



**How digital agencies
stay successful.**

The secrets of digital agency success

The fear of being left behind only becomes a reality if you let it. If you do not take positive steps to ensure the competitiveness and continuing profitability of your company, chances are you will have left it too late to play catchup. Being aware of what it takes to be successful and understanding how to implement it means giving yourself the advantage to succeed. We commissioned Millward Brown to survey a random sample of more than 300 senior managers and directors of digital agencies in ten countries across three continents. These decision-makers are no freshmen. With an average age of 39 years and responsibility for 30+ employees, they offer a strategic view of their needs, their clients' needs, and the industry's trends. In this whitepaper, we will focus on those vital ingredients used by high-performing digital agencies to stay consistently ahead and give you the key secrets to taking your company further.





We surveyed 300 senior managers and directors of digital agencies in 10 countries (including the United States, United Kingdom, Netherlands, Czech Republic, Australia, New Zealand, Belgium, and others).

Distinction spells success

Two extremes make up the competitive digital agency landscape: those agencies that are prepared to achieve more and those that rely on outdated practices that might have served them well in the past but are not a sustainable strategy in the long term. Whether it is the desire to push the digital envelope or a mistaken belief in the status quo, these two types of agency could not be more different in their outlook or the way in which they approach their business. Of course, you can always find those that tend to sit somewhere between the two extremes, but in the dynamic and rapidly changing world of today's digital agency, you should be three steps ahead and ready for the future.



The secret is in the recipe

Throughout this report, we are comparing above- and below-average agencies. This definition is based on self-evaluation, where managers described their agencies as performing better or worse than the industry, taking into account the region in which they mainly operate. Revenue was approximately \$4.5 million in high-performing agencies, it was “just” \$1.9 million in below-average agencies.

The first thing agencies need to learn is it is not about focusing on what success means to their more-accomplished counterparts, it is more about understanding how they are doing it.

High-performing digital agencies all display similar traits, but do they have this success hard-coded into their DNA? Is it something agencies can emulate? The first thing agencies need to learn is it is not about focusing on what success means to their more-accomplished counterparts, it is more about understanding how they are doing it. Because success is about changing your mindset, whether it is about the methodologies or technologies adopted, or the shrewdness of their employees, achieving more is like a mantra. However, which elements does that mantra consist of, and how do they fit in with client expectations?

Less is not more—more is more

Uber-successful agencies invest in both humans and technology. When it comes to hiring new people, according to our research, 90% of them put their belief in their buck by expanding their workforce—bringing in new people allows their capacity to expand so they can take on more projects. This is also reflected by around half of them being interested in mergers and acquisitions as a way to strengthen their position in the market and increase the size of their employee base.



What about the Workers?

As a serious player in the market, agencies can no longer afford to remove recruitment from their budget. Having the reputation of an employer that sees the value in employee acquisition affects how customers see you. Creating a pool of skilled workers helps recognize their strengths and weaknesses and maximize efficiency. Employee development keeps employees engaged—after all, good employees are money in the bank. As employees become more efficient and proficient, the quality of the work they do helps save money.

By thinking long term and addressing what customers need from your employees as well as anticipating how industry changes might affect you, you allow yourself the flexibility to move in alignment to customer and industry needs. Attracting the correct kind of employee using techniques that reflect shifts in the industry means thinking ahead of the curve.

Great Expectations?

The high achievers of the digital agency world feel their clients know what they need and their staff are competent and understand their tasks well. Compared with the lesser achieving agencies, who find that employees understanding of tasks is lower, but that their clients are more cooperative, and more or less concur with their more successful peers that clients know what they need. While their tendency to use cheaper labor is higher.

Aspects contributing to digital agencies' success



Streamline, streamline, streamline

Interestingly, 55% of those agencies achieving more also have an outsourcing strategy. By streamlining and reducing costs, they can maximize their company's focus on their core business processes and delegate routine time-consuming processes externally. This results in freeing up internal resources and reducing operational costs, by firstly mitigating the risks outsourcing often brings, such as losing control, poor communication, hidden costs, intellectual property issues, and compromising quality.

