



# GLOBAL DIGITAL OUTLOOK

2019





# TABLE OF CONTENTS

- 01. Introduction
- 02. Trends Shaping Tomorrow
- 03. Spending Outlook
- 04. Agency Landscape
- 05. Modern Marketer
- 06. Methodology



# GLOBAL DIGITAL OUTLOOK

The Global Digital Outlook Study is an annual survey of spending trends, adoption of emerging technology, perspectives on the digital landscape and evolving priorities for agency leaders and brand marketers. Now in its sixth year, this study is a collaboration between SoDA and Forrester Research.

## Introduction

# DESIGN FOR CHANGE

We're in the business of shaping things— experiences, perceptions, business models, culture and more. At our best, we shape tomorrow. But like objects in our rear-view mirror, the future is always closer than it appears.

In recent years, digital agencies were a disruptive force to a traditional marketing ecosystem dominated by advertising agencies. But the days of clamoring for respect, a seat at the table and a fair allocation of budget seem quaint now. Today, the innate differentiation of pure-play digital shop is virtually gone and we operate in an increasingly competitive, complex and connected meshwork of agencies, consultancies, product design studios, technology providers, venture labs, production companies, in-house teams and more.

Corporate functions (and organizational structures) for strategy, marketing, technology and product design have also collided with new spheres of influence emerging. Collaboration, agility, transparency, speed and a relentless obsession with customer experience are at the core of this new enterprise.

*(continued on next page)*

## Introduction

# DESIGN FOR CHANGE

Design for Change, the theme of this year's SoDA Report, explores how agency leaders, innovators and business executives are navigating these shifting tides with vision, purpose, clarity and courage. Our Guest Editor of The SoDa Report and Co-Founder of MediaMonks, Wesley ter Haar, captured the sentiment perfectly:

*“Design for change means finding higher ground, that’s the only way to stay relevant and stay a step ahead in the eternal race to the bottom. And that’s not just our challenge. Brands and businesses across industries know one thing for sure, change is either here or it’s coming soon, and the next wave of technology, user behavior and digital service will either wash you away or lift you up.”*

Our findings in the Global Digital Outlook Study support this notion and, this year, we see in both agency leaders and brand marketers an optimism about the future punctuated by a sharp understanding of the need and urgency for change.



Tom Beck, Executive Director @ SoDA

# TRENDS

TO WATCH



## Trends Shaping Tomorrow

### 1 **A BIGGER PIE... AND MORE HUNGRY MOUTHS AT THE TABLE**

The 2019 Digital Outlook finds a majority of agency leaders optimistic about the future even as they remain clear-eyed about the challenges facing their businesses. Despite all the doom and gloom regarding broken agency models (vivid images of fire, brimstone and post-apocalyptic demogorgans come to mind), agency leaders are reporting healthy performance in 2018 and a solid outlook for 2019. More than half of agency leaders reported growth in revenue and total profit in 2018 (56% and 55% respectively) and 79% said they are confident that the next 12 months will be even stronger in terms of profitable growth.

Confidence levels are bolstered (and, perhaps, justified) by a strong spending outlook from client-side marketing leaders: 53% plan to increase their digital spend in 2019 and 36% plan to increase overall marketing spend. More importantly, 43% plan to increase their spending with external agency partners making this one of the strongest outlooks we've seen since we began tracking in 2013.

But if the outlook is strong, agency leaders readily admit that competition, pricing pressure and escalating costs for talent are growing concerns for their business. In 2018, only 39% of agency leaders said they were able to increase their billable rates and 57% agree that pricing pressure is becoming an even bigger factor in winning new assignments. Furthermore, 66% saw competition for their services intensify and 64% said that the rising cost of talent was having a direct impact on their bottom line. Growing competition and continued pressure on operating costs will undoubtedly winnow out more and more agencies with indistinguishable capabilities and inefficient operating model.



## Trends Shaping Tomorrow

### 2 **BATTLE ROYALE OR TOKYO DRIFT TO THE MIDDLE?**

The marketing world has been obsessed with the incursion of management and IT consultancies into the sacred creative territory of agencies. Too much of the industry commentary, however, adopts a binary view on the matter suggesting that only one model will prevail in this battle royale between consultancies and holding companies. This is a simplistic assessment for a complicated and interconnected ecosystem of digital providers of all shapes, sizes and flavors. It also tends to ignore a vast swath of the independent (and innovative) agency market less obsessed with global scale and wall street valuations. While our data this year revealed a 24-point decline in marketers' openness to using consultancies for digital agency assignments (53% said they were "Very Open" or "Open" this year vs. 77% in 2017), we continue to see an array of partner types tackling digital initiatives.

In fact, there has been little change, year-over-year, in the number of partners marketers' tap for digital assignments— nearly one-third of marketers use 3 or more agencies/partners for digital projects. Furthermore, there is no dominant partner type and usage of integrated agencies, full-service digital agencies, consultancies and specialized digital agencies is evenly distributed. The bottom line: agency "type" is increasingly irrelevant when defining the landscape for digital services... competition and new opportunities are surfacing everywhere.



## Trends Shaping Tomorrow

### 3 **AGENCIES PRACTICE MIXED MODEL ARTS**

Our findings this year point to an active evolution of the agency business model with some moving towards specialization while others seek to expand the breadth of their influence with new capabilities. An astounding 61% of agency leaders this year said they were actively re-evaluating their core business model. Experimentation with different pricing models (26%), going to market with 3rd party partners to round out service offerings (25%), and deeper collaboration/integration with their clients' other partners (30%) are just a few of the directions under exploration. On the capabilities front, agency leaders point to areas such as strategy, data, platforms and technology as key areas for revenue growth in 2019. Interestingly, these capabilities are traditional strongholds for the consultancies and we expect the competitive battleground to expand.

Many native digital agencies, traditional integrated agencies and consultancies are racing towards a melee at the center of the marketing and customer experience ecosystem. It's also clear that new areas of specialization have emerged. For instance, more than 30% of all agency respondents said they do not currently offer any services related to voice-based applications, AI-driven digital experiences or experiential installations that blend physical and digital environments. We also see agency leaders tackling a new and unique mix of capabilities across the digital marketing and experience value chain. S4 Capital's strategy to combine global production, content, data and media into a new integrated entity is one such example of the mixed models beginning to emerge.



## Trends Shaping Tomorrow

### 4 **SPEED, VALUE, AGILITY AND TRANSPARENCY**

What do client-side business leaders want? Brilliant strategies? Mind-blowing creative? Category-busting innovation? Technological wizardry? Lower billable rates? The rock sensation Queen said it best.... they want it all and they want it now! And even though (half-jokingly), this is most certainly true, a more pragmatic look at the market shows marketing leaders with a growing desire for partners that can operate collaboratively, nimbly, quickly and effectively. Several findings in our research suggest that marketers are increasingly focused on:

**Speed.** 56% of agency leaders said that speed of delivery is becoming a bigger factor in whether or not they win new projects and 63% of client-side marketing leaders said that producing and publishing personalized digital content, more quickly, is a major priority for their business.

**Agility.** Flexibility and agility are cornerstones of collaboration. Client-side marketing leaders point to “more flexible/nimble working models” as one of the top areas of improvement they’d like to see from their agency partners. On the other side, agency leaders say that “working directly with clients' other partners in a more collaborative, integrated way” is one of the top ways in which their typical engagement models are changing. Additionally, more than 60% of all respondents agree that the in-sourcing of digital capabilities is having major impact on the way clients and agencies now partner.

*(continued on next page)*



## Trends Shaping Tomorrow

### 4 SPEED, VALUE, AGILITY AND TRANSPARENCY (continued)

**Value.** Client-side marketing leaders ranked “different pricing models” as one of the top changes they’d like to see from their agency partners and pointed to “pricing/value” as the top reason they typically terminate a partner relationship. Agency leaders seem to be begrudgingly concede the point, ranking “pricing/value” the second highest reason for why they are typically terminated by their clients. Additionally, a whopping 70% of client-side marketers admit that properly quantifying and valuing the impact of creative ideas represents a major challenge for how they compensate their agency partners.

**Transparency.** 66% of client-side marketing leaders said they are demanding greater detail and transparency in how their agency partners track and report on budget spending. While not quite as high, 50% of agency leaders agreed and said that their clients are increasingly demanding greater detail and transparency.

So what does this all mean? Bedrock elements of the agency business (creative and innovation) are still top of mind for clients. In fact, “Better Design / Creative” is the number one improvement they’d like to see from their agencies. But there are many paths to success and given the growing realities of operating in an multi-partner ecosystem (often with in-house teams in the mix), greater scrutiny for CMO’s entrusted with more responsibility and bigger budgets, and market pressure to move quickly, we see business leaders placing a bigger premium on the working models of the partners they select and with a keen eye towards if/how/where they can be a collaborative, nimble and efficient element in the overall ecosystem.



## Trends Shaping Tomorrow

5

### **CREATIVE LEADERS GAIN CURRENCY IN THE C-SUITE**

The creative discipline has historically been confined to the marketing function and deployed as an adjunct to business or product strategies cooked up elsewhere in the organization. The phrase, “make it pretty,” best captures this ethos. But times are changing, and design leaders increasingly find themselves at the helm of successful start-ups, in advisory capacities at VC firms, or in newly minted C-level roles at traditional brands. John Maeda first reported on this trend in his annual “Design in Tech” report and our Global Digital Outlook Study adds further proof. This year, 67% of business executives agreed that creative and design leaders were having a bigger impact on the overall strategic direction of their business. Furthermore, they pointed to “brand differentiation through innovation” and “adopting emerging technology before our competitors do” as the most important strategic factors driving business success over the next two years.

This is welcome news for creative agencies hungry for allies in the executive suite. But more support in the C-suite won’t necessarily translate into easier wins. For starters, client-side leaders continue to elevate their expectations for agency partners. In fact, “Better Design/Creative” is the top attribute clients would like to see more of in their agency partners.... even ahead of criteria such “more flexible working models,” “stronger data capabilities,” “stronger technology capabilities” and more. Translation? No free rides on the creative front. 70% of client-side leaders also admitted that quantifying and valuing the business impact of creative/design ideas presents an increasing challenge for how they compensate their agency partners. The bottom line: creative and design leaders are on the rise in corporate structures and there’s no doubt that this can help bolster the influence of creative agencies in the board room. But increased visibility leads to increased scrutiny... for the caliber of the creative work product and, more importantly, the direct business value it creates. Agency leaders have their work cut out for them.



## Trends Shaping Tomorrow

### 6 **DIGITAL PRODUCT STUDIOS POISED FOR GROWTH**

Of all the data we track, one trend that continues to stick out is the growing focus— for both client-side marketers AND agency leaders— on the creation, design and development of new digital products and services distinctive from traditional creative work on marketing-related content, campaigns and experiences.

45% of agency leaders this year projected that revenue related to helping their clients create, launch and improve digital products and services would increase in 2019. This was the top-ranked category for agency revenue growth (tied with Customer Insights & Analytics) even though just 9% of agency respondents identified themselves as “Digital Product Design Studios.” 42% of agency leaders also pointed to “more consulting with clients on new product and service offerings” as the one of the major ways in which their engagement models have been changing... the top-ranked attribute in this category. In fact, the digital product and service trend is most striking among those identifying as “Digital Agencies.” 65% of this segment anticipate increased revenue for digital product work in 2019 and 60% report this as a major change to their typical engagement models.

This trend is also top-of-mind among client-side marketers— 37% plan to increase spending to create digital products and services in 2019. In fact, more marketers plan to increase their budget for digital products and services than for marketing-domain stalwarts such as stand-alone content creation, campaign development and media planning / buying. As agency models continue to shift and marketers are tasked with broader agendas for growth and customer experience, it’s clear that a mature capability and competency in digital product and service design is one area of specialization poised for growth.

## Trends Shaping Tomorrow

### 7 **EMERGING TECHNOLOGY IS, WELL, STILL EMERGING**

New technologies come to market at a rapid pace and each one of them challenges business leaders and agencies with the choice of where to experiment, where to invest and where to wait and see. AI technology and initiatives related to AI-driven digital experiences were top of mind this year. Collectively, 56% agreed that “AI technology will significantly impact the way we plan for and design customer interactions.” 36% of marketing leaders plan to increase spending for “AI-Driven Digital Experiences” in 2019 and 36% describe their investment levels in this area as “significant.” But it’s still early days. Just 16% of respondents said they are actively working on AI-related projects and 27% have no plans to tackle AI in the next 12 months. The remaining 57% have just begun to explore the technology or plan to begin their first initiatives in 2019.

Outside of AI, we steady adoption for technologies related to AR/VR/Mixed Reality, voice-based experiences and even blockchain. More than one-third of marketers are planning “significant investments” in these areas in 2019.

The broader domain of “Marketing Automation” topped the list of emerging technologies in terms of anticipated spending and impact. Marketing leaders and agency leaders identified it as the top area for investment (46% of client-side marketers plan to make “significant investments” in 2019), and potential impact (37% of agency leaders anticipate that marketing automation will have a “significant impact” on their client’s marketing approaches in the next 12 months). While Marketing Automation, as a category, encompasses other emerging technologies (particularly AI), it’s clear that business leaders are prioritizing technology investments into solutions that can help alleviate key pressure points such as speed, scale, efficiency and effectiveness.



# SPENDING

OUTLOOK



# Budgets Are Growing In 2019

*Client leaders are bullish on spending in 2019 with both marketing and digital budgets on the rise.*

Digital Budget Outlook	2019	2018	2017
<u>Decreasing</u> digital budget	5%	21%	11%
Digital budget will be <u>flat</u>	24%	33%	28%
<u>Increasing</u> digital budget (without increasing marketing spend)	17%	27%	34%
<u>Increasing</u> digital budget (AND increasing marketing spend)	36%	16%	21%
Moving away from a separate line-item for digital spend	16%	3%	6%

53%

## Increasing Digital Spend

53% of client-side leaders plan to increase their digital spend.

36% are increasing digital spend AND increasing their overall marketing budgets... double the average of the previous 5-years of just 18%.



# Budget Plans By Category

*Clients plan spending increases across the board with paid social and digital experiences topping the list.*

Budget Plans For <u>Digital Services</u>	<i>Increasing Budget</i>
Digital Marketing Experiences (web/mobile)	39%
Platform Implementations	38%
Digital Products & Services	37%
Customer Insights & Analytics	37%
AI-Driven Digital Experiences	36%
Campaign Development & Execution	36%
Standalone Design / Content Creation	33%
Digital Media Planning & Buying	33%
Native Mobile App Design & Dev	29%
Experiential / Physical -Digital Installations	28%
Voice Applications / No-UI Interfaces	26%
Standalone Strategy (no execution)	24%

Budget Plans For <u>Digital Media</u>	<i>Increasing Budget</i>
Paid Social	40%
Online Display (excluding social)	36%
Video Advertising (excluding social)	36%
Paid Search	28%
Traditional Advertising	26%

30%

**Decrease Traditional Ad Spend**

30% of client-side marketers plan to *decrease* their spend on traditional advertising in 2019... the number one area earmarked for budget declines.

# Top 5 Areas For Budget Growth

*Digital Marketing Experiences have been a top priority for 3 years. AI-Driven Experiences on the radar in 2019.*

**2019**

## Top Areas for Budget Increase

- 1 Digital Marketing Experiences
- 2 Platform Implementations
- 3 Digital Products & Services
- 4 Customer Insights & Analytics
- 5 AI-Driven Digital Experiences  
Campaign Dev & Execution

**2018**

## Top Areas for Budget Increase

- 1 Digital Marketing Experiences
- 2 Customer Insights & Analytics
- 3 Content Development
- 4 Digital Products & Services
- 5 Social Marketing Execution

**2017**

## Top Areas for Budget Increase

- 1 Digital Marketing Experiences
- 2 Content Development
- 3 Digital Products & Services
- 4 Customer Insights & Analytics
- 5 Search Marketing



# Increased Spend With Partners

*43% of client leaders plan to increase their spending with external partners in 2019 — another positive sign for outlook.*

increasing spend w/ partners

43%

Nearly half of client-side leaders said that, in 2019, they are planning to *increase spending with external agency partners.*

## 3-Year Comparison

% of client-side marketing leaders with plans to increase spending with external partners.

