The Next Wave Of Agency Growth: A Spotlight On EMEA

EMEA Results From The October 2022 Thought Leadership Paper, “The Next Wave Of Agency Growth”

A FORRESTER CONSULTING THOUGHT LEADERSHIP PAPER SPOTLIGHT COMMISSIONED BY GOOGLE, OCTOBER 2022

Executive Summary

As brands and agencies emerge from the COVID-19 pandemic and into headwinds of economic uncertainty, they face a heightened need for digital marketing to be an engine for growth. As Forrester predicted for 2022, the pendulum is swinging back towards creativity, providing CMOs the distinction their brands need to attract customers and the catalyst that agencies need to further evolve their models.[1] The CMOs' future marketing partner will employ new and complex constructs of talent, technology, and creativity to deliver accountability, business impact, and differentiation.

In July 2022, Google commissioned Forrester Consulting to assess what this means for the future of agencies and unearth growth opportunities. To explore this topic, Forrester conducted a global online survey of marketing leaders at brands and agency leaders. This study highlights findings from the EMEA study of 1,121 senior digital marketing decision-makers at brands and 1,156 senior decision-makers at digital marketing agencies. We found that three forces shape the future of agencies: consumers' embrace of digital and craving for novelty, clients' expectations for differentiation and accountability, and advertising landscape changes including a proliferation of publishers, privacy changes, and the rise of automation. While familiar and new challenges create hurdles for agency growth, client demands signal opportunities in creative strategy and execution, data and analytics, and consulting.

Key Findings

Brands need agile, results-driven agency partners to tackle consumer and advertising landscape shifts. Consumers are digitally dispersed, particular about privacy, and experimental, while evolving online consumption habits disrupt the advertising landscape. To adapt, brands require agile, results-driven agencies that can continuously improve customer experience with tailored creative and relevant marketing strategies. To address more strategic and complex client needs, agency leaders focus on capabilities, talent, and technology initiatives.

Talent challenges, legacy business models, and new sources of competition limit agency growth. Brand and agency respondents both reported skills and talent as one of the biggest challenges within the agency ecosystem. Agency respondents also highlighted familiar challenges with client cost cutting and legacy business models not aligning with the growing demand for specialist services. Additionally, competition from consultancies for high-value projects is a greater concern this year.

Brand demand signals agency growth opportunities in creative strategy, data privacy and analytics, and consulting. Brands will increasingly require agency support for creative strategy and execution, privacy-compliant customer insight and marketing analytics, and consulting on media, technology, and digital transformation. Leading agencies seek to meet these needs by building capabilities and working with the right specialist and technology partners.

Brands And Agencies Must Tackle Consumer And Ad Landscape Shifts

The CEO of a full-service agency in EMEA said, “The last two years have been very turbulent, not just with [the COVID-19 pandemic], but also with privacy changes, implementation of automation, and just a lot less being controllable by the agency.” Our global study of senior leaders at brands and agencies reinforced this view and revealed three forces shaping the agency ecosystem: consumers’ embrace of digital and craving for novelty, clients’ expectations for differentiation and accountability, and advertising landscape changes including a proliferation of publishers, privacy changes, and the rise of automation.

Our 2020 EMEA study revealed consumers’ preference of relevant content over untailored ads and their increasing use of privacy-protection tools.[2] Two years later, consumer behavior is evolving further, and our global study found that EMEA brands and agencies want to adapt marketing strategies to consumers who are increasingly:

- **Digitally dispersed.** Consumers are on more online channels than ever before: 74% of surveyed marketers and 73% of surveyed agency leaders consider consumers’ reliance on multiple digital channels for information on brands as an important trend, and around 70% say the same about disjointed purchase journeys that combine several online channels.
- **Particular about privacy.** As the privacy landscape evolves, brands and agencies must understand their customers’ expectations and concerns to ensure that they’re correctly applying contextual privacy practices.[3] Marketers (76%) and agency leaders (81%) unsurprisingly consider consumer privacy expectations and concerns as one of the most important factors impacting marketing strategies.
- **Empowered and experimental.** After the pandemic scrambled their worlds, consumers are driving a culture of experimentation and novelty as they test new ways to work and live. They look for brands to do the same.[4] This is top of mind for marketers in our study, with 70% stating that investing in creative differentiation and customized engagement is a critical or high priority for their organizations.