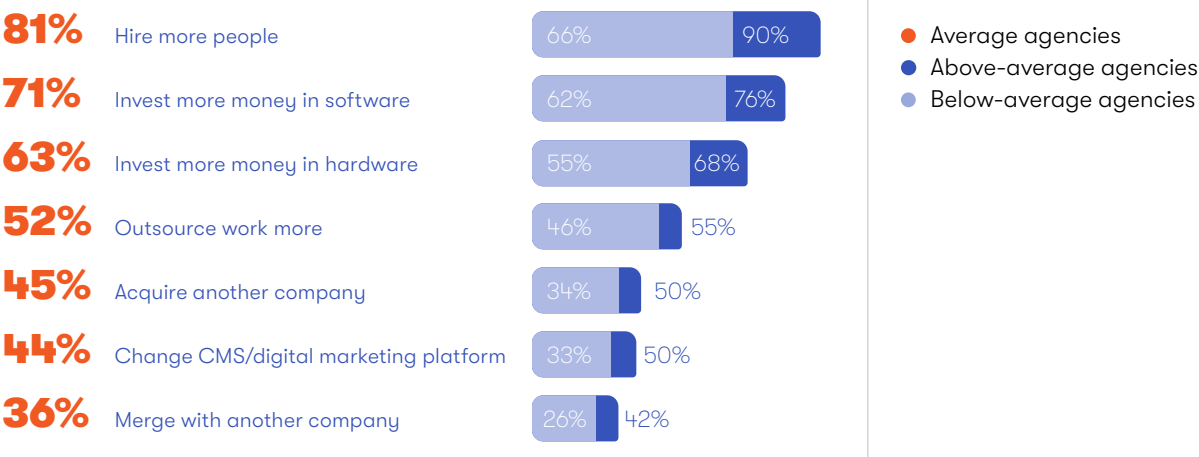
Put your money where your mouth is

Our research has shown that 76% of well-performing agencies also plan to invest more into software. In addition, due to client investments, 50% plan to or have changed their CMS or digital marketing platform with 68% of them spending more on hardware.



The survey also indicates that the majority of business representatives across all regions believe that all of the changes above will increase the efficiency of their work significantly. Those that plan to hire more people, invest more money in both software and hardware, or change their CMS/digital marketing platform are optimistic about developing and increasing their business.

Activities that agencies plan



Give power to the people

As diverse as the technology landscape is, it is not practical or indeed possible to offer expertise in every new solution that is on offer. By providing a select portfolio of technologies, agencies are able to ensure that they can support them with genuine experience. Knowing a product inside out means having staff that can implement and integrate them effectively, helping to prevent any issues that lesser-knowledgeable agencies cannot avoid.

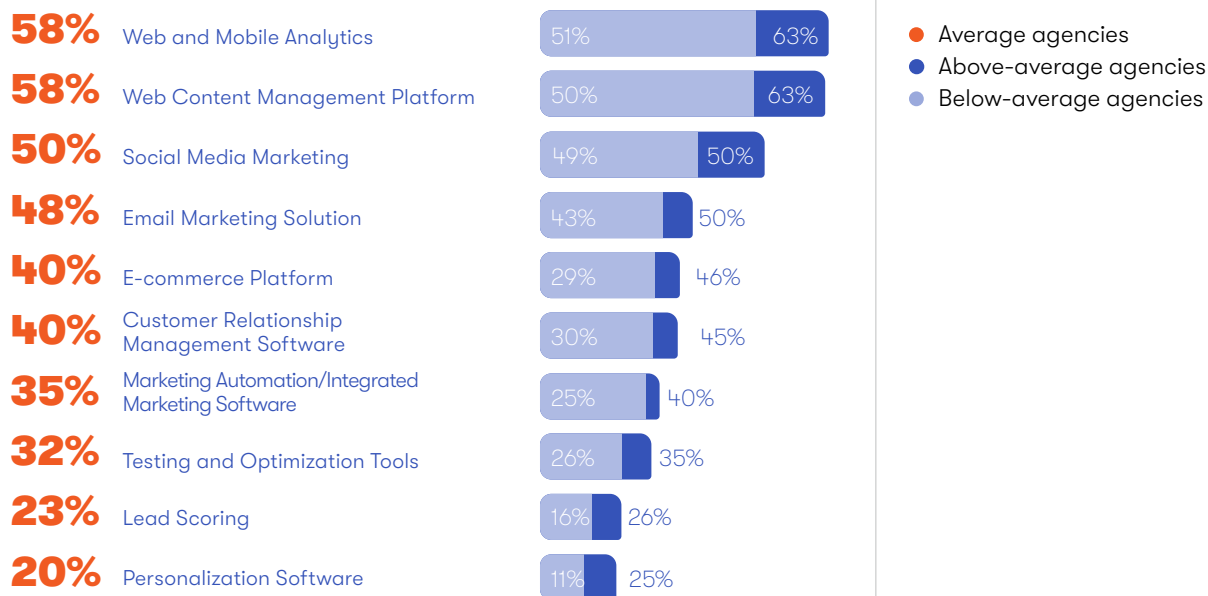


On average, 38% of agencies offer digital marketing personalization, and 40% provide marketing automation (lead nurturing) to their clients.

A platform for success

As for the specific software and solutions, web and mobile analytics, content management systems, social media marketing, and email marketing solutions are the most recommended.

Digital marketing solutions that digital agencies recommend to their clients



Besides the traditional Top 4—CMS, email, social, and analytics—the top-performing agencies suggest e-commerce, CRMs, and automation platforms to their clients. They offer a competitive means for agencies. Moreover, as platform prices get lower, even smaller clients will be able to afford them.

Struggles? Frequently with clients...

Although the majority of agencies feel that there are many competitors in the market, it seems that it is mostly the clients that concern them. Clients want to use digital marketing but do not understand it well (84% agree). They also expect a lot of work for little money (83%), and acquire many digital marketing tools but do not use them (75%). It seems that less successful agencies have a tendency to blame their clients for not understanding digital marketing and for wanting a lot for little money.



Resistance is futile

Resistance to digital transformation is usually based on money in general, no matter if it is on the agency or client side, and this overshadows the benefits such technologies bring. Digital transformation does not come cheap—this must be taken into consideration, as well as what strategy they have in place to effect this. Only then is it possible to evaluate the insights they are gaining to validate and ensure they are using their new technologies effectively. It is not just about the solution itself but also having the personnel trained that are necessary to work with it.

What digital agencies struggle with

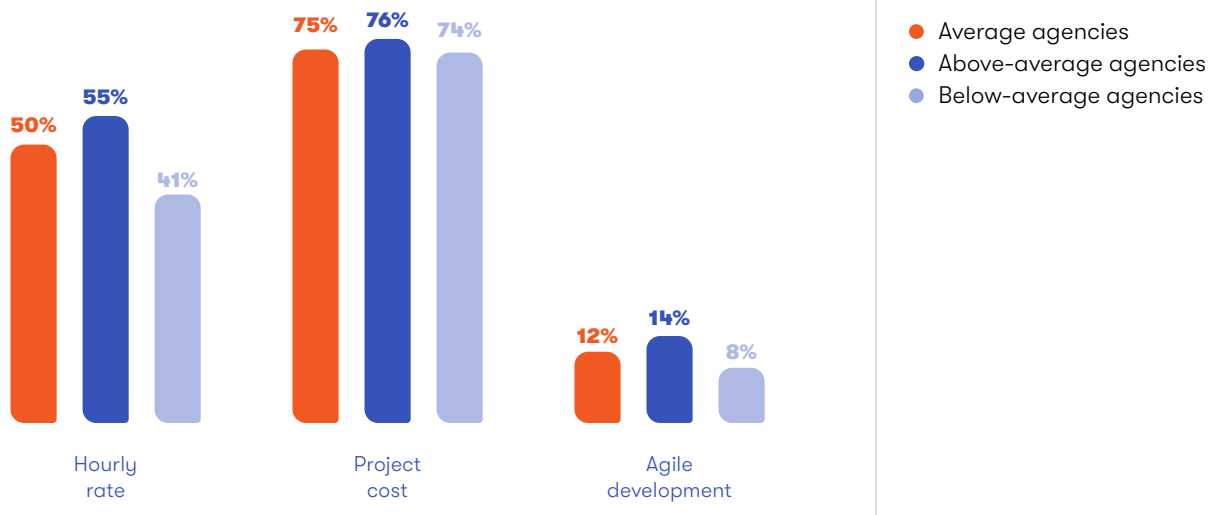


Successful pricing strategy

Agencies charge for services most commonly according to the project's costs, but half of the agencies also charge for their services according to an hourly rate. Charging for projects based on Agile development is a practice yet to be used widely. 14% of uber-successful agencies are using it, compared to 8% of below-average performing agencies. However, as it is a trend that has started to be used by developers and marketers alike, in terms of delivering projects in functional chunks, it is a discipline that makes it easy to assess the value each iteration brings. This constant evaluation is a very transparent way of observing the effectiveness of the project throughout its lifetime.



How agencies charge their clients for services



Charge of the right brigade!

While there is little difference in the percentage of the project cost that goes to the agency themselves, at 76% for high-performing agencies and 74% for below-average agencies. However, when you look at the average price of projects for each extreme of agency, that's a margin of \$70,000!

Price per project

\$135,000 project price for above-average agencies

\$65,000 project price for below-average agencies



According to managers, the majority (76%) of projects are profitable, regardless of the performance and region.



76% profitable projects

Reputation is like money in the bank

The financial benefits of being an uber-successful agency speak for themselves. The respect and know-how are bankable commodities and this is reflected in the fees they can charge and the size of the projects they can attract. While the average hourly rate is \$190, high-performing agencies charge \$225 per hour on average, which is over twice the \$105 that below-average agencies charge, based on the reputation the uber-successful agencies have. Reputation of an intangible asset that is further fuelled by word of mouth and other forms of referrals. Success is a strategy, and as such needs nurturing and attention. Ignore it, and it will wither and die.

Digital agency hourly rates



\$190



\$225



\$105

- Average agencies
- Above-average agencies
- Below-average agencies

A golden ratio?

On average, agencies undertook 42 projects annually. US, Australian, and New Zealand agencies are at the top, while European companies completed far fewer projects. In some cases, having the ability to forge networks with other agencies based on trust, excellent project management skills, as well as having a rich and knowledgeable employee pool, all have a direct impact on the way in which agencies can inject efficiency into the way they take on and carry out projects.



42 average number of projects

Number of annual projects



But... how long does a project take?

The average length of a project also varies slightly according to the country. While globally, one project usually takes four months, the average in Benelux is seven months. Having a larger resource pool of talent can have an impact on the speed of development and deployment. As well as the points raised in the previous paragraph.



Average project duration

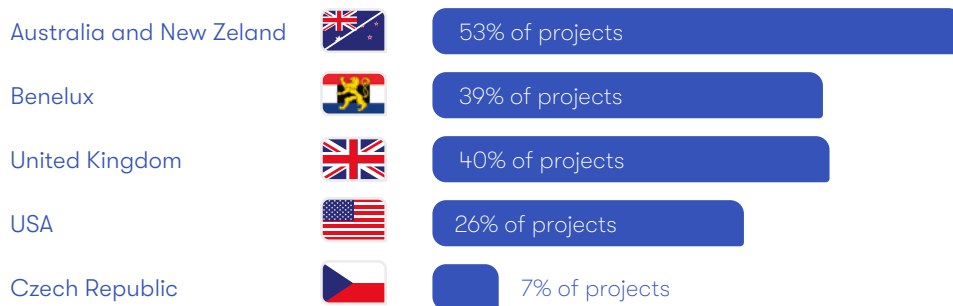


A third of the agencies admit that projects usually take longer than estimated. This applies more to high-performing agencies (39%). As with the length of the average project, US agencies are performing much better—a quarter of their managers (26%) admitted that their projects usually took longer.



39% high-performing agencies admit that projects take longer

Percentage of projects that take longer than estimated



Does agile actually mean agility?

Using Agile methodologies is one of the reasons for success for 66% of the most successful agencies, compared to only 41% of below-average agencies having an Agile strategy in place. It allows agencies to measure progress by delivering the project in working, tested chunks. The chunks help enable and improve team collaboration internally and externally, encourage customer feedback, and allow for overall project transparency and visibility. In turn, by providing this evidence, it makes it easier to measure that both the system and the project are on track. Implementing a strategic approach that encompasses all roles within an agency, as mentioned already, means you are approaching your work based on the value each iteration (sprint) brings. In addition, coordinating this across teams, each part can be aware of their impact on the success of the project. Moreover, maintaining the upper hand in this way, these agencies are streamlining their approach causing projects to have a more synergetic workflow.



Agencies using Agile methodologies



The elements that lead to more projects

To sum it all up:

- Truly successful agencies do not discount the importance of **knowledge sharing** and the **strong cooperation** between agencies and clients.
- By having **closer ties with clients**, agencies can tackle most issues and reveal any doubts either party might have before even starting the project.
- Moreover, because the digital agencies' staff are **more aware of their tasks** and the importance they play, recruiting new staff means further **reinforcing the workforce** in terms of expanding the agencies' capacity to take on more projects.
- This is also supported by the **growing number of acquisitions or mergers**.
- Uber-successful agencies **charge more** so they generally have fewer clients than their lesser-achieving counterparts.
- This pricing ability is due to the fact their **reputation precedes them** and their clients are less likely to quibble about money.
- Hence their **ability to charge twice as much** for projects, which extends to their hourly rate, which is also double that of below-average agencies.
- Their willingness to **expand and try new trends** means they are able to recommend more up-to-date services to their clients, such as marketing automation, lead scoring, e-commerce, CRMs, etc.
- They are also more likely to use **Agile methodology**.

And by having a better distribution of know-how and general shared awareness of the technology landscape, agencies can make more informed investments into new software and hardware and pass on to their clients their experience of the work efficiency they bring—another major key to success. These factors all feature heavily when you are serious about your business and know that changes are things you should be planning now and not leaving to chance. Knowing the ways of thinking that lead to success gives you a distinct advantage to cut it in this competitive environment. And making the first steps towards that are probably the best move you have ever made.

Try the Xperience

Kentico Xperience is the award-winning digital experience platform that combines content management, digital marketing, and commerce. Available on-premises or in the cloud, Kentico Xperience is an easy-to-use solution for modern websites. It provides personalized experiences and integrates seamlessly into any technology stack. Kentico Xperience provides advanced capabilities, short time to value, and ease of use, backed by market-leading support and a global network of implementation partners.

*616% growth in revenue since switching
to Kentico Xperience*

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With Xperience, you're supported 24/7 by engineers across three continents, consultation packages, training, documentation, a 7-day bug-fix policy, and a global community that will help you deliver stunning digital experiences faster.

Discover how you can deliver faster results with Kentico Xperience.
Schedule a demo today.

SCHEDULE A 1-ON-1 DEMO

About Kentico Software

Kentico Xperience was first introduced in 2004 by Kentico Software, a technology company headquartered in the Czech Republic with offices in the US, UK, Netherlands, Singapore, and Australia. Kentico has more than 1,000 digital solution partners and powers over 30,000 websites across 120 countries. Customers using Kentico Xperience include Allergan, BDO, Konica Minolta, Land O' Lakes, PPG, and Red Cross.

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