2019

43%

2018

25%

2017

29%

# Digital Reallocation Slows

*Three quarters of client leaders are already spending more than 25% of their marketing budget on digital.*

Three  
Quarters > One  
Quarter

In 2017 and 2018, *more than three quarters of client-side marketing leaders were allocating more than 25% of their total marketing budget on digital.* An average of the past two years also shows more than 40% of client-side marketing leaders already spending more than half of their total budget on digital.

digital line-item disappearing

16%

Some client-side leaders have already begun to move away from distinct digital budgets and this year *16% said they no longer track digital spend as a separate line item.*



# It's always encouraging to see increases in marketing budgets.

Flattening digital spend and a slowdown in the decrease in digital spending are signs of the market maturing. As the lines between advertising, marketing and customer experience blur, so do the capabilities and infrastructure required to support them – essentially shifting spend into more nonworking investments. Currently, marketing spend for media, services, talent and technology are nearly equal. Forrester's 2018 services and technology forecast also revealed that the CMO has the fastest growing technology budget in the C-suite.



Keith Johnston, VP & Research Director @ Forrester

AGENCY

LANDSCAPE

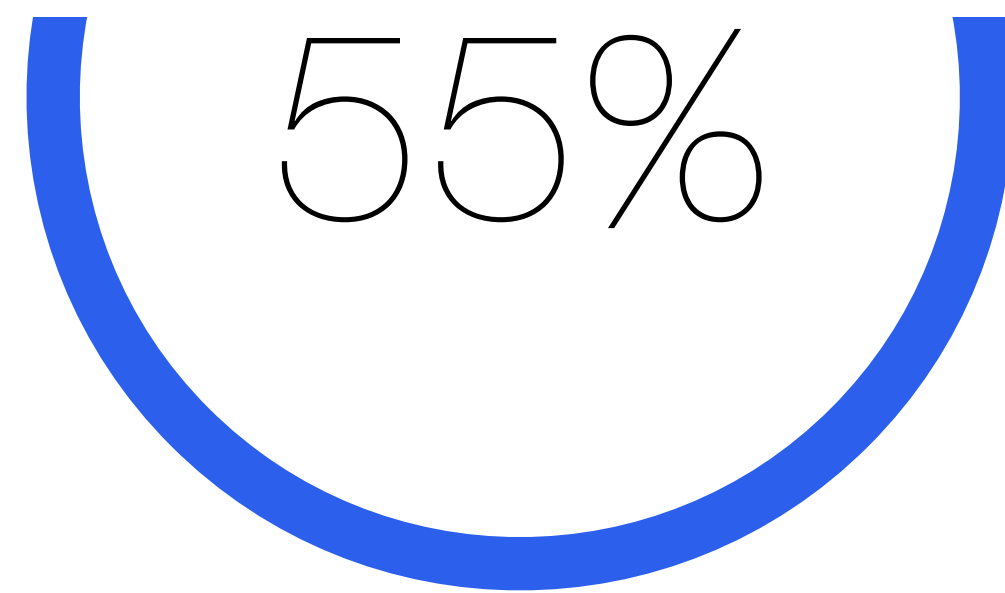




# Rumors Of Our Demise

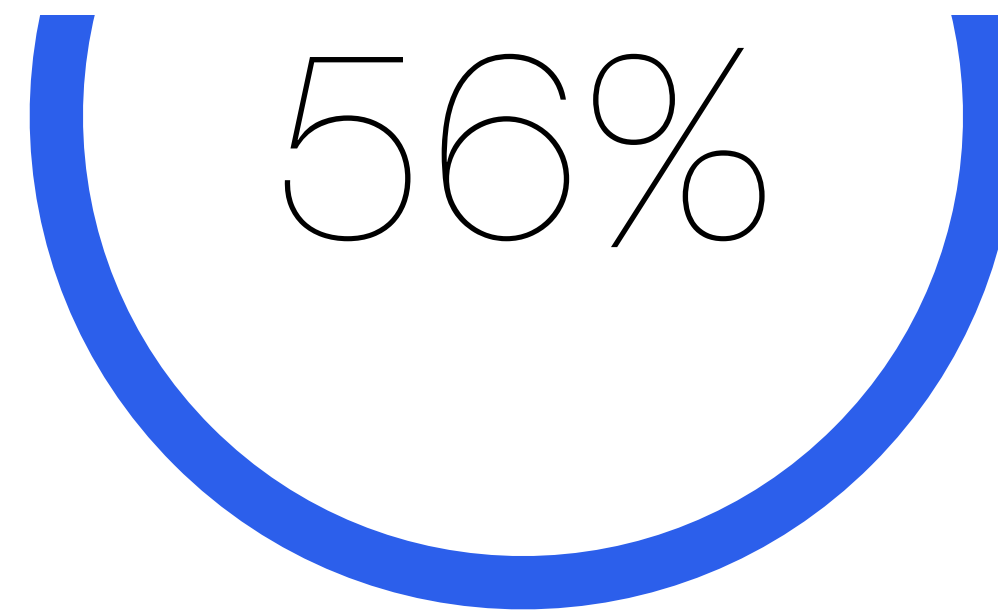
*The majority of agency leaders are reporting positive financial performance in 2018 and confidence in the year ahead.*

## PROFIT GROWTH



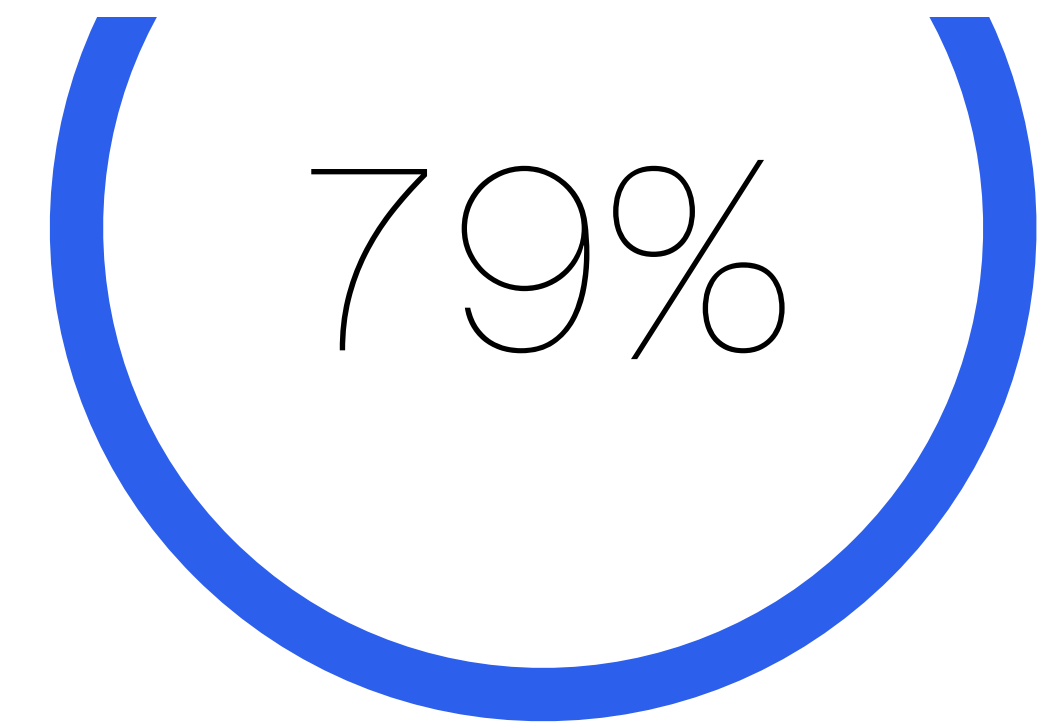
55% of agency leaders are reporting *profit growth* for 2018.

## REVENUE GROWTH



56% of agency leaders are reporting *revenue growth* in 2018.

## 2019 OUTLOOK



79% of agency leaders *confident* in *more profitable growth* in 2019.

# Areas For Revenue Growth

Agency leaders point to revenue growth in capabilities related to strategy, data and digital products.

