STUDY OVERVIEW

▶ The 2020 Digital Outlook Study was fielded in Q4 2019 in partnership with Forrester Research.

▶ The online survey targeted client-side executives with responsibility for digital marketing and technology along with executive leaders at agencies worldwide. (n=494)

▶ The study results included a final, validated sample of 261 responses from client-side leaders and 231 responses from agency leaders. The data from this study looks at spending plans for 2020, organizational priorities and perspectives on the shifting digital landscape.

▶ While the onset of COVID-19 and a global economic slowdown will undoubtedly impact these previously forecast numbers, we believe the directional guidance is still relevant and will provide a good benchmark against data from 2019 and again in 2021 when the new study is fielded.

▶ When this digital outlook data is referenced in the report, we have clearly labelled it as "Q4 2019" so you understand that it reflects plans and perspectives coming into the year.

▶ In order to capture a snapshot of the current landscape, SoDA also conducted a quick-strike survey with agency leaders from March 13-22, 2020.

▶ This study included a final, validated sample of 122 agency leaders and explored their initial response to COVID-19, how their outlook for 2020 has changed since the beginning of the year, and their level of preparedness for such an abrupt and significant disruption.

▶ When this revised outlook data is referenced in the report, we have clearly labelled it as "March 2020" so you understand that it reflects the perspective of agency leaders in the early weeks of this crisis.

CLIENT LEADERS

Data highlights from client-side executives with responsibility for digital marketing and technology investments.

Before you begin this section

A couple of thoughts to keep in mind before you review the data related to client-side leaders and the 2020 outlook.

CLIENT LEADERS

1 — **Data collected in Q4 2019.** Data for the Global Digital Outlook Study was collected in Q4 2019. The early months of 2020 have brought significant and unanticipated disruption. We <u>do not</u> expect the budget forecast data to hold true in light of the current climate. We do, however, believe the data provides useful directional guidance on priorities and perspectives coming in the year.

2 — **Client Executives Responsible for Digital.** The sample for this section includes client-side leaders with responsibility for digital marketing and technology. There were 261 respondents from a healthy mix of industries and geographies across the globe. Nearly 60% of the respondents were C-level executives.

3 — **On the other side of this crisis, where will the trend lines point?** While we certainly anticipate a significant disruption to spending plans and strategic priorities for 2020, we believe that many of the structural and systemic challenges that brands are wrestling with will be accelerated and intensified by greater economic pressure and, perhaps, new social norms. Only time will tell.

SoDA

Digital Budgets Increasing (?)

Coming into the year, 77% of client-side leaders said they were increasing their digital budgets in 2020… 35% significantly so. Of those increasing their digital spend, 70% were planning to do so while decreasing or holding flat their overall marketing budget. Allocation of existing and net new financial resources continue to move in the direction of digital initiatives. While the order of magnitude for budget increases may not hold for 2020, we suspect that the directional movement of investments will stay true. (Q4 2019)

Digital Budget Outlook	2017	2018	2019	2020
Increasing digital budget	55%	43%	53%	77%
Digital budget will be flat	28%	33%	24%	16%
Decreasing digital budget	11%	21%	5%	6%
Digital budget is NOT tracked separately	6%	3%	16%	2%

Significant Increase	Moderate Increase
35%	42%

DIGITAL ALLOCATION

For those who planned to increase their digital budgets in 2020, just 30% were also planning an increase to their overall marketing spend. The remaining 70% were increasing digital investments while cutting marketing spend or holding it flat.

SoDA

BUDGET GROWTH

A look at the percentage of client-side leaders who had planned to increase their digital budgets in 2020 by major capability area (Q4 2019). The data is compared to the same forecast made as part of last year's digital outlook study.

Project Budget Growth in 2020	2020 Increasing Budget	2019 Increasing Budget	Difference
Websites & Web-based Experiences	51%	39%	+12
Campaign Development & Execution	46%	36%	+10
Data Analytics & Research	45%	37%	+8
Media Planning & Buying	45%	33%	+12
Platform Implementations	44%	38%	+6
Digital Products & Services	43%	37%	+6
AR/VR/Mixed Reality	43%	n/a	n/a
AI-Driven Customer Experiences	42%	36%	+6
Native Mobile App Design & Dev	41%	29%	+12
Experiential / Physical-Digital Installations	38%	28%	+10
Standalone UX/Design Services	37%	33%	+4
Voice Applications / No-UI Interfaces	35%	26%	+9
Standalone Strategy Services	33%	24%	+11

