their tech stack, both resource management software and project management software pale in comparison to the technology agencies report is still the most important tool in delivering client work—spreadsheets. Nearly 3/4 of agencies said they could not be successful without the use of spreadsheets. That reliance on spreadsheets, paired with stated challenges like technology integration, data silos, poor workflow management, and a high volume of manual tasks, makes us believe agencies would benefit from technologies that not only streamline business operations, but also improve agency productivity resulting in increased performance and profitability.

74%
of agencies have changed or plan to change their business strategy as a byproduct of economic factors.

58%
of respondents say that new client acquisition is among their top challenges.

50%
of agencies are increasing their focus on customer retention.

50%
will prioritize the client experience in the next 6-12 months to improve performance and profitability.

72%
see spreadsheets as an important technology in managing client engagements.

64%
of agencies have been part of or plan to be part of a merger or acquisition in the next 1-3 years.

42%
of agencies say resource capacity planning is difficult.

39%
of agencies say resource allocation/staffing is difficult.

SURVEY TRENDS

■ **Nearly 60% of agencies report that one of their top challenges is acquiring new clients. Employee retention (48%) and pricing pressure (39%) are the most pervasive challenges after new client acquisition.**

What are the biggest challenges your business is currently experiencing?

15% Lower deal sizes profits

19% Increased competition

28% Increased costs

8% Other

4% Slower collections

10% Client retention

17% Data integrity/ access

21% Lower than expected profits

28% Longer sales cycles

39% Pricing pressure

47% Employee retention

58% New client acquisition

■ **74% of agencies have made or intend to make changes to their business strategy because of economic factors—and of those that have changed their business strategy, 94% report that those adjustments have been substantial.**

The most common responses to changing business conditions include increasing focus on customer retention, expanding products and services offered, revising the proposal process, and revamping pricing.

Have you changed your business strategy for the previous year or upcoming year because of economic factors?

Yes, previous year

Yes, both

| 13% | 15.2% | 45.6% | 26% |

Yes, upcoming year

No
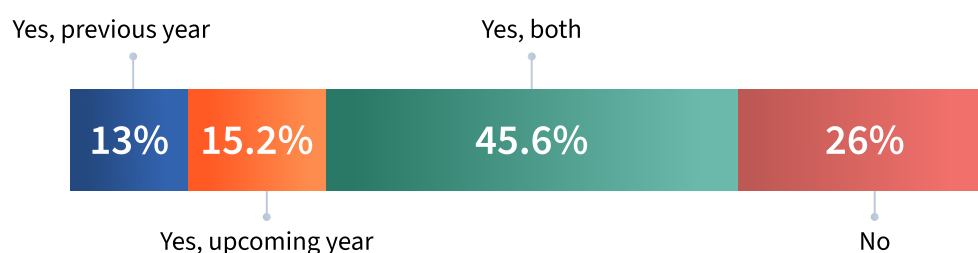
On a scale of 1 to 5, rate the extent to which you have changed your business strategy because of economic factors.

5.8%

2

5

4
32.3%

3
52.9%

8.8%
5 - significant change

0%
1 - little to no change
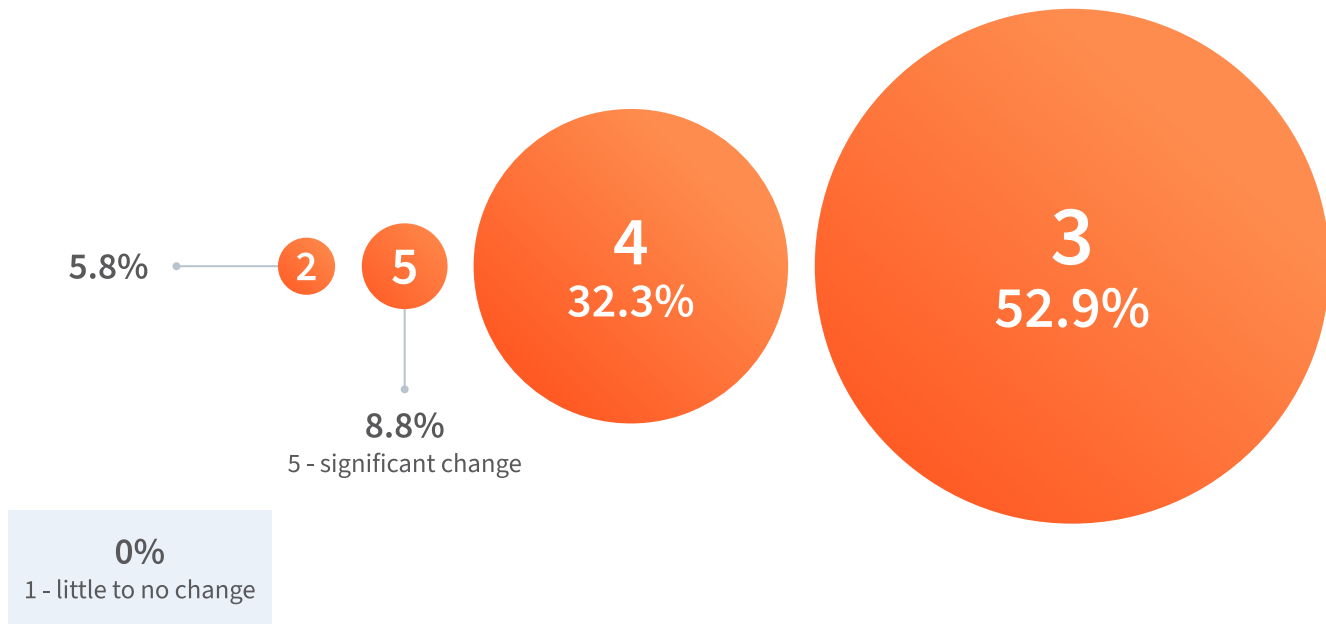
In what ways has your agency responded to changes in business conditions?