2019 Growth Plans (Revenue vs. Budget)	Revenue Growing	Budget Growing	Difference
Customer Insights & Analytics	45%	37%	- 8
Digital Products & Services	45%	37%	- 8
Standalone Strategy (no execution)	37%	24%	- 13
Digital Marketing Experiences (web/mobile)	37%	38%	+ 1
Campaign Development / Execution	37%	36%	+ 1
Platform Implementations	35%	39%	+ 4
AI-Driven Digital Experiences	35%	36%	- 1
Voice Applications / No-UI Interfaces	31%	26%	- 5
Standalone Design / Content Creation	30%	33%	+ 3
Experiential / Physical -Digital Installations	29%	28%	- 1
Native Mobile App Design & Dev	27%	29%	+ 2
Digital Media Planning & Buying	21%	33%	+ 12



## Specialized Capabilities

The following capabilities show the least penetration of agencies offering services in these areas.

### % of Agencies NOT Offering Svs.

- 39% Media Planning & Buying
- 32% Voice & "No UI" Interfaces
- 30% Experiential & Installations
- 27% AI-Driven Digital Experiences



# Top 5 Areas For Revenue Growth

*In recent years, agency leaders have shifted their focus on growth to strategy, analytics and digital products.*

2019

## Top Areas for Revenue Growth

- 1 Customer Insights & Analytics
- 2 Digital Products
- 3 Standalone Strategy
- 4 Digital Marketing Experiences
- 5 Campaign Dev & Execution

*In 2018, "Content Development" was changed to "Standalone Design & Content Dev." We assume that any other content development is already baked into other project categories.*

2018

## Top Areas for Revenue Growth

- 1 Customer Insights & Analytics
- 2 Content Development
- 3 Digital Marketing Experiences
- 4 Digital Products
- 5 Platform Implementations

*In 2017, "Emerging Tech (VR, AI, IoT)" was the top area for revenue growth. For the purposes of comparison, we've removed it from this list. Emerging Technologies were not offered as a group in 2018.*

2017

## Top Areas for Revenue Growth

- 1 Digital Marketing Experiences
- 2 Content Development
- 3 Customer Insights & Analytics
- 4 Standalone Strategy
- 5 Digital Products

*In 2016, "Customer Insights & Analytics" and "User Research & Testing" were offered as separate categories. For comparative purposes, we've combined the two in this list. They were tied for third spot in 2016.*

# Agency Mix For Digital Projects

*Few signs of consolidation as client-side leaders continue to use a mix of agencies to tackle digital assignments.*

## Agency Types

Who do you use?

Full Service Digital Agency	37%
Consultancy (Mgmt / IT)	36%
Integrated Agency	34%
Specialized Digital Agency	25%
Product Design Agency	24%
Production Co / Design Studio	18%

## Number

How many partners?

One	24%
Two	35%
Three	18%
Four	6%
Five or More	9%
Zero / No agencies	7%

## Ownership

Indie or owned agencies?

Independent	39%
Owned (Holding Co/ Other)	34%
Mix of Indie and Owned	25%

**Few Signs of Consolidation**

*A majority of marketers used two or more partners and a mix of agency types for digital assignments in 2018. Over the past three years, an average of nearly 70% of clients used two or more partners for digital projects.*



# Consultancy Hype Hits Ceiling?

*In 2018, client leaders pulled back on their openness to hiring consultancies for digital agency assignments.*

**53% of client leaders said they are open to hiring a consultancy for digital agency assignments — down from 77% in 2017.**

2018		2017		2016	
5 (Very Open)	27%	5 (Very Open)	27%	5 (Very Open)	14%
4	26%	4	50%	4	27%
3	25%	3	23%	3	32%
2	14%	2	0%	2	19%
1 (Not Open At All)	8%	1 (Not Open At All)	0%	1 (Not Open At All)	9%

# Fewer Indies On The Roster

*A 3-year comparison of agency types used for digital assignments shows indies on the decline in 2018.*

**As holding companies, consultancies and other investors acquire digital shops, usage of independent agencies declined in 2018.**

2018		2017		2016	
Independent	39%	Independent	61%	Independent	51%
Owned (Holding Co / Other)	34%	Owned (Holding Co / Other)	18%	Owned (Holding Co / Other)	17%
Mix of Indie and Owned	25%	Mix of Indie and Owned	15%	Mix of Indie and Owned	25%
Don't Know / Other	2%	Don't Know / Other	6%	Don't Know / Other	6%



# Agency Innovation Labs

*The penetration of agency innovation labs peaked in 2017 and fell back to 48% this year.*

agency innovation labs

48%

This year, 48% of agency leaders said they had a *formal innovation lab*... down from a high of 66% in 2017 and on par with the 47% reported in 2016.

83%

## Direct Investment In Innovation Lab

For agencies with Innovation Labs, 83% *make direct financial investments*. Of these, approximately half invest less than 10% of their annual revenue in their Lab initiatives and half invest more than 10%.

*15% said they invest more than 20% of their annual revenue directly into their Lab.*

# Innovation Partners

*Agencies and consultancies duke it out as the most utilized partner type for digital experience innovation.*

**Agencies and consultancies top the list of partners most often tapped to help clients innovate their digital customer experience.**

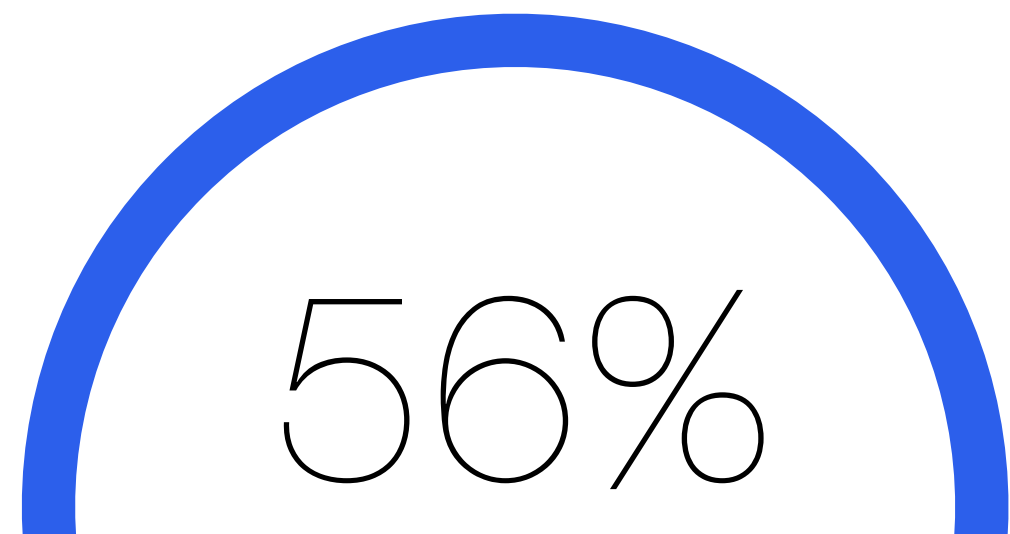
2018		2017		2016	
Agency Partners	41%	Agency Partners	37%	Agency Partners	50%
Consultancies (Mgmt/IT)	39%	Consultancies (Mgmt/IT)	47%	Consultancies (Mgmt/IT)	33%
Digital Media Partners	32%	Digital Media Partners	42%	Digital Media Partners	28%
Innovation Consultancies	12%	Innovation Consultancies	17%	Innovation Consultancies	19%
Internal / No Partners	18%	Internal / No Partners	14%	Internal / No Partners	30%



# Under Pressure

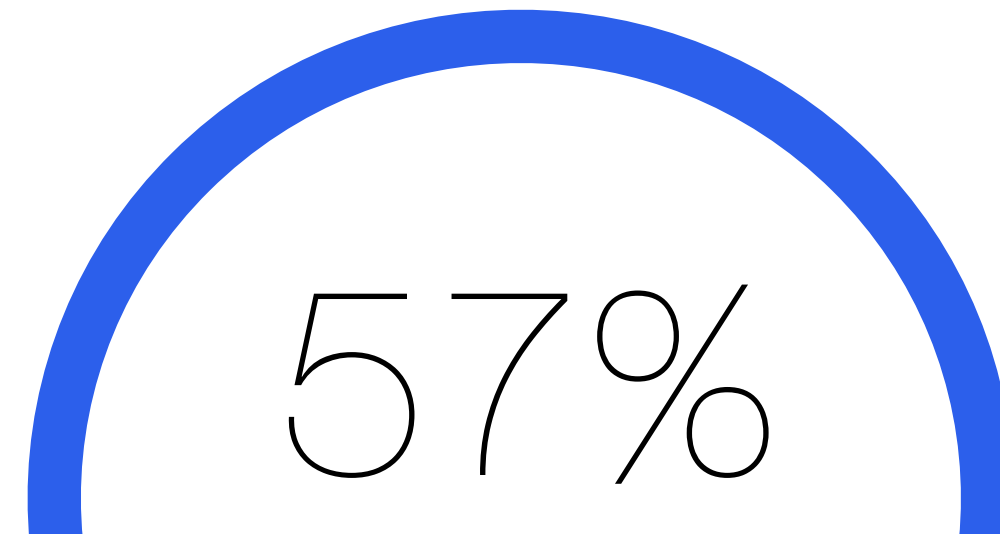
*Amid a confident outlook for 2019, agency leaders point to clear and growing challenges to their operating models.*

## SPEED



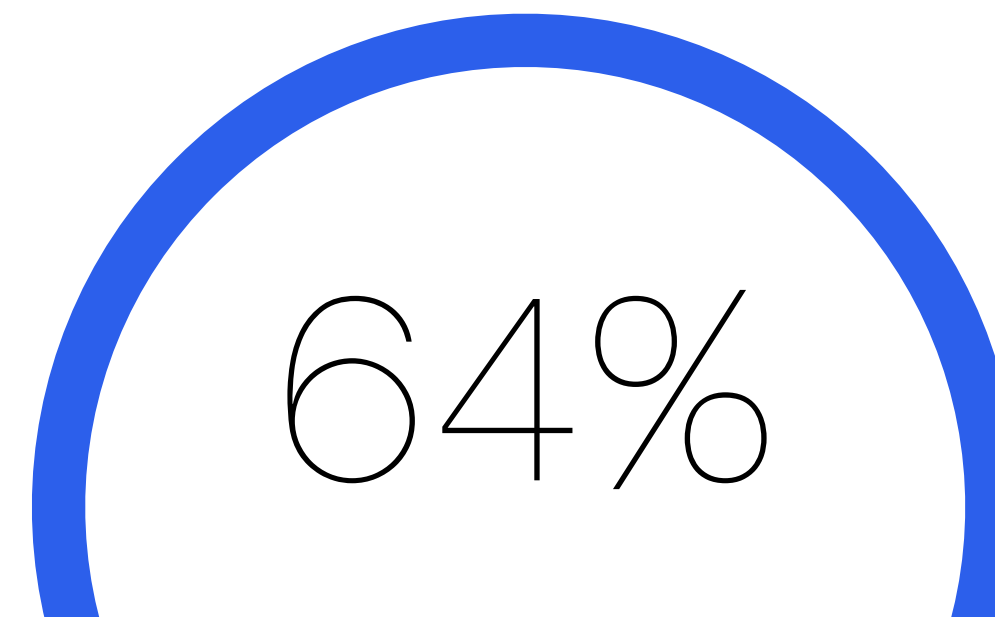
56% of agency leaders say that *speed of delivery* is a growing factor in winning new work.

## PRICING



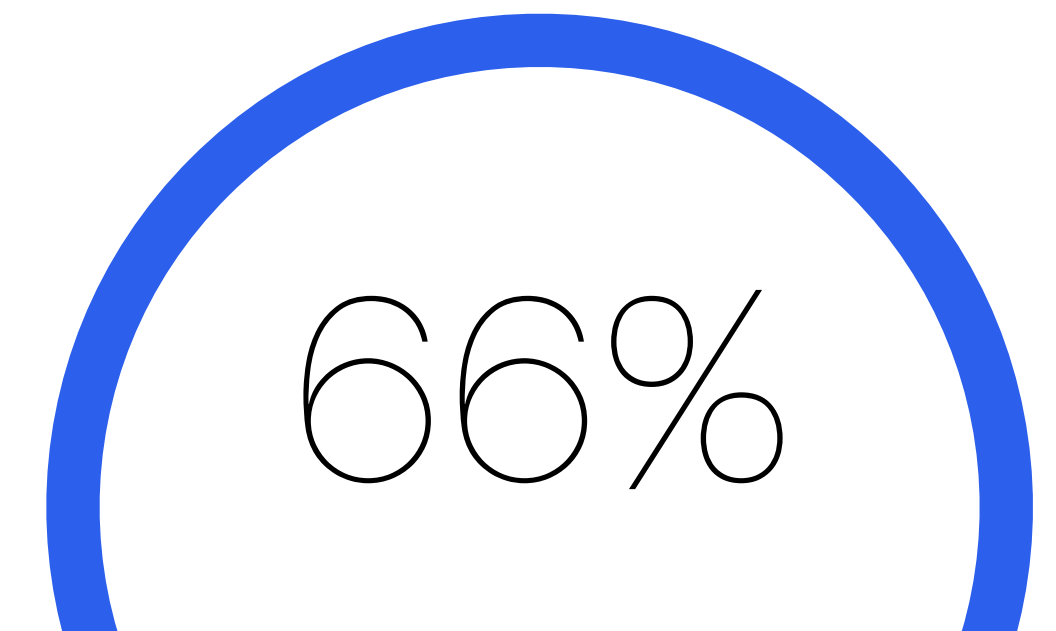
57% of agency leaders say that *pricing pressure* is growing year over year.

## TALENT



64% of agency leaders say that *rising costs for talent* are impacting their bottom line.

## COMPETITION



66% of agency leaders say they that *competition* for the services they offer *continues to intensify*.

# Valuing Creative Impact

*Client leaders want more from their creative agencies but readily admit that valuing impact is a challenge.*

**Business leaders expect better, different and more from their digital partners.**

- 1 Better *design and creative*
- 2 Different *pricing models*
- 3 More flexible and *nimble working models*

challenge valuing impact

70%

Client-side leaders admit that quantifying and valuing the impact of creative/design ideas presents a *major challenge for how they compensate their agency partners.*

# Active Evolution

*A majority of agency leaders are actively rethinking their current business models.*

rethinking the business model

61%

A majority of agency leaders are working to evolve their business and 61% said they are in the process of *actively rethinking their current business model.*

## Digital Products.

42% of agency leaders said they were increasingly called upon to help their clients *create new digital products and services.*

## Collaboration.

30% of agency leaders said they were increasingly required to *work with other partners in a more integrated fashion.*

## Pricing Models.

26% of agency leaders said they were *actively experimenting with new pricing models.*

## Partnerships.

25% of agency leaders said they were increasingly *going to market with 3rd party partners* to round out their service offerings.



# Talent Throttles Some Agencies

*Agency leaders point to rising costs and lack of availability for great talent as a barrier to growth.*

Digital Talent :: Most Difficult To Find	2018
Technology / Development	38%
Creative / Design	25%
Strategy / Planning	24%
User Experience	21%
Customer Insights / Analytics / Research	18%
Business Development / Marketing	18%
Executive Management	17%
Account / Project Management	16%
Social Marketing / Content	11%
Media Planning / Digital Advertising	8%
Not Applicable / No Difficulty Finding Talent	8%



# Strategic Priorities for Growth

Agency leaders point to new capabilities, talent and new working models as key to evolution over next two years.

Top Strategies Driving Agency Growth		Partnering with other companies to expand our service offerings	14%	Mergers and acquisitions to support strategic growth	12%
Developing new services and capabilities	26%	Building and selling our own products/intellectual property	13%	Expanding to new geographic markets	11%
Attracting and retaining top talent	23%	Becoming a more data-driven organization	13%	Competing more aggressively on price	10%
Adopting new methods/processes for working collaboratively	20%	<div>NEW CAPABILITIES + TALENT</div> <div>top the list of strategic priorities for agency leaders but the roadmap for success varies widely.</div>			
Differentiating our brand through innovation	19%				
Changing and/or evolving our pricing model	14%				

# The best version of our company is a perpetual motion machine. Never settling, or finding its final form.

Our ability to change, both in small ways and big, is in direct correlation to the growth of MediaMonks. Our recent merger with S4 Capital is an example of that, a broad and brawny call to change the status quo. To strip away silos, integrate production and performance, and take a stand that creative, quality, and craft combined will forever be a distinction worth paying for.