Marketers reinforced their need for agency support to achieve marketing objectives. Our 2020 EMEA study revealed that brands expect agencies to be strategic partners and provide customer-first strategies that drive demonstrable growth.[5] Demonstrating both the measurable results from digital marketing strategies (67%) and the agency's role in achieving business goals (68%) continue to be among the top factors defining successful agency relationships. However, the top requirement is agility: 74% of EMEA marketers said the agency's ability to adapt services and capabilities, according to company needs, is important for successful relationships.

These needs from agency partners are more strategic and complex than ever. To become better strategic partners, agencies should continuously improve their clients' customer experience with high quality and tailored marketing strategies. To improve their ability to meet more complex client needs, agencies prioritize (see Figure 1):

- **Expanding capabilities.** This was a top ranking initiative in 2020 both pre- and post-pandemic (75% and 71%), respectively. It continues to be a top priority for EMEA agency leaders this year as well (76%). Agency leaders in 2022 are not only focused on expanding capabilities but also creating new capabilities that are based on consumer adoption trends (71%).
- **Acquiring and retaining talent.** Hiring and retaining diverse talent to better equip the agency to support client needs is another top priority for EMEA agency leaders (74%). The rise of automation is a key driver of the types of skills agencies seek. While martech drives best results through automation, agencies are more focused on hiring agile team members who can provide strategic support on growth, insights delivery, and creative differentiation.
- **Enhancing technologies.** Adopting new technology and replacing legacy systems was the top ranking priority for EMEA leaders in 2020, with 76% considering this a priority pre-pandemic, and 73% saying the same post-pandemic. This continues to be in the top set of priorities, with 74% considering this a critical or high priority.

AGENCIES

Figure 1

"How much of a priority are the following initiatives for your agency?"

(Showing top results for "Critical" and "High Priority")

Base: 1,156 senior leaders and decision-makers at digital marketing agencies in EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of Google, July 2022

Talent, Business Model, And Competition Are Hurdles

In 2020, our EMEA study revealed that client satisfaction on agency value, relative to their cost/fees, lagged behind agencies' self-evaluation.[6] The 2022 study revealed that this disconnect in value exchange has not changed, with only 54% of EMEA marketers stating they are satisfied or very satisfied with agency value, compared to 78% of agency leaders who consider the value they provide clients as good or excellent. Marketers reveal the root causes of dissatisfaction are (see Figure 2):

- **Skills and talent.** In EMEA, this has become a bigger problem since 2020, as 44% reported this as a challenge then, compared to 55% now. Respondents from agencies that we interviewed highlighted talent acquisition and retention as one of their biggest challenges. A managing director of a performance agency stated: "It just seems to be even greater competition. It's difficult to attract people with experience, and it's difficult to keep people."