50.00%	45.65%	30.43%	28.26%	28.26%	23.91%	21.74%	17.39%	15.22%	13.04%	13.04%	6.52%	6.52%

Increased focus on customer retention

Expanded product/services portfolio

Revised proposal process

Revamped pricing

Increased use of automation

Changed business model

Increased use of A.I.

Increased use of contractors

Other

Increased marketing budget

Decreased marketing budget

Changed ICP (ideal customer profile)

Discontinued products or services

■ **The tasks that agencies are struggling most to accomplish are resource allocation and resource capacity planning, with around 4 in 10 organizations calling these tasks difficult. At least 30% of agencies also say that project estimation and forecasting & planning are difficult.**
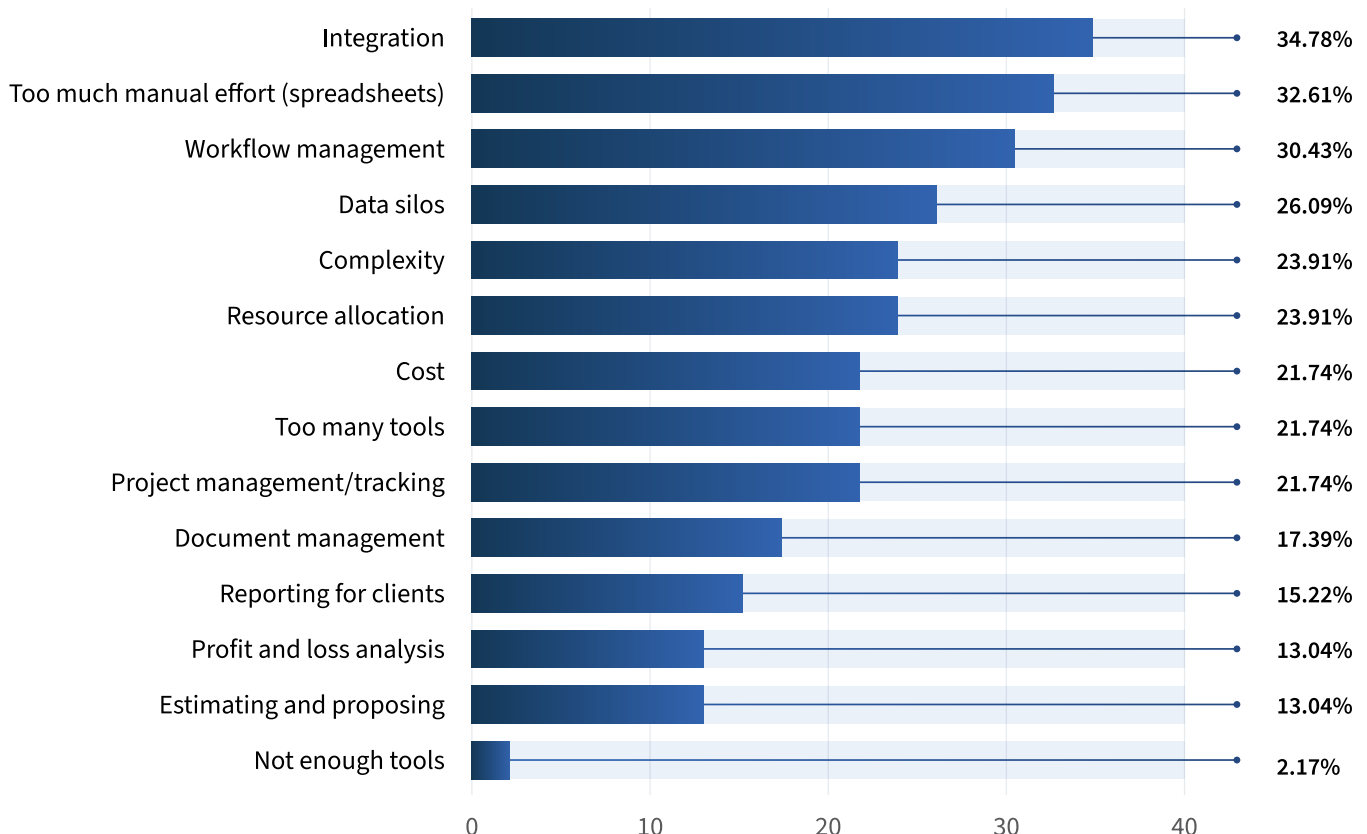
On a scale of 1 to 5, rate the difficulty of doing the following tasks at your agency.

	1 - very easy	2 - easy	3 - neither easy nor difficult	4 - difficult	5 - very difficult
Resource capacity planning	0%	30.43%	28.26%	34.78%	6.52%
Resource allocation/staffing	6.52%	26.09%	28.26%	23.91%	15.22%
Project estimation	4.35%	30.43%	32.61%	23.91%	8.70%
Forecasting & planning	4.35%	23.91%	41.30%	21.74%	8.70%
Project management	13.04%	23.61%	28.26%	21.74%	4.35%
Project accounting/budget tracking	10.87%	32.61%	36.96%	15.22%	4.35%
Reporting & data analysis	10.87%	41.30%	28.26%	19.57%	0%
Time and expense tracking	10.87%	23.91%	47.83%	15.22%	2.17%
Profit & loss analysis/revenue recognition	15.22%	32.61%	39.13%	10.87%	2.17%
Client onboarding and collaboration	13.04%	43.48%	36.96%	4.35%	2.17%

■ **Where agencies are struggling, it is not because they don't have enough tools at their disposal. Instead, many agencies report that their current tech stacks have too many tools, and that data silos, poor workflow management, and an overreliance on manual effort are inhibiting agency operations and client work delivery.**

All of these are potential symptoms of agencies' top tech stack challenge: integration.

What are the top challenges you have with your current tech stack in relation to agency operations and client work delivery?

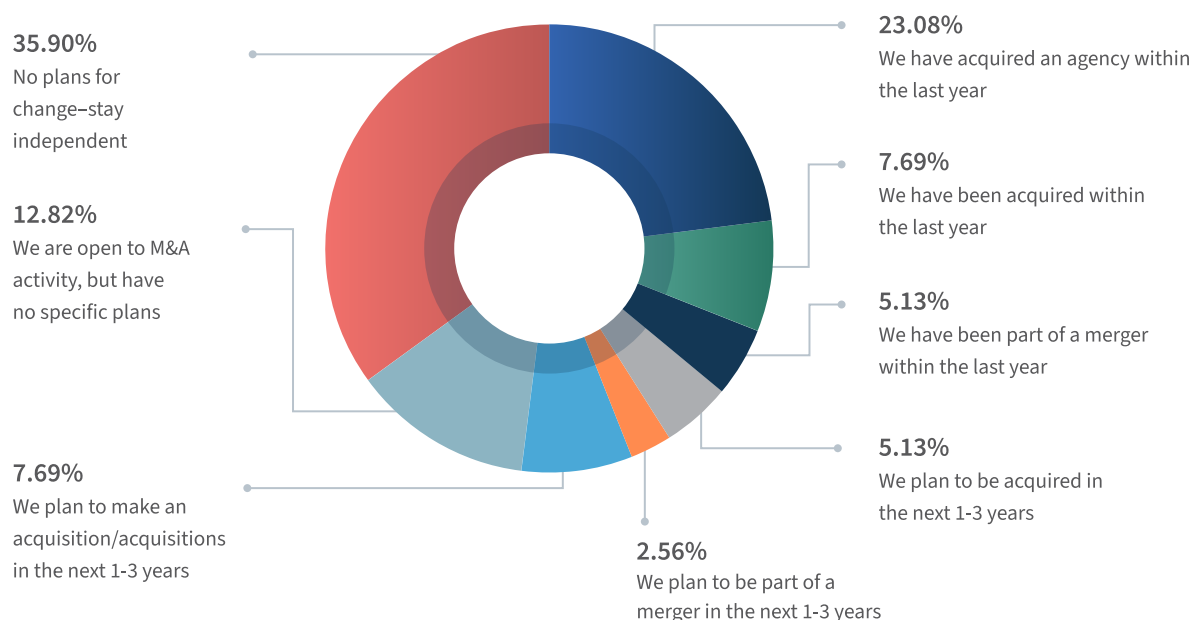| Challenge	Percentage
Integration	34.78%
Too much manual effort (spreadsheets)	32.61%
Workflow management	30.43%
Data silos	26.09%
Complexity	23.91%
Resource allocation	23.91%
Cost	21.74%
Too many tools	21.74%
Project management/tracking	21.74%
Document management	17.39%
Reporting for clients	15.22%
Profit and loss analysis	13.04%
Estimating and proposing	13.04%
Not enough tools	2.17%

■ **72% of agencies say spreadsheets are important to client engagement management, outpacing the importance of SaaS solutions like project management software (57%) and resource management software (54%).**

On a scale of 1 to 5, rate the importance of the following technologies to managing your client engagements.

	1 - not important at all	2 - somewhat not important	3 - neutral	4 - somewhat important	5 - very important
Spreadsheets	4.35%	10.87%	13.04%	45.65%	26.09%
Project/Task Management Software	0.00%	17.39%	26.09%	34.78%	21.74%
Collaboration Tools	6.52%	8.70%	28.26%	39.13%	17.39%
Resource Management Software	4.35%	19.57%	21.74%	34.78%	19.57%
CRM	13.04%	21.74%	15.22%	39.13%	10.87%
ERP/General Ledger	19.57%	21.74%	30.43%	19.57%	8.70%
Professional Services Software/PSA	13.04%	23.91%	34.78%	26.09%	2.17%
CMS	8.70%	21.74%	43.48%	26.09%	0.00%
PPM	13.04%	21.74%	54.35%	8.70%	2.17%

■ **While 36% of agencies intend to remain independent, they are the exception in a deeply acquisitive market. Almost a quarter of agencies have acquired another agency within the last 12 months, with many more respondents reporting their agency was acquired or was part of a merger in the same timeframe. Many organizations that weren't involved in a merger or acquisition in the last year say one is likely in the near future—15% of agencies have specific M&A plans in the coming 1-3 years, while another 13% are open to M&A activity.**

Which best describes your strategy related to agency mergers and acquisitions?

35.90%
No plans for change–stay independent

12.82%
We are open to M&A activity, but have no specific plans

7.69%
We plan to make an acquisition/acquisitions in the next 1-3 years

2.56%
We plan to be part of a merger in the next 1-3 years

23.08%
We have acquired an agency within the last year

7.69%
We have been acquired within the last year

5.13%
We have been part of a merger within the last year

5.13%
We plan to be acquired in the next 1-3 years

■ **Agencies are least confident in their resource management and utilization performance. 28% of agencies do not believe they are consistently able to leverage their workforce on revenue-generating work in a profitable, balanced way.**
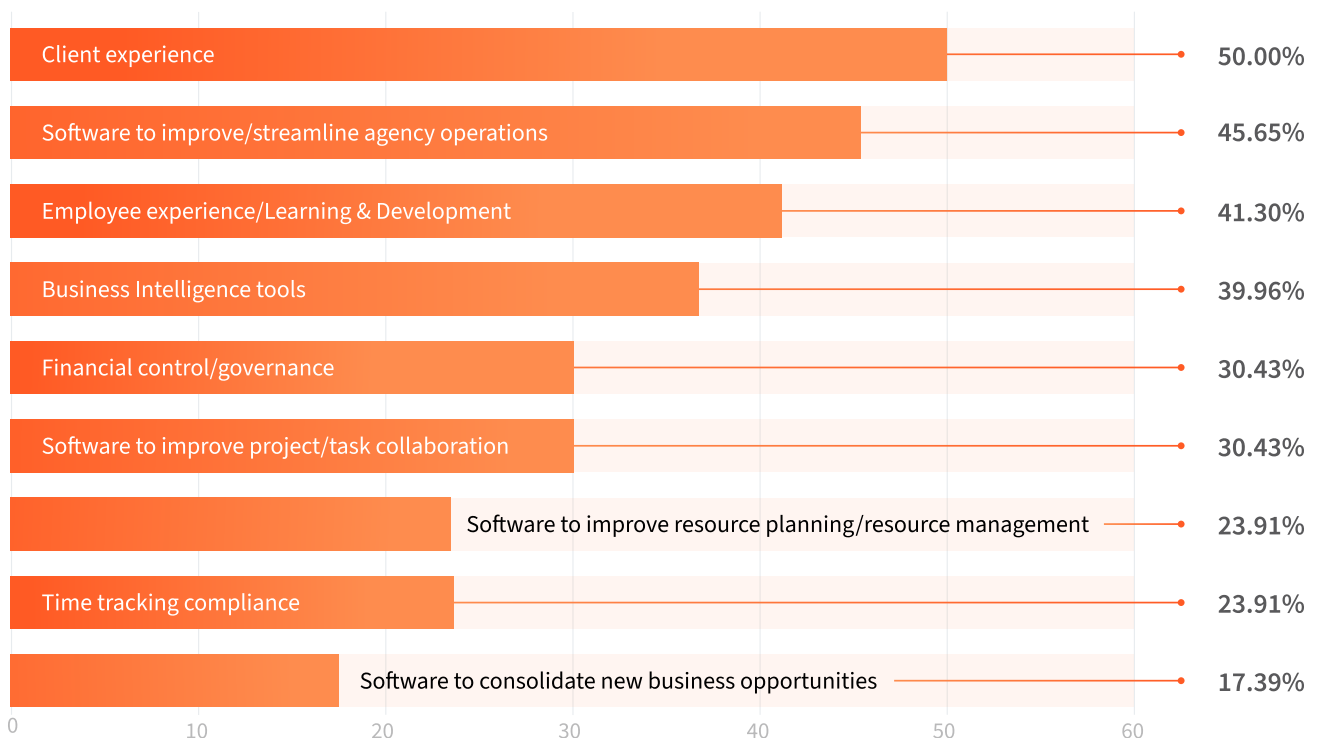
On a scale of 1 to 5, rate your agency's performance on the following:

	1- Poor	2	3	4	5 - Excellent
Project estimation and execution: Consistently able to propose achievable scopes for client-facing projects & deliver against the proposed scope on time w/o seeing significant scope creep	4.35%	17.39%	30.43%	39.13%	8.70
Financial controls: Consistently able to meet customer commitments w/o incurring unexpected costs and experiencing revenue/margin leakage	2.17%	13.04%	36.96%	34.78%	13.04%
Data and insights: Consistently able to access the information we need about projects, clients, and financial performance to make decision	4.35%	10.87%	39.13%	32.61%	13.04%
Process/workflow management: Consistently able to manage processes/workflows across teams and technologies w/o experiencing significant roadblocks	4.35%	13.04%	50.00%	26.09%	6.52%
Resource management/utilization: Consistently able to leverage our workforce on revenue-generating work in a profitable, balanced way	2.17%	26.09%	43.48%	23.91%	4.35%

■ **The top three initiatives agencies will prioritize in the next six months are improving the client experience (50%), investing in software to improve and streamline agency operations (46%), and optimizing the employee experience (42%).**

These three focus areas are fitting because shortcomings in one impact the others—exceptional client experiences aren't possible without an engaged workforce, and that engagement depends on teams having the technology they need deliver great work consistently.

In the next 6 - 12 months, what process and technology initiatives will your agency prioritize/invest in to improve performance and profitability?

Initiative	Percentage
Client experience	50.00%
Software to improve/streamline agency operations	45.65%
Employee experience/Learning & Development	41.30%
Business Intelligence tools	39.96%
Financial control/governance	30.43%
Software to improve project/task collaboration	30.43%
Software to improve resource planning/resource management	23.91%
Time tracking compliance	23.91%
Software to consolidate new business opportunities	17.39%

About Kantata

The Kantata Professional Services Cloud is a powerful collection of operational management, resource optimization, business intelligence, integration and workflow automation functionality that gives agencies the clarity, control, and confidence they need to optimize resource planning and elevate business performance. In an industry that's long been underserved by technology, Kantata leaves point solutions, legacy automation strategies, and force-fit ERP and CRM approaches behind—only Kantata can offer the breadth of purpose-built solutions and domain expertise needed to work alongside agencies of all shapes and sizes. By leveraging Kantata, agencies gain access to the information and tools they need to win more business, ensure the right people are always available at the right time, and delight clients with project delivery and outcomes.

LEARN MORE

About Salesforce

Salesforce empowers companies of every size and industry to connect with their customers through the power of AI + data + CRM. For more information about Salesforce (NYSE: CRM), visit: www.salesforce.com.

salesforce | **KANTATA**™

Canam Research