Client in-housing, competition for talent top digital agency concerns

SAN JOSE – Digital agencies have been on the leading edge of digital transformation for several years. They are not, however, immune to the challenges of adapting to changing technologies, advances in automation and evolving client capabilities and staff skill requirements that come with transformation.

To better understand how digital agencies are evolving to meet the needs of their clients and their own businesses, Marketing Land surveyed agency marketers in mid-November and early December 2018. Released Wednesday at SMX West in San Jose, CA, the report found that agencies are sensitive to threats from clients shifting services in-house and cutting agency budgets. Meanwhile, most agencies plan to add services in the coming year and they are hiring – or trying to. Many report having trouble filling positions.

Headwinds: hiring and in-housing of services, tech, budgets

Client behavior, more than consumer or internal agency issues, topped the list of agencies' concerns. Half of the respondents said that clients moving services in-house is a key challenge, and more than 42.5 percent said client budget cuts is a real challenge in today's marketplace. More than one-third (36 percent) cited clients adopting marketing technology as a challenge.

Agencies may also be competing with brands for talent. Competition for talent was the second-most cited challenge,

behind in-housing, with 44 percent saying it’s a problem. While 70 percent of respondents said their agencies are hiring, nearly 50 percent of that group said they are having a hard time filling positions. Just 20 percent of those hiring said they are able to fill positions relatively easily.

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Strategic services will become a greater priority as campaign execution and management becomes increasingly automated. Strategy ranked as the “soft” skill that will be most in demand in the next two years, followed by strong client communication. Seventy-two percent of agency marketers said data science and analysis will be the technical skill most in demand at agencies in the coming years, followed by conversion rate optimization (59 percent) and computer science/AI and technical SEO (52 percent each).

As automation advances and the amount of data available from all angles swells, staying on top of tools, analytics and attribution become more complicated. Among the key issues facing their businesses, 41 percent of agencies said managing data and analytics and 40 percent said keeping up with automation is a challenge.

Opportunities: Automation, strategy, more services and media spend

Agencies do appear to be embracing the transformation that automation is bringing. More than half of respondents said automation has had a positive impact on their businesses, and most plan to adopt marketing technologies in the next 12 months, with marketing automation (30 percent) and business intelligence (25 percent) topping the list.

More than 50 percent of respondents said their agencies will

add one or more of the following services in the coming year: video advertising, paid social, Amazon advertising, content marketing, paid search, strategy consulting and SEO. Fewer than one in ten agencies plan to cut any one service, with one exception. Twelve percent expect to cut organic social services. Given the diminished organic visibility on social networks, it's more surprising that number isn't higher.

Agencies expect increases in media spend this year, led by Google, YouTube, Facebook, Amazon and LinkedIn. More than half of the respondents forecast greater spend on these five networks, with 75 percent looking at spending more on Google and 52 percent seeing an increase on LinkedIn. Facebook ranked in the top three for both increases and spending cuts, with 67 percent anticipating more spend and 17 percent planning cuts.

Forward-thinking agencies will need to continue adapting to attract and develop staffs that will be able to deliver strategic value for their clients in this time of change.

Download the full report here (registration required).

More about digital agencies

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