SoDA

Top Areas for Budget Growth

A 3-year comparison of the Top 5 digital capability areas where the greatest percentage of client-side leaders had planned for budget increases in 2020. (Q4 2019)

2020

Top Areas for Budget Increase

1. Websites & Web-based Exp
2. Campaign Dev & Execution
3. Media Planning & Buying
4. Customer Insights & Analytics
5. Platform Implementations

2019

Top Areas for Budget Increase

1. Websites & Web-based Exp
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. Websites & Web-based Exp
2. Customer Insights & Analytics
3. Content Development
4. Digital Products & Services
5. Social Marketing Execution

SoDA

Digital Media Budget Growth

When it comes to digital media spend, nearly half of client-side leaders had planned to increase their budgets for Paid Social and Online Display advertising. Close to 40% were planning increases for traditional ad spend. (Q4 2019)

Budget Plans For <u>Digital Media</u>	**2020** Increasing Budget	**2019** Increasing Budget	**Difference**
Paid Social	45%	40%	+5
Online Display (excluding social)	45%	36%	+9
Video Advertising (excluding social)	43%	36%	+7
Paid Search	38%	28%	+10
Traditional Advertising	38%	26%	+8

So DA

Investing in Organizational Success

Client leaders force-ranked the Top 3 areas where they are investing most heavily to fuel their organization's success. Culture, org structure, working models and data topped their list of investment priorities. (Q4 2019)

Top Investment Areas for Org Success		Cultivating a better understanding of our customers' needs	#4	Creating a more effective and nimble partner ecosystem	#8
Evolving our internal culture and organizational structure	#1	Attracting and retaining top talent	#5	Competing more aggressively on price	#9
Adopting new methods/processes for working collaboratively	#2	Embracing emerging technology before our competitors do	#6	Expanding into new geographic markets	#10
Leveraging data to make smarter and faster decisions	#3	Differentiating our brand through innovation	#7	Launching new products and services	#11

SoDA

Insourcing Digital Capabilities

Client leaders identified whether they <u>primarily</u> use internal teams, external partners or a mix of the two for major digital capabilities. The 3-year trend indicates directional movement of each capability. (Q4 2019)

	Primarily **Internal Teams**	Primarily **External Partners**	A Mix **Internal + External**	Not Applicable	**3-Year Trend**
Digital Strategy	53%	23%	20%	4%	moving in-house
Digital Campaigns	43%	22%	29%	5%	moving in-house
Programmatic Advertising	40%	22%	29%	8%	static
Digital Design / UX	36%	28%	25%	10%	static
Emerging Tech Projects	36%	24%	28%	11%	static
Digital Products & Services	35%	27%	29%	8%	static
Data Analytics & Research	32%	34%	28%	5%	moving external
Digital Media Plan & Buy	32%	31%	29%	7%	static
Native Mobile App Dev	32%	31%	27%	9%	static
Digital Content Production	29%	35%	27%	8%	moving external
Social Media & Marketing	28%	33%	35%	5%	moving external
Websites & Web-based Exp	23%	44%	27%	5%	moving external

SoDA

Benefits of Insourcing

Client leaders force-ranked the Top 3 benefits of digital insourcing. Cost Savings, Time to Market and Flexibility / Agility were the top benefits with Quality of Work a distant forth. Interestingly, Better Results and ROI was ranked near the bottom of the list. (Q4 2019)

Top Benefits of Digital Insourcing					
Cost Savings	#1	Quality of Work	#4	Better Results / ROI	#7
Time to Market	#2	Strategic Focus	#5	Control / Visibility	#8
Flexibility / Agility	#3	Brand Knowledge	#6	Integration	#9

Improvement Areas for Partners

Client leaders force-ranked the Top 3 areas where they'd like to see their agency partners improve. More Flexible / Nimble Working Models topped the list and likely reflects the needs of an increasingly mixed model with which clients tackle work between in-house teams and multiple external partners. (Q4 2019)

Top Areas of Improvement for Partners

More Flexible/Nimble Working Models	#1	Stronger Strategic Leadership	#5	More Training & Staff Augmentation Services	#9
Different Pricing Models	#2	Stronger Data Capabilities	#6	Deeper Specialization	#10
Stronger Design / UX / Creative	#3	Faster Production / Turnaround	#7	Deeper Understanