

New Business 2010 - The Facts

A report from the recruitment & training consultancy Blossom
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'AnyAgency'
Final Thoughts

Introduction

The task of the marketing agency new business department isn't getting any easier. In recent years it means negotiating new channels, dealing with procurement, seriously eroded or non-existent internal budgets and increased market competition for smaller spend. And now, as we pull away from recession, we can add a greater expectation for results despite contraction in certain sectors like the public sector and fear of a double-dip.

Blossom is the recruitment and training arm of The Intelligent New Business group. Our clients rely on us to know what's going on in the market, and to a large extent we do, but our understanding is by no means complete. So over the summer of 2010 we distributed an anonymous and in-depth questionnaire to just over 2,000 UK marketing agency owners and MDs. Our objective is to build a more complete picture of how the industry resources, plans and manages its new business activity.

The respondents were from companies of all sizes, but importantly in terms of the amount of client marketing budget they manage, it was a representative sample. 33% were large, with over 100 employees and 11% were small (with 1 to 5 employees). The largest number described themselves as design agencies (26%), followed by digital (17%) and advertising (16%). The remaining 40% covered the other categories including PR, live, research and direct. The majority of the respondents were, as you'd expect, an experienced group. 58% had been in their position for more than 5 years. Only 10% had been in their current position for less than a year.

The results of the survey provide an overview of the new business function right across the marketing services sector, but critically, also help us to determine which behaviours deliver the best results.

On Planning

Message Type & Difference

Over the years we've observed that the primary brand messages that agencies take to market fall into certain categories. In 2010 the majority (53%) said that their agency's brand message is about their 'ethos or philosophy'. 26% said that it was about the quality of their insights. 11% said that it was about how they were structured. Just 5% described their message as being about their 'technology or systems', and another 5% viewed it as conveying 'process or techniques'.

The greatest challenge we face for new business is...
"Current competitive market for ever decreasing project budgets."

Over the last decade there's been a marked shift from agencies favouring proprietary, branded processes to enshrine and explain their difference, towards those favouring an ethos. So when we began recording agency messages in 1998, a typical agency message might have been... "Butterworth, Lutwing and Clapp will take you step-by-step through their unique brand-WOW! process - which will enable you to better connect with your customers. But in 2010, a typical agency message might be..." "At Mutant Jean we practice 'BrandGaia'. It's a philosophy that benefits our staff, our clients, and most importantly, our client's customers."

The greatest challenge we face for new business is... "Internal investment and understanding."

This shift partly reflects growing awareness of the benefits of establishing a culture and leveraging it for business advantage - which requires some sort of code or value-set. It also reflects a greater sensitivity towards employees - "our people are our most valuable asset". But primarily it seems to be about the realisation that agencies can do for themselves what they do for their clients to better market themselves - that an ethos with some sort of story behind it is likely to be more persuasive than simply explaining the machinery and credentials of the agency. When the first handful of agencies started doing this others had to follow suit or appear outmoded. Process and technique are still useful for messaging, but now more often presented as tools to support the overarching ethos.

Leading with 'structure' as the main message of the agency still happens, but this is lessening as agencies feel integration, for example, is losing its sense of meaning with clients and the network arrangements of companies become less important as globalisation marches on. The categories of message we have defined in hundreds of planning sessions are all slowly being subsumed under 'ethos'. What's yours?

66% of agency owners thought their brand message 'sufficiently different' from their competitors. The remainder (32%) thought that there was 'insufficient difference'. There must be a relationship here with the proportion keeping a regular monitor of competitor activity and messages (63%) and those who do not (37%). It seems both a new humility and a realisation the market is hopelessly oversubscribed, in that ten years ago (and we're hardly talking Mad Men), practically no one would have confessed to there being insufficient difference from competitors. Agencies are not as macho as they once were.

New Business Technique

We asked agencies which techniques they find to be the most successful for generating new business. We provided a comprehensive list of possible activity to choose from, but respondents could still enter descriptions of activity as free-text if they wished. Networking was ranked highest (43%). Proactive prospecting (by direct marketing and phone call) was ranked second (39%) and tender submissions third (33%). The fourth most successful technique was 'managing inbound enquiries and unsolicited RFPs' (to be expected with 33% of respondents as mentioned in the introduction working for large agencies). Larger agencies of course rely more on this area than SMEs who have to use more proactive/outbound techniques. 24% said encouraging referrals was the most successful technique, and breakfast seminars and 'e-marketing of thought pieces' also scored quite well. Judged least successful was PR and above the line marketing. 46% thought ATL 'not important at all'. 16% thought proactive prospecting to be the least successful technique.

Most would say that networking has always been the most successful route to new business and we would agree. It's what happens when the network is fully exploited that brings about a change in technique. Typically, we find that about 4 or 5 years after start-up/breakaway, an agency's contacts and network resources are largely used up. They then start to be more proactive about new business prospecting to fuel growth, seeking to reach beyond the network of contacts – and to achieve this, most choose the direct method over above the line. The rise of social media means that proactive prospecting and networking start to blur at the edges as techniques, and the higher than expected figure for encouraging referrals owes much to this too. Few agencies 10 to 20 years ago practised a direct and proactive outreach to their target markets, preferring instead PR and networking. In 2010 most have now tried it, often via external agents, but the majority have experienced mixed results, so consider it a hazardous investment. However the market is getting ever more saturated and so it remains a potentially high-yield attraction.

Use of tender submissions and inbound RFP completion has been on the rise for the last 5 or 6 years, and a big number, 33% say it is the most effective route to new business for them. Well-executed, they exploit the rise of the client procurement department and the New Labour boom times for public sector spending. Although the boom times have bust, if you are prepared to put the hard work and organisation necessary into using this technique you can effectively cut through the competitive noise.

Targeting & Databases

In 2010, targeting for new business is a highly focused affair, with the majority of respondents (62%) concentrating their resources on just 1 to 50 organisations. As only 33% of respondents were from 'large agencies', this is a surprisingly high number taking such a narrow focus. 26% select the range 100 to 500, and 5% target more than that. These proportions reflect the weighting of the new business techniques, but we were still surprised at the size of the percentage targeting 1 to 50. Sensitivity on portfolio conflict and limited resources could play a part, but we think it's also because agencies are planning their targeting strategies more intelligently than they used to and are devoting larger resources to intelligence and insight gathering (witness the growth of the insight and data manager function).

The biggest challenge I face to be successful in my role is... "To maintain enthusiasm in an increasingly competitive market."

We then asked, "How many organisations in total do you feel you could be targeting for your offer?" This time only 21% selected 1 to 50, with the largest group (37%) plumping for the range 100 to 500, and 16%, saying they could target over 500. And so we can conclude that the appropriate targeting horizon, and therefore the larger share of opportunity, is beyond the resources available to cover it.

Then we asked agencies what database brand they use. No one brand was dominant. 21% used a bespoke database. 18% used Outlook Business Contact Manager. 14% used Salesforce, 11% used Excel and 10% used Maximizer. Of the other notables 5% used Sugar, 4% use Act and 3% use Goldmine. Only 4% of all agencies actually buy contact data. Leaving a very large number (96%) saying that they generate their own data and augment this with publically available directories or lists. Clearly it's a case of horses for courses. But if you add those that said they use a 'bespoke' database to the well-known CRM-specific brands here, then 41% could be said to be capable of best practice here. There has been a significant rise in the number using Salesforce despite its limitations as online databases increase in popularity. The fact that only 4% buy contact data is (in our experience) because so many only do this once and then organically enhance this first database as they go through their own inputting and maintenance. Being able to organically develop a database is a lot easier than it was 5 years ago as data and lists are so freely available online.

Collateral

The greatest challenge we face for new business is... "A cluttered market."

We asked which format of new business collateral agencies favour? 93% use case studies (so no arguing there). 84% use viewpoints. 69% send out awards announcements and 67% use positioning pieces. 58% send out press clippings, 53% send out research insights and 42% publish whitepapers. It's not all digital format though and a surprisingly large number, 40% use agency authored books. We also found that 69% considered the production of marketing collateral to be critical or very important to their success (critical 37%, very important 32%). 11% thought it not very important.

In recent years there has been a huge increase in marketing collateral as email marketing means it's become far cheaper to produce and distribute - and with less risk of people feeling spammed, though this is still a problem. Plus social media provides a complementary pull marketing effect and demands in any case a constant drip feed of on-brand content. The day of the corny postal mailer, the coffee table agency book and dinner table credentials folder is, largely, over. Tactile printed materials still have their place but the modern ethic demands they are used sparingly and should be sufficiently creative to warrant the cost.

Interestingly the majority of agency heads thought marketing collateral either important or critical to success. However, if we did this survey among new business managers, we think we might see a different view of the importance heads place on it, as so many new business managers struggle to get marketing collateral from their own employers. Our view is that the aspirations here don't always meet reality. Another point to note is the increase of 'research insights' and the 'white paper'. The point about the benefits of thought-leadership seems to be gaining momentum across the marketing services industry and these are two ways to achieve it.

Conversion Ratios

An important indicator for how successful an agency is at generating new business opportunities is the meeting to brief ratio (where the brief may or may not be contested). The largest number (31%) said it's 2:1. The second largest group (23%) said 5:1. In third, 22% said they always get a brief from a meeting (in this last case, we can infer they either only meet people who have a brief ready or perhaps decline to meet anyone speculatively). 8% were honest enough to say 20:1 or more, and though only 10% selected 4:1, this was the median ratio. So as a crude rule of thumb, if you're 4:1 or better you're doing fine, if you're less than 4:1, there's room for improvement somewhere.

The greatest challenge we face for new business is... "Confidence levels within the client organisation to undertake truly innovative work."

We then asked what their competitive brief to new business win ratio is. By far the largest number said it was 3:1 (the three-way pitch is more than just a cliché!). A fifth said that they always win business from briefs (surely this must be because they are picking up briefs that are never contested or perhaps the other explanation is that agency machismo is in fact not dead!). 12% said 2:1. Only a handful said their win conversion ratio was not as good as 4:1. As such, if you've a brief to pitch for, and it hasn't come in through networking or as a referral, the marketing industry says you have a 3:1 chance of converting it.

On Channels & Tools

To ask about which channels people prioritise we bracketed the sales and marketing requirements together. They were ranked this way by order of importance and now we see the marketing contribution of PR adding to the mix. Further we must view the corporate transaction and HR markets as having their own needs alongside that of new business. Events are most important in this list too as a lubricant for networking and as with PR, there are different reasons for networking. At number 3, it reflects the fact that networking was nominated as the most successful new business technique. Postal mailers would have been at position 3 or 4, ten years ago, and with most telling us that they only target between 1 to 50 organisations, you'd be hard pressed to make a case for advertising.

- | | |
|-----------------|-------------------|
| 1. Website | 5. E-mailers |
| 2. PR | 6. Blog |
| 3. Event | 7. Advertising |
| 4. Social Media | 8. Postal mailers |

Events

For new business purposes, agencies do love their events. The majority (52%) attend 1 to 10 each year, while a substantial minority (42%) attend over 10. Just 6% don't attend any. Those run by the Marketing Society were mentioned most. However, for each channel, only 12% nominated events as being "the most fruitful method [they] have used in order to create new business opportunities." Of course events serve a much wider, softer function for agencies than new business generation alone to justify their investment, but clearly agencies should seek to make a better return on their event spend in terms of real new business opportunities. It is surely the case also that social media is increasingly taking a lead as a driver for many of the real nuts and bolts networking opportunities.

My tip is:
"Listen, don't talk."

PR Agencies

We asked if people retained an external PR agency or used a PR specialist for new business support? 26% did, 74% did not. PR is the second most important channel for new business and marketing combined, so at first glance 26% seems a low number. But many agencies are more than capable of doing this in-house (especially the PR agencies!) and overall we monitor approximately 10,000 UK agencies, so even taking into account the weighting of large agencies in this survey, this would still represent a very sizeable market for PR specialists.

Social Media

The majority of agencies use LinkedIn (74%) and they also use Twitter (68%). A minority 42% use FaceBook with 16% using content on YouTube. Only 2% of agencies remain immune to the social media revolution, not using it at all. What follows is a list of the other channels/sites that people mentioned under this question (you may not personally consider all of these to be social media). They all had quite tiny percentages compared to the above: -

- | | |
|-------------|---------------|
| • Zing | • Plaxo |
| • Flickr | • ASMALLWORLD |
| • Wikipedia | • MySpace |
| • Delicious | • Foursquare |

We asked which are the most successful social media channels for new business purposes? Most said it was LinkedIn (30%), followed closely by Twitter (28%). 27% weren't sure which was most effective. 10% thought FaceBook most effective.

Pitch Search and Selection Intermediaries

21% of agencies pay for or otherwise employ search and selection intermediaries. 79% do not, which is surprising as (as has been mentioned before) a third of the respondents were from large agencies.

The biggest challenge I face in order to be successful in my role is... "Understanding the political map of the prospect's organisation."

External New Business Support

19% use new business agencies and 81% do not. We also asked if agencies use or have used a freelancer for new business support. Here the majority (58%) had, 42% had not.

Media Monitoring and Business Information

We asked if people use media monitoring or business information resources to detect opportunities. 63% do, 37% do not. We also asked which ones they use. Most said that they use various sources (41%) and were non-specific about which. 25% of the remainder mentioning specifics said that they use the trade press. 21% said Pearlfinders, 6% said Nielsen and 5% OJEU.

The biggest challenge I face in order to be successful in my role is... "The organisational structure of clients: it's not always clear who should be hiring us."

An increasing number of agencies are not only using business intelligence, but employing someone to manage the area too. This provides the seeds for new business opportunities, client and business development intelligence, and informs content for thought leadership pieces and research initiatives for agency marketing.

On Human Resource

Functions

The majority of agencies (53%) employ 2 or 3 people dedicated either solely or partly in the new business development function. 16% have more than 5. 11% have no one.

The majority (51%) employ one new business director or equivalent while 32% do without one. 11% have 2 to 3 and 6% have more than 5.

The majority (60%) also employ a new business executive or manager. 10% employ more than one.

Most do not employ a marketing coordinator or equivalent role but 34% do. 14% employ 2 or more of them.

59% employ an insight data researcher, which is an area of significant growth and commensurate with the high proportion of agencies gathering their own contact data. Of the larger networks, 12% of these employ more than 5 people in this role.

43% employ different people for the roles of face-to-face new business and opportunity generation, while the majority (57%) lump them together. Our opinion here is that the majority is getting this wrong and that specialists are required for each to get a good return on investment.

The biggest challenge I face in order to be successful in my role is... "In-house reticence and apathy."

Incentives

On incentives for the new business-focused personnel, the largest number (42%) earns commission based on their personal performance across a number of criteria. Just 5% earn a bonus wholly attached to revenue generated. 21% are considered for informal, discretionary bonuses and 16% are involved in a company performance related bonus. Just 5% have a share of profit and 11% have no additional incentives over their basic wage.

Perceptions of New Business and Its People

We asked about the importance with which the rest of the staff in the company view new business activity. The largest number (42%) thought it had 'some importance, but not very important'. 31% viewed it as 'critical'. We asked also asked how new business people are viewed by the rest of the staff at the agency. The responses were entered in a free text field. We collated the most popular type of response with representative answers gathered as follows. Remember, these are agency owner/head quotations: -

- "Different to traditional agency employees"
- "Salesy"
- "More hard-hitting and out going"

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- "With trepidation"
 - "Terrifying"
 - "Uncomfortable and do not want to be involved"
 - "Excited and daunted"
 - "Positively, but not wanting to get too close!"

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- "Positively"
 - "A high level of respect for sales"
 - "The people who deliver the opportunity for us to develop world-class ideas/solutions"

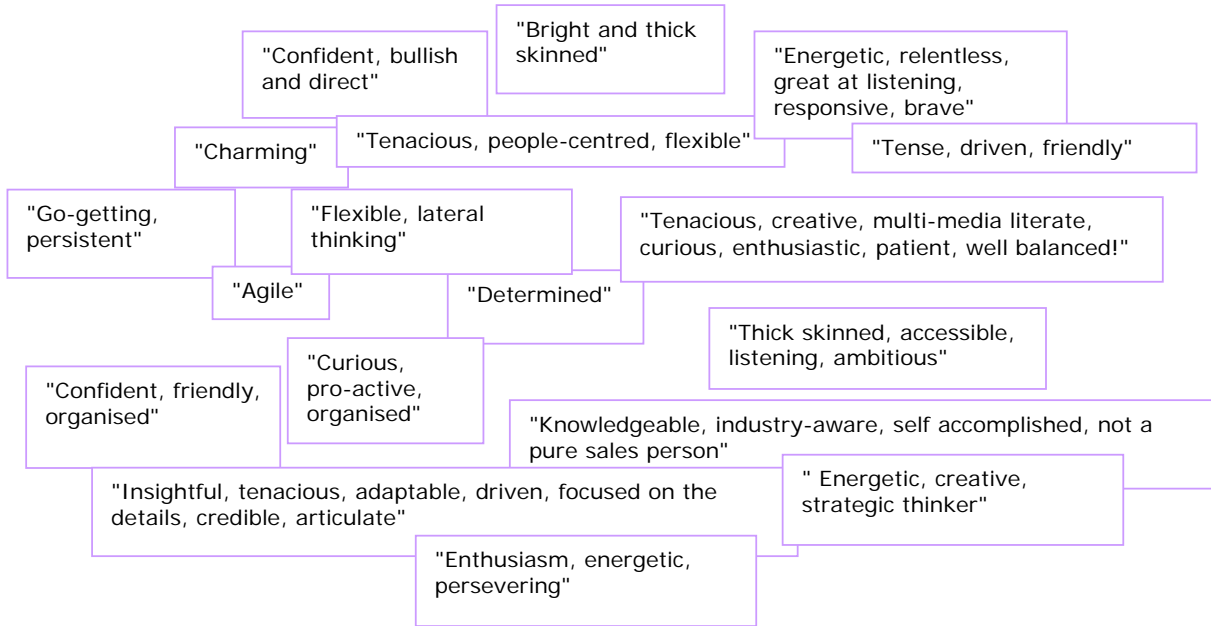
The biggest challenge I face in order to be successful in my role is..."Maintaining motivation."

Recruitment

84% of new business people were recruited via in house resources, with (36%) coming via a recruitment consultancy.

The character of new business people

Finally, we also asked what sort of adjectives respondents themselves would use to describe the 'character' of a new business professional working in a marketing services environment:



On Conclusion

The agency we describe here doesn't exist. But if you were to portray its likeliest features based on the survey results, then it might be as follows.

Any Agency

AnyAgency has a message based on an ethos. It keeps a close eye on competitors and believes that its brand message is different.

It relies heavily on networking for new business, supplemented by proactive prospecting, tender submissions and RFPs.

It targets less than 50 organisations for new business, but knows this could be quite a lot higher without losing focus. It uses a CRM-capable online database but doesn't buy data for it, preferring to develop its own.

It thinks marketing collateral is important, even critical to its success. It deploys: case studies, viewpoints, awards, positioning pieces, press clippings and research. It's thinking about starting to produce whitepapers too.

It gets a contested brief from one out of every four meetings and it converts one in every three pitches.

It sees its most important sales and marketing tools as the website, PR, social media and events. It attends up to ten events each year, but doesn't win much business from them, but there are a number of other benefits of attendance in any case. It manages its PR and media coverage in-house. For social media it uses only LinkedIn and Twitter, and finds them about the same in terms of effectiveness.

It doesn't sign up to search intermediaries and has tried external new business support, but prefers to use its own employees for new business prospecting in-house. It uses a variety of media monitoring and business information resources and employs an insight and data researcher to help them collate and exploit them.

It has one new business director and one new business manager/executive, both of whom were recruited without using a recruitment consultant. It wants them both to be able to do meetings and create opportunities. They both earn commission based on personal performance across a number of criteria.

The rest of the staff sees new business as having some importance to the agency but they certainly don't see it as very important. They view new business people as being different to them - salesy and outgoing - and they view what they do with trepidation, preferring not to get too close. Having said that, they also have a high level of respect for the new business team. However the agency owner/manager views the new business staff in a highly positive light: as energetic, creative, tenacious, knowledgeable and confident.

Final Thoughts

For us, the most surprising aspect to this is just how far new business practice has changed in the last decade and how fast it continues to change. Like so much in business life, if you want to be competitive you have to keep up, and of course that means that much of the approach of AnyAgency is already redundant. We leave you with these points of emphasis: -

- Messages based on other virtues than an ethos will start to look different
- Agencies can target more organisations for a wider net but without losing focus
- Agencies need a member of staff to be data and insights coordinator and they shouldn't buy data but rather develop their own for 100% accuracy

- To be competitive you need to apply at least a 1:3 conversion ratio
- Put your social media investment into just Twitter and LinkedIn... for the time being
- Be cautious about investments in intermediaries and new business agencies
- Utilise a wide range of business information tools
- Unlike AnyAgency, we advise agencies should use separate specialists for face-to-face and outbound prospecting. But like AnyAgency, these should earn commission based on personal performance across a wide range of criteria
- An annual internal presentation is necessary for agency staff to embrace new business