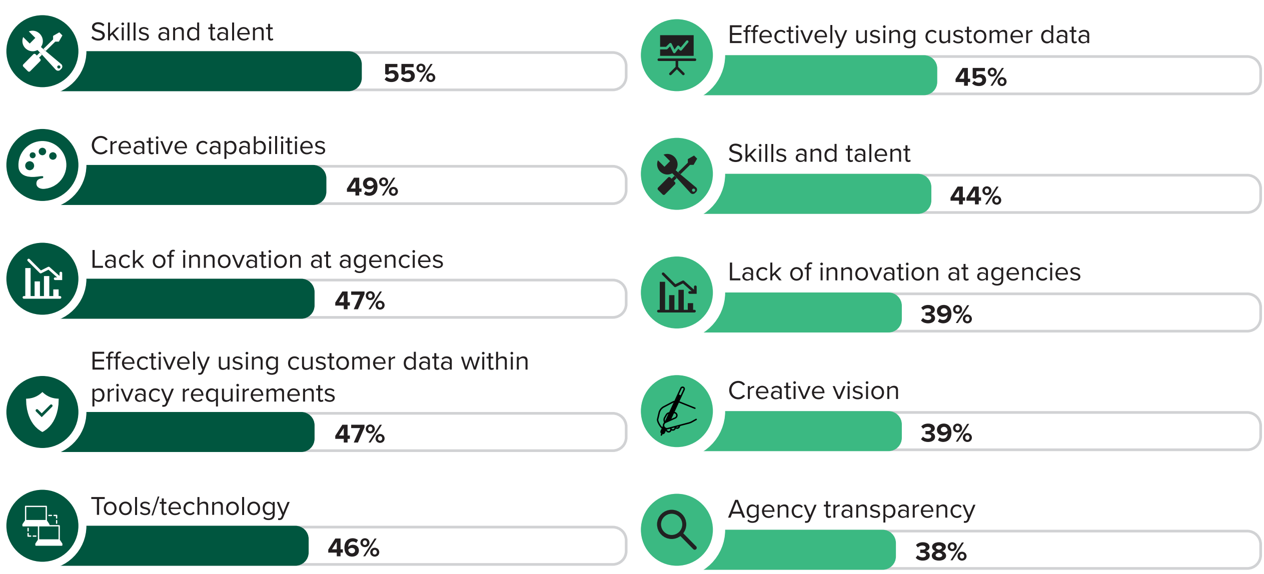
Figure 2

BRANDS

"What are your organization's top challenges with your roster of marketing agencies?"

(Showing top results)

2022
2020



Base: Variable senior digital marketing decision-makers at EMEA brands that work with a digital media agency
Source: A commissioned study conducted by Forrester Consulting on behalf of Google, July 2022

- **Creative capabilities.** Additionally, this has grown into a bigger challenge in EMEA, with 39% of marketers citing this as a challenge in 2020, compared to 49% this year. Agency partners are not currently meeting clients' heightened need for creative differentiation.
- **Effective, privacy-compliant use of customer data**. EMEA marketers reported this as a top challenge in 2022 (47%) as well as in 2020 (45%). A managing director at another performance agency highlighted how the push towards e-commerce, which was necessitated by the pandemic, has led to clients having more complex data needs as they seek to connect offline and online data to improve customer experiences across channels.

AGENCIES STRUGGLE WITH CLIENT COST CUTTING, BUSINESS MODEL CHALLENGES, AND COMPETITION

Agency data further reveals the disconnect in the value exchange between agencies and clients. Around a quarter of agencies struggle with: 1) brands' needs for seamless execution across campaigns and 2) anticipating client needs and building capabilities that match industry shifts. Agency leaders report that their ability to meet these client needs is hindered by familiar challenges, i.e., reduced budgets and influence and the lack of alignment between legacy agency business models and client demand for specialist services and long-term growth strategies. In addition, competition from consultancies for high-value work is a greater challenge this year for EMEA agencies: the proportion of agencies concerned about this rose from 17% in 2020 to 27% in 2022.

Demand For Creative Strategy, Analytics, And Consulting Signals Growth

Despite a disconnect in value exchange, brands' reliance on agencies is stronger than ever, and it is set to grow. Brands in EMEA recognize the positive business impacts they have experienced from working with agency partners on customer acquisition, lifetime value, and ROI/effectiveness of marketing. As a result, 79% of EMEA marketers indicate their brands plan to increase spend on agency partnerships in the next 12 months, and they plan to lean on agencies to ensure effective marketing strategy. EMEA marketers indicate that their agency partners currently have more influence on their marketing strategy compared to two years ago.

Brands continue to require agency support for "traditional" media and performance execution. Our study revealed that most EMEA brands will continue to need agency support on media planning/buying and performance marketing, with 75% or more stating they need agency support in these areas currently and within the next 24 months.

The general trend of bringing marketing capabilities in house appears to be slowing down overall. The top-three activities that EMEA brands were conducting in house in 2020 were marketing technology and operations, social media marketing, and digital experience marketing. Between 41% and 55% said these areas were already in house or would be in the next few years. These areas have remained top of the list in this year's study. However, in 2022, the figures have dropped to between 34% and 41%. Due to the rapid pace of change in the digital marketing ecosystem, agencies play a key role in providing clients with expertise and best practices that are garnered from the breadth and depth of their client portfolio.

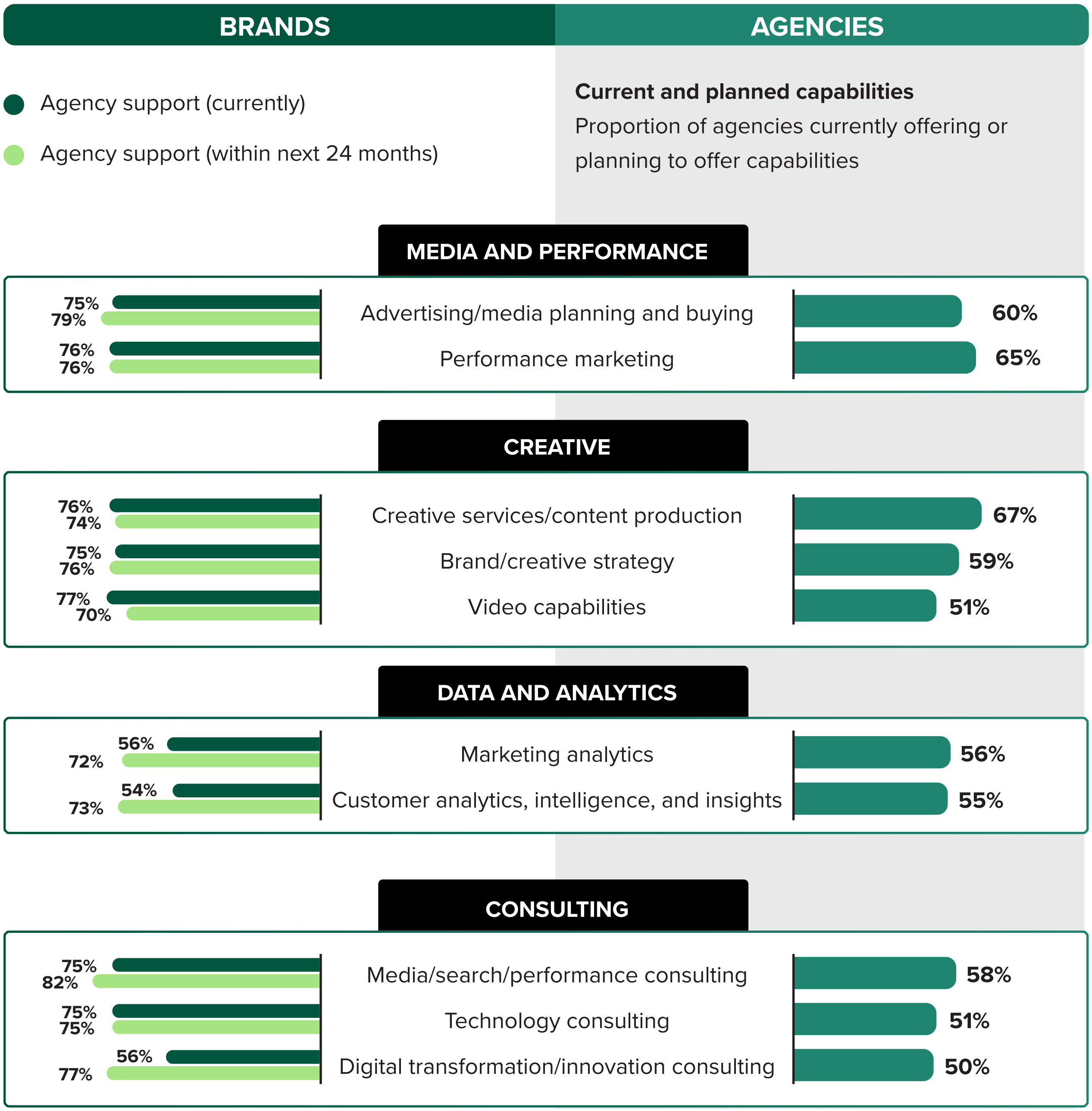
CLIENT DEMAND INDICATES GROWTH OPPORTUNITIES IN CREATIVE STRATEGY, DATA ANALYTICS, AND CONSULTING

Comparing client demands with agencies' current and planned offerings reveals gaps in demand and supply where agencies can find growth opportunities in EMEA (see Figure 3). These are:

- **Strategy and execution for differentiated creativity and content.** Over 70% of marketers state their companies require agency support in creative capabilities including brand strategy, content production, and video capabilities. While 67% of agency leaders in our study reported that their firms provide creative services and content production, only 59%

Figure 3

"Where are each of the marketing functions below performed? Where do you expect these marketing functions to be performed within the next 24 months?"



Base: 1,121 senior digital marketing decision-makers at EMEA brands that work with a digital media agency / 1,156 senior leaders and decision-makers at digital marketing agencies in EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of Google, July 2022

provide brand strategy and 51% provide video capabilities.

- **Data and analytics to improve customer understanding and marketing effectiveness.** The proportion of brands requiring agency support for customer analytics, insights, and intelligence will rise by 19 percentage points within the next 24 months. Similarly, the proportion seeking agency support for marketing analytics will rise by 16 percentage points within the next 24 months. However, only 55% of agencies currently provide or plan to provide these capabilities in the next 24 months.
- **Consultative support to enable media, technology, and digital transformation.** A majority of marketers (75% or more) said their companies will need consultative support from agencies for media/search/performance, technology, and digital transformation/innovation within the next 24 months. For digital transformation/innovation consulting, this figure rises from 56% who said they currently need support to 77% who will need support in the next few years. With 58% of agencies providing media/search/performance consulting and only half providing technology or digital transformation consulting, there is a clear gap in these services compared to their demand.

Build Or Partner On Capabilities For Growth

The forces shaping the consumer world, the advertising landscape, and the agency ecosystem form a pivotal moment for agencies. For agencies that wish to be future-ready and capitalize on the growth opportunities emerging from client needs and demands, a business-as-usual approach will not suffice. Marketers and agency leaders indicate that changes in business and delivery models are already underway. One is the move to outcome-based compensation structures: Our 2020 study revealed that EMEA agencies and clients expected to move from fixed-fee compensation structures, such as retainers and project-based models, to outcome-based compensation, such as performance- and commission-based models. Two years later, the majority of brands and agencies have transitioned into these models as expected.

Another trend is the move to partnership-based delivery models. As marketing needs become more complex, many CMOs are turning to frictionless marketing partner models to improve integration and deliver better consumer experiences. According to Forrester's research, nearly a third of CMOs at larger organizations intend to integrate creativity and media assignments to boost marketing impact.[7] Agencies are adapting delivery models based on these moves, with one managing director of an performance marketing agency explaining, "We want to work with different agency partners who are also specialists in their respective fields, like SEO or product optimization or affiliate marketing, to be able to help our clients with the most complex questions."

LEADING AGENCIES CAPITALIZE ON OPPORTUNITIES IN CREATIVE STRATEGY, DATA AND ANALYTICS, AND CONSULTING

Interviews with agency leaders as well as data on planned investment areas revealed that EMEA agencies are looking to capture the growth opportunities in (see Figure 4):

- **Creative capabilities.** Fifty-nine percent of agency leaders noted their agencies were either expanding creative capabilities or planning to implement these capabilities. Similarly, 58% are planning to implement or expand video capabilities. One CEO of a full-service agency noted:

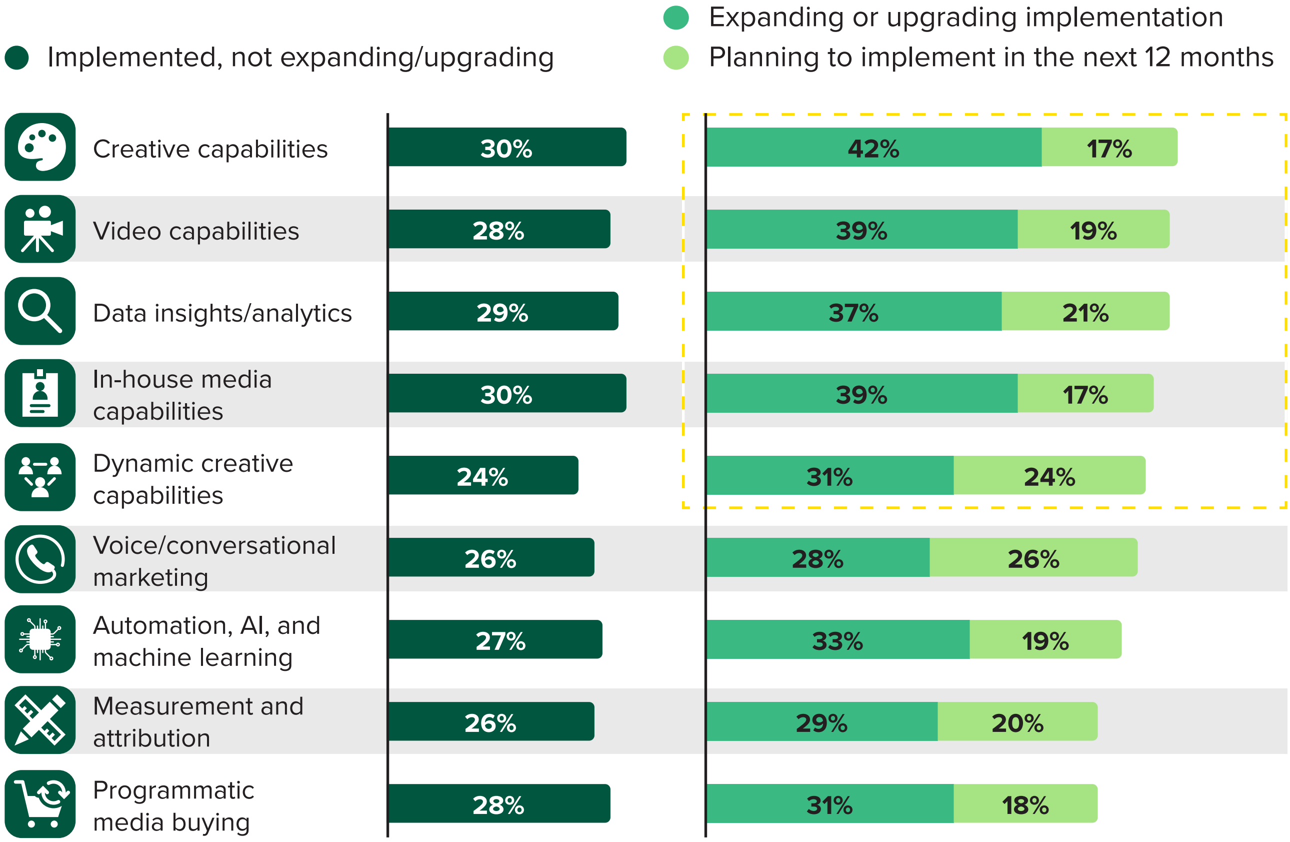
"Some of the key areas that we'll need to focus on will be creativity. So a lot more creativity in our campaigns, hiring more creative people where we haven't done before. You'll see more and more video output, image-based output, rather than just text-based."

- **Data and analytics capabilities.** Fifty-eight percent of agency leaders noted their organizations were either expanding existing implementation or planning to implement data insights and analytics. One founder of a performance and consulting agency highlighted their investments in the area: "We have investments in tools for reporting and data aggregation. We work with tool providers who are able to integrate hundreds of sources for automated reporting, where you can use this data to work with [data visualization software]."

Figure 4

AGENCIES

"What are your company's plans to invest in the following capabilities and areas of technology?"



Base: 1,156 senior leaders and decision-makers at digital marketing agencies in EMEA
Source: A commissioned study conducted by Forrester Consulting on behalf of Google, July 2022

- **Consulting services.** A CEO described how their full-service agency has adopted their positioning to be more consultative as a result of changing client needs: “The question they asked six to seven years ago was ‘How well am I doing on campaigns?’ [and] ‘Can you improve my campaigns?’ The question they’re now asking is more like ‘Where should I be spending my money?’ There’s a need to be much more commercial and understand the clients’ business model.”

AGENCIES SEEK PARTNERSHIPS WITH OTHER FIRMS AND TECHNOLOGY PROVIDERS TO ADAPT SERVICES

Agencies are exploring partnership-based delivery models to take advantage of the demand in creative and consulting capabilities. They are also seeking support from technology partners to tackle changes and challenges in consumer shifts, client needs, and the digital marketing ecosystem. EMEA agency leaders in our study noted their organizations are:

- **Partnering with other specialists to meet complex client needs.** A founder of a performance marketing agency in EMEA highlighted how they are working with consultancies to extend beyond their data and analytics expertise: “We work together with consultancies. [In] our approach, we come from data and analysis, but of course we won’t be a partner for clients for general consulting topics. It’s necessary to have partnerships and collaboration with other companies so that you can help clients with integrated projects across different stakeholders.”

- **Deploying technology providers’ tools to enable efficient, privacy-compliant execution.** Automation through machine learning is now a given, and 78% of agency leaders consider ad automation tools to be an important offering from technology partners. With automation allowing for more efficient execution, agencies are focused on providing value through creative capabilities, data and privacy best practices, and growth and digital transformation consulting.

Key Recommendations

Three forces shape the future of agencies: consumers' embrace of digital and craving for novelty, clients' expectations for differentiation and accountability, and advertising landscape changes including a proliferation of publishers, privacy changes, and the rise of automation. While familiar and new challenges create hurdles for agency growth, there are also opportunities signaled by client demands in creative strategy and execution, data and analytics, and consulting. Forrester's in-depth survey of senior digital marketing decision-makers at brands and senior decision-makers at digital marketing agencies yielded several important recommendations:

Design holistic solutions to reach consumers and meet client needs more effectively.

Many CMOs are turning to more frictionless marketing partner models to improve integration and deliver better consumer experiences. The integration of agency, technology, and consulting services combines the landscape of holding companies, digital networks, and management consultancies. The result evolves the industry from advertising that's delivered by individual agency brands to marketing solutions that're delivered by teams of unified specialists.[8] Build specialist skills, and partner with other specialist providers to design holistic solutions that solve clients' challenges and achieve their objectives.

Develop agile skills and talent for the future.

Apply the test and learn as a talent strategy to find the right combinations of skills. Bring performance and brand skill sets together in order to expose agency staff to new ways of working and thinking. Implement an apprenticeship model to grow existing talent for high-demand positions that are difficult to hire, like digital interface design, computer sciences, analytics, and strategy. Work with technology partners and online learning courses to create continual-learning training and development programs that enhance your employee experience and offer differentiated development opportunities.

Enable the data and intelligence layer to make marketing that matters.

Harness automation and AI-powered tools through partnerships that enrich clients' understanding of high-value audiences and customer segments, and reach those groups with differentiated creative content. Through privacy-compliant uses of data, help brands step outside the echo chamber to better understand consumers and achieve measurable results.

Enhance creative capabilities to captivate consumers.

Prioritize ingenuity and creative problem-solving across content development and media activation capabilities. Reach consumers with novel ideas and experiences in unexpected and delightful ways, including video and mixed reality to deliver creative differentiation to marketers in EMEA.

Appendix A: Methodology

In this study, Forrester conducted a global online survey of 2,059 senior digital marketing decision-makers at brands and 2,152 senior decision-makers at digital marketing agencies. Questions provided to the participants asked about: consumer trends, digital marketing priorities, dynamics of agency-brand relationships, expectations from agency partners, market and internal challenges, and investment plans. Respondents were offered a small incentive as a thank you for time spent on the survey. We also conducted in-depth interviews with 19 agency leaders from agencies in the Americas, EMEA, and APAC. The quantitative and qualitative studies began in June 2022 and were completed in August 2022.

To read the full results of this study, please refer to the Thought Leadership Paper commissioned by Google titled, "The Next Wave Of Agency Growth."

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Forrester's CMO research group

Appendix B: Brand Demographics

GEOGRAPHY	
Czechia	**4%**
Denmark	**4%**
France	**9%**
Germany	**9%**
Greece	**5%**
Israel	**5%**
Italy	**9%**
Netherlands	**9%**
Poland	**5%**
South Africa	**5%**
Spain	**9%**
Sweden	**5%**
Switzerland	**5%**
Turkey	**5%**
UAE	**5%**
UKI	**9%**

MINIMUM MARKETING BUDGET: $50M with a minimum of 30% spent on digital marketing.

COMPANY REVENUE	
$100M to $299M	**9%**
$300M to $399M	**11%**
$400M to $499M	**20%**
$500M to $999M	**37%**
$1B to $5B	**21%**
>$5B	**2%**

COMPANY SIZE	
100 to 499 employees	**2%**
500 to 999 employees	**25%**
1,000 to 4,999 employees	**48%**
5,000 to 19,999 employees	**17%**
20,000 or more employees	**8%**

JOB POSITION	
C-level (CMO, CDO, CTO)	**10%**
Vice president (in charge of one/ several large departments)	**90%**

INDUSTRY	
Financial services	**9%**
Technology and/or technology services	**9%**
Travel and hospitality	**5%**
Media and/or leisure	**5%**
Education and/or nonprofits	**5%**
Construction	**4%**
Government	**3%**
Chemicals and/or metals	**3%**
Telecommunications services	**4%**
Agriculture, food and/or beverage	**3%**
Retail	**8%**
Manufacturing and materials	**7%**
Energy and/or utilities	**6%**
Healthcare	**6%**
Consumer product goods	**5%**
Business or professional services	**5%**
Electronics	**4%**
Transportation and logistics	**2%**
Consumer services	**4%**
Legal services	**3%**

JOB FUNCTION (VP)	
Marketing/advertising	**27%**
Digital	**25%**
Technology	**21%**
Operations	**19%**
Sales	**9%**

TYPES OF MARKETING DIRECTLY INVOLVED IN	
Digital marketing (has to be involved)	**100%**
Brand marketing	**43%**
Online display advertising	**34%**
Direct marketing	**28%**
TV/print advertising	**34%**
Search marketing	**31%**
Database marketing	**30%**
Performance marketing	**19%**

Appendix C: Agency Demographics

AGENCY SIZE	
2 to 99	**3%**
100 to 499	**15%**
500 to 999	**22%**
1,000 to 4,999	**39%**
5,000 to 19,999	**15%**
20,000 or more	**7%**

AGENCY TYPE	
Digital marketing agency	**24%**
Creative agency	**18%**
Branding/design agency	**17%**
Performance marketing agency	**12%**
Media planning and buying agency	**11%**
Search agency	**11%**
Social media agency	**7%**

GEOGRAPHY	
Czechia	**5%**
Denmark	**5%**
France	**9%**
Germany	**9%**
Greece	**4%**
Israel	**5%**
Italy	**9%**
Netherlands	**9%**
Poland	**5%**
South Africa	**5%**
Spain	**9%**
Sweden	**4%**
Switzerland	**4%**
Turkey	**4%**
UAE	**4%**
UKI	**10%**

JOB POSITION	
CEO or founder	**13%**
Other C-level executive	**16%**
Vice president	**46%**
Director	**11%**
Manager	**14%**

AGENCY REVENUE	
$10M to $99M	**5%**
$100M to $199M	**5%**
$200M to $299M	**10%**
$300M to $399M	**8%**
$400M to $499M	**18%**
$500M to $999M	**38%**
$1B to $5B	**15%**
>$5B	**1%**

MINIMUM MARKETING BUDGET: $25M

JOB FUNCTION	
Executive management	**28%**
Marketing/sales	**14%**
Technology	**15%**
Creative	**13%**
Media	**12%**
Strategy	**8%**
Analytics	**10%**

Note: Percentages may not total 100 due to rounding.

Appendix D: Supplemental Material

RELATED FORRESTER RESEARCH

"Predictions 2022: Agencies," Forrester Research, Inc., October 28, 2021

"Orchestrate The Value Of A Partner Ecosystem To Supercharge Marketing," Forrester Research, Inc., August 2, 2021

"The Agency Workforce 2023: Automation And AI Will Reshape Media And Creative Agencies," Forrester Research, Inc., August 2, 2021

Appendix E: Endnotes

[1] Source: “Predictions 2022: Agencies,” Forrester Research, Inc., October 28, 2021.
[2] Source: “Reclaim Growth With Rapid Agency Transformation,” A Forrester Consulting Thought Leadership Paper Commissioned By Google, July 2020.
[3] Source: “Forrester’s 2021 Consumer Privacy Segmentation: Europe,” Forrester Research, Inc., September 22, 2021.
[4] Source: “Why Consumers Want Brands To Unleash Their Creativity,” Forrester Research, Inc., May 31, 2022.
[5] Source: “Reclaim Growth With Rapid Agency Transformation,” A Forrester Consulting Thought Leadership Paper Commissioned By Google, July 2020.
[6] Ibid.
[7] Source: Jay Pattisall, “The Agency Landscape Converges On Frictionless Partner Models,” Forrester Blogs.
[8] Ibid.