Wesley ter Haar, Co-founder @ MediaMonks



MODERN

MARKETER



# Strategic Priorities for Growth

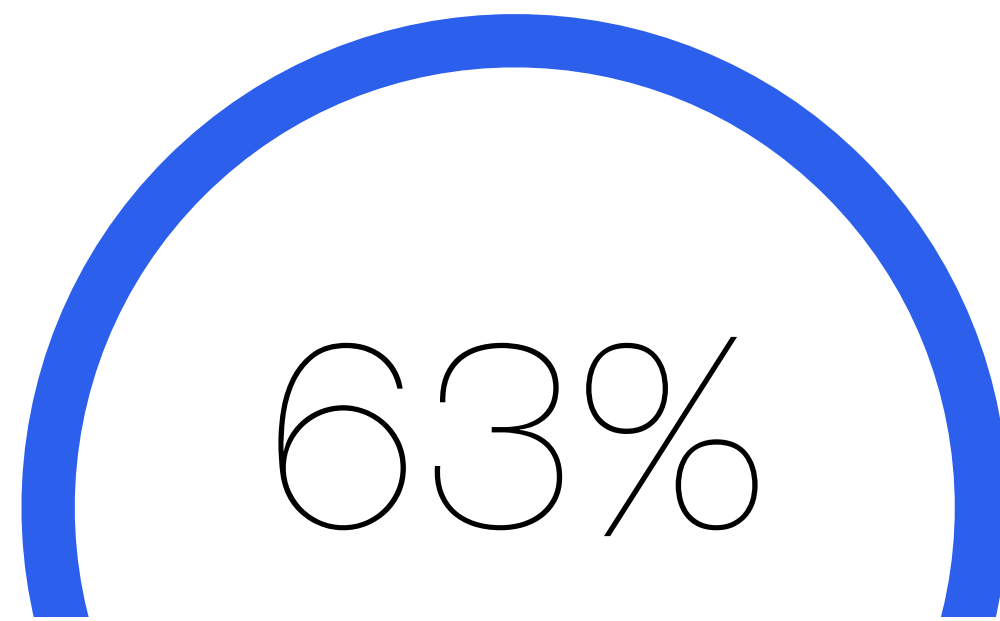
*Business leaders focus on innovation, emerging technology and organizational culture as key drivers of growth.*

Top Strategies Driving Business Growth		INNOVATION CULTURE EMERGING TECHNOLOGY	
Differentiating our brand through innovation	24%		
Embracing emerging technology before our competitors do	22%		
Evolving our internal culture and organizational structure	20%		
Attracting and retaining top talent	18%	Adopting new methods/processes for working collaboratively	16%
Cultivating a better understanding of our customers' needs	17%	Leveraging data to make smarter and faster decisions	15%
Creating a more effective and nimble partner ecosystem	17%	Competing more aggressively on price	13%

# Emerging Priorities

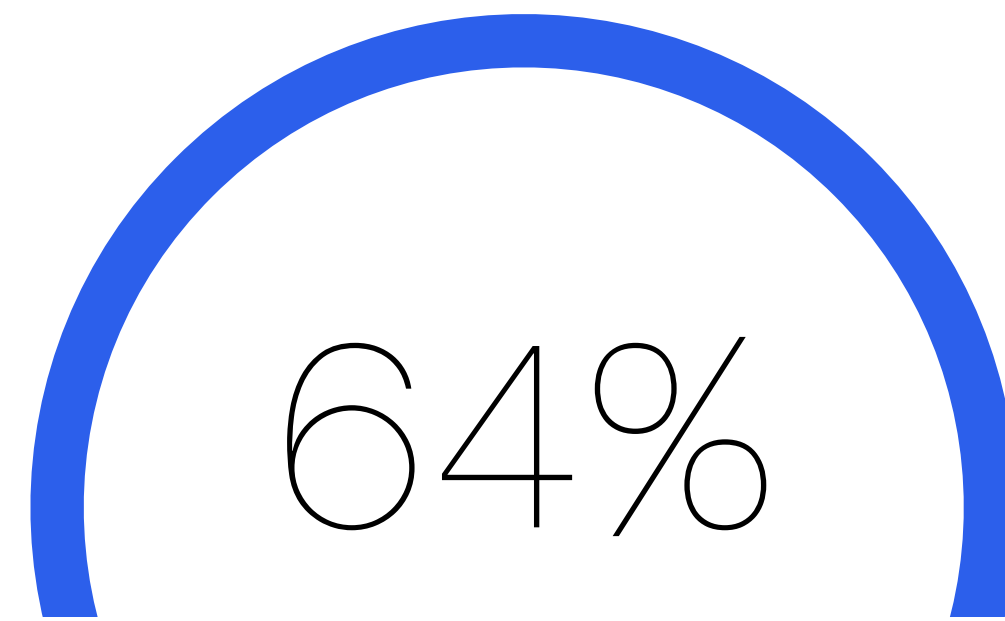
*Client leaders point to speed, privacy, efficiency, transparency as just a few growing areas of focus for their business.*

## SPEED



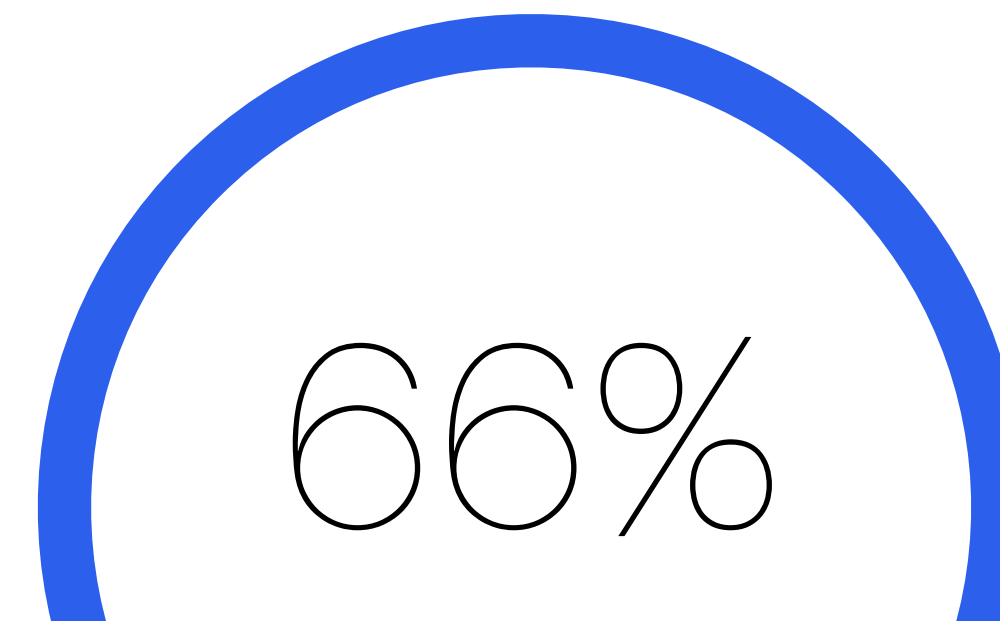
63% of client leaders say [producing/publishing personalized digital content, more quickly](#), is a major priority for their business.

## PRIVACY



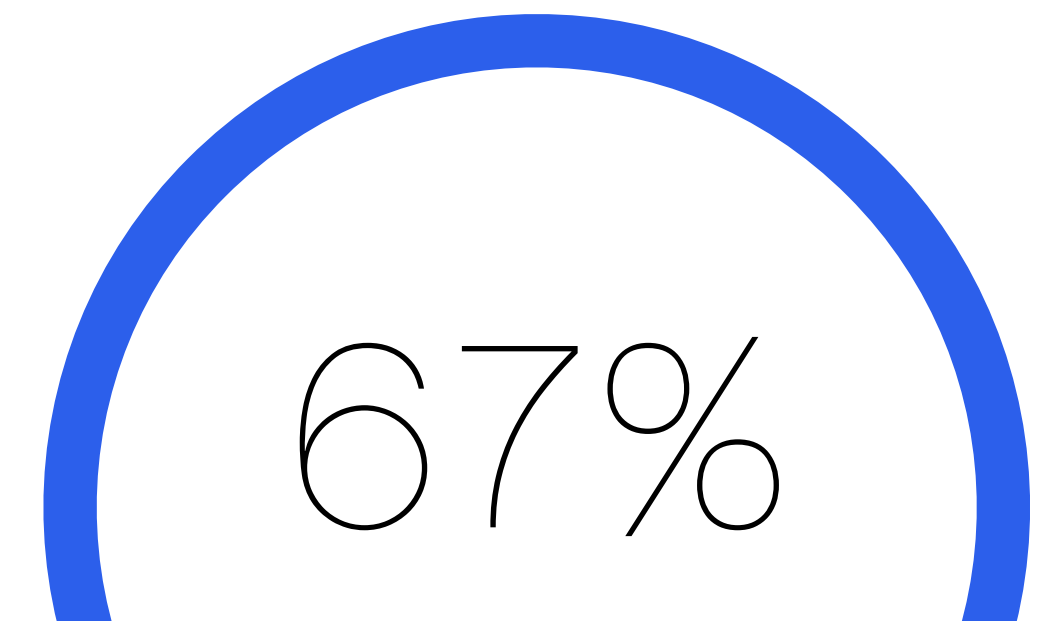
64% of client leaders say that [growing concerns over data privacy](#) has had a major impact on the way they plan for and execute digital campaigns.

## TRANSPARENCY



66% of client leaders say they are demanding [greater detail and transparency](#) in how our agency partners track and [report on budget spending](#)

## EFFICIENCY



67% of client leaders say [producing/publishing personalized digital content, more efficiently](#), is a major priority for their business.



# Digital Decision Makers

*The selection of digital agency partners is becoming more distributed across the C-suite, Marketing and IT.*

2018		2017		2016	
CEO / COO / President	31%	CEO / COO / President	49%	Director / Manager, Marketing	49%
Director / Manager, Marketing	27%	VP, Marketing	26%	VP, Marketing	48%
VP, Technology	18%	Director / Manager, Marketing	24%	CMO	42%
Director / Manager, Technology	17%	CMO	16%	CIO	17%
VP, Marketing	16%	CIO	14%	Director / Manager, Technology	14%
CIO	14%	Director / Manager, Technology	8%	VP, Technology	13%
CMO	13%	VP, Technology	6%	CEO / COO/ President	n/a
Business Line / Product Lead	13%	Business Line / Product Lead	4%	Business Line / Product Lead	n/a

# Who Owns What?

*Organizational ownership of “digital strategy” and “customer experience” were something of a surprise this year.*

## Digital Strategy

who is the primary lead?

IT	45%
Marketing	28%
Corporate Strategy	10%
Sales / eCommerce	8%
No single group	5%
Product	4%

## IS IT IN CHARGE?

*When asked which corporate function was the **primary lead** for digital strategy and customer experience, we were surprised to see IT at the top of the list... particularly for CX. Regardless, the convergence of IT and Marketing on these strategic domains will lead to experimentation with organizational models and areas of responsibility.*

## Customer Experience

who is the primary lead?

IT	39%
Marketing	23%
Sales / eCommerce	12%
Corporate Strategy	11%
No single group	7%
Product	5%

# Creative Leaders Ascend

*Creative and design leaders are playing a bigger role in shaping overall business strategy.*

creative leaders impact strategy

67%

Client-side business leaders say that *creative and design leaders are playing a bigger role in the overall strategic direction* of their businesses.

**Business leaders focus on innovation, technology and culture as the biggest factors for success in next 2 years.**

- 1 Differentiating our brand through *innovation*
- 2 Embracing *emerging tech* before our competitors
- 3 Evolving our internal *culture* or org structure



# AI :: A New Hope?

*Client and agency leaders anticipate that AI will significantly impact the way they design for customer interactions.*

AI will impact design process

56%

Agency leaders and client-side marketing leaders believe that AI technology will *significantly impact the way they plan for and design customer interactions.*

36%

## **Significant Investment In AI**

36% of client leaders are planning significant investments in AI-driven digital experiences in 2019.

32%

## **Significant Impact For AI**

32% of agency leaders believe AI will significantly impact their clients' approaches in 2019.

# Technology... Still Emerging

*Client leaders plan spending increases across the board but some of the optimism may be aspirational.*

## Emerging Tech

Clients making a “significant investment” versus agency leaders anticipating a “significant impact”

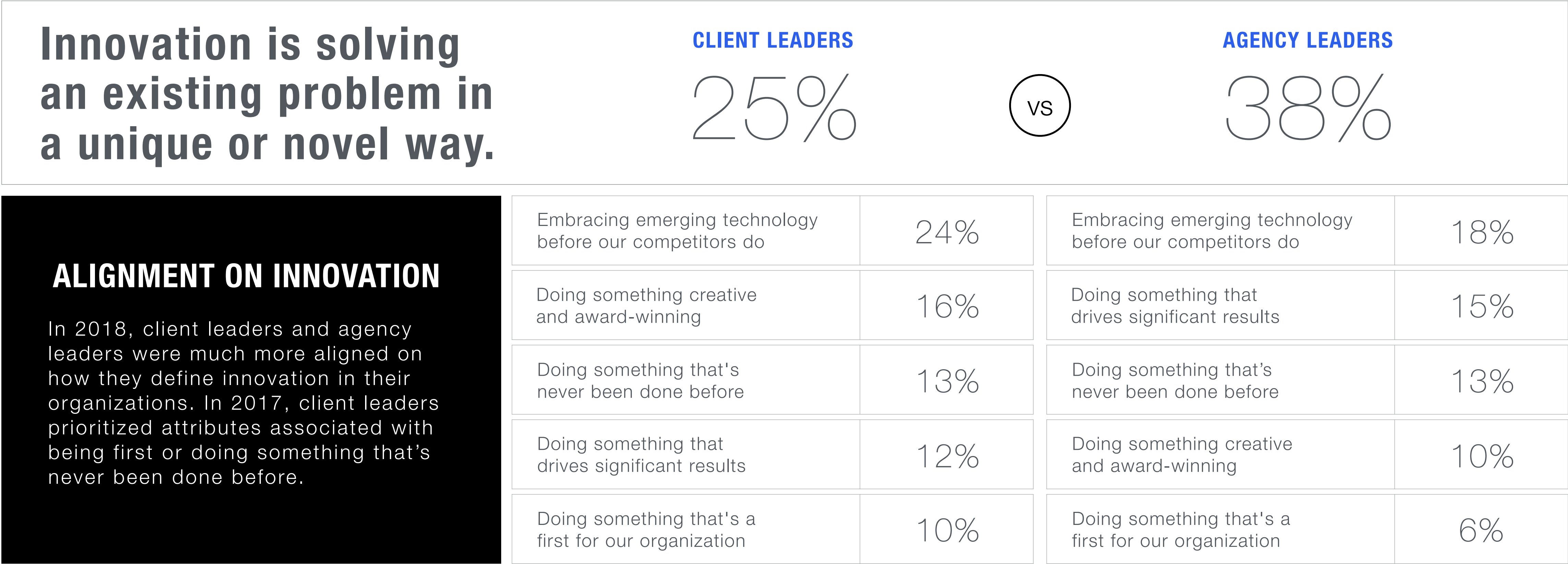
	Investment	vs	Impact
Automation	46%		37%
AI	36%		32%
Voice	33%		26%
IoT	36%		26%
AR / VR	36%		22%
Blockchain	36%		22%

## PROJECTS PLANNED FOR AI-DRIVEN EXPERIENCES

- 18% Actively implementing projects related to AI-driven digital experiences.
- 56% Exploring AI-technology or planning to begin their first initiative in 2019.
- 27% No plans to leverage AI-technology in the next 12 months.

# What Is Innovation?

*In 2018, client leaders and agency leaders moved closer to a common understanding of what defines innovation.*





# Fostering Innovation

*Business leaders believe their organizational structures foster innovation. Agency leaders are more critical.*

## Organizational Factors Driving Innovation

CLIENT LEADERS		AGENCY LEADERS	
Clear process for evaluating and investing in new ideas	29%	Strong executive sponsorship	35%
Strong executive sponsorship	28%	Strong internal talent/capabilities	34%
Clear departmental ownership for innovation	26%	Direct budget allocation for innovation initiatives	33%
Strong external partnerships	26%	Clear departmental ownership for innovation	22%
Strong internal talent/capabilities	25%	Strong external partnerships	17%
Direct budget allocation for innovation initiatives	22%	Clear process for evaluating and investing in new ideas	16%
Ability to prototype, iterate and move quickly	17%	Ability to prototype, iterate and move quickly	14%

61% vs. 37%

### ORG STRUCTURE + INNOVATION

61% of client-side leaders believe that their current organizational structure facilitates their ability to innovate.

Agency leaders were more critical and just 37% agreed that their clients’ organizational structures facilitate their ability to innovate.

This overall gap in perspective, however, closed this year— a 24-point difference in 2018 compared to a 45-point difference in 2017.

# Hindering Innovation

Client leaders and agency leaders are more aligned when it comes to identifying organizational barriers to innovation.

CLIENT LEADERS		AGENCY LEADERS	
Budget constraints / no budget allocated for innovation	38%	Budget constraints / no budget allocated for innovation	37%
Lack of clear ownership / organizational silos	25%	Lack of clear ownership / organizational silos	31%
Too busy with ongoing operations / business-as-usual	22%	Too busy with ongoing operations / business-as-usual	29%
Lack of executive sponsorship	20%	Bureaucracy / move too slowly	26%
Weak internal talent and capabilities	18%	Weak internal talent and capabilities	18%
Lack of strong external partnerships	14%	No clear process for evaluating and investing in new ideas	15%
Bureaucracy / move too slowly	12%	Lack of executive sponsorship	14%
No clear process for evaluating and investing in new ideas	10%	Lack of strong external partnerships	5%

## Organizational Factors Hindering Innovation

Client leaders and agency leaders are more closely aligned when it comes to the organizational factors identified as hindering their ability to innovate... budget constraints, organizational silos, and lack of focus top the list.

# Client-Agency Relationship

Client leaders want stronger creative capabilities, different pricing structures and more nimble working models.

## What Clients Want From Their Agency Partners

Better Design / Creative	33%
Different Pricing Models	30%
More Flexible /Nimble Working Models	25%
Stronger Leadership	21%
Stronger Technology Capabilities	17%
Stronger Data Capabilities	14%
More Training / Staff Augmentation	6%

## Why Clients Terminate An Agency Partner

Pricing / Value	33%
New Mgmt At Our Organization	19%
Cost Overruns	16%
We Needed Different Capabilities	14%
Unhappy with Strategy	13%
Understaffed / Inexperienced Team	13%
Unhappy with Acct / Project Mgmt	11%

### PRICING OR CREATIVE?

Client leaders want better design and creative from their agency partners as well as different pricing models. But when it comes to ending a partner relationship, pricing/value tops the list while discontent with creative output is rarely a driving factor in the decision.

Unhappy with Creative	10%
Unhappy with Tech / Dev Capabilities	9%



# The Impact of Insourcing

Client-side leaders continue to build out internal digital capabilities causing a shift in partnership models.

an impact from insourcing

63%

63% of client-side business leaders say that the insourcing of digital capabilities has had an *impact on the ways in which they engage with agency partners*. 56% of agency leaders agreed that insourcing had an impact on their business.

## Insourcing Plans for digital capabilities over next 12 months. Average across 12 capability areas.

Primarily handled <i>external partners</i>	20%	Majority already <i>handled in house</i>	39%
Plan to <i>bring some in house</i>	28%	Plan to <i>bring majority in house</i>	24%

43%

### Increasing Spend With Partners

In spite of plans for greater insourcing, 43% of client leaders say they plan to increase their investments with external partners in 2019.

7%

### Utilize No Agency Partners

In 2018, just 7% of client leaders said they used no agency partner at all... just below the three-year average of 9%.

# The Digital Distinction

*There are signs that digital is beginning to mature out of it's distinction as an independent capability and budget category.*

**“Digital” is still  
a relevant term  
for differentiation.**

CLIENT LEADERS

80%

vs

AGENCY LEADERS

59%

**We're moving away  
from tracking digital  
spend separately**

2018

16%

2017

3%

2016

6%

## THE DIGITAL DISTINCTION MAY BE DYING

While 80% of client leaders still believe the term “digital” is a relevant way to differentiate types of partners and capabilities, agency leaders are starting to let go of the term.

On the budgeting side, 16% of client leaders in 2018 said they were starting to move away from tracking “digital” spend as a separate budget category.

# The role of design has changed tremendously.

Design used to come in at the very end of a product cycle to make things look pretty. Now it has a central place at the table from the start and people throughout the organization are interested in what designers produce. Ultimately, design isn't about aesthetics. It's a way of thinking, it's about having empathy for customers and making their experience as clear, efficient and pleasant as possible. That way of thinking isn't helpful just for products, it can be a powerful way of leading a company as well. That's why we're seeing more design thinkers as founders and important company leaders.



Scott Belsky, Chief Product Officer @ Adobe



# SURVEY

METHODOLOGY



# Survey Methodology

*The annual Global Digital Outlook Study is a collaboration between SoDA and Forrester Research.*

- ▶ Online survey of agency leaders and business executives fielded by SoDA and Forrester Research in Q3 2018.
- ▶ Hundreds of responses screened and compiled by Forrester's data team. This study survey includes a validated sample of 238 agency executives and 166 client-side leaders from around the globe.
- ▶ The majority of agency respondents are from mid-sized, digital agencies (\$25MM USD or less in annual revenue) in North America. The sample, however, includes a healthy representation of perspectives with more than 45% of agency respondents coming from outside of North America and nearly 20% of respondents coming from larger agencies with annual revenue greater than \$50MM USD.
- ▶ The majority of client-side respondents are marketing executives (VP or above) at companies based in North America. The majority operate with annual marketing budgets greater than \$50MM USD and represent a good mix of perspectives across the B2C, B2B and B2B2C segments. The client-side sample includes healthy global representation with 30% of respondents operating globally or in markets outside of North America.

# Respondent Overview

*The overall respondent pool consists primarily of leaders at a healthy mix of brands and agencies.*

## Client Side Respondents (n = 166)

### ROLE OF RESPONDENT

C-level Executive	52%
Marketing Executive	19%
Technology Executive	17%
Product /Design Executive	7%
Other	5%

### MARKETING FOCUS

B2C Marketer	41%
B2B Marketer	32%
B2B2C Marketer	28%

### MARKETING BUDGET (USD)

Less than \$10 MM	17%
\$10 - \$50 MM	18%
\$50 - \$100 MM	25%
\$100 - \$500 MM	20%
Greater than \$500 MM	19%

## Agency Side Respondents (n = 238)

### ROLE OF RESPONDENT

Founder / Partner / MD	39%
VP / SVP / EVP	14%
Director / Practice Lead	37%
Other	11%

### AGENCY TYPE

Integrated Agency	30%
Digital Agency	31%
Consultancy	17%
Product Design Studio	9%
Production Company	8%
Other	5%

### AGENCY REVENUE (USD)

Less than \$10 MM	44%
\$10 - \$25 MM	18%
\$25 - \$100 MM	19%
Greater than \$100 MM	11%
Can't disclose	9%



## ABOUT SODA

SoDA is the leading global network for digital agency leaders, creative innovators and technology disruptors. With more than 100 agencies spanning 6 continents (sorry, nothing in Antarctica ... yet), our members help the world's most progressive brands imagine and create the future of digital experiences.

## ABOUT FORRESTER

Forrester (Nasdaq: FORR) is one of the most influential research and advisory firms in the world. We work with business and technology leaders to develop customer-obsessed strategies that drive growth. Forrester's unique insights are grounded in annual surveys of more than 675,000 consumers and business leaders worldwide, rigorous and objective methodologies, and the shared wisdom of our most innovative clients. Through proprietary research, data, custom consulting, exclusive executive peer groups, and events, the Forrester experience is about a singular and powerful purpose: to challenge the thinking of our clients to help them lead change in their organizations.

DIG

IT

AL

So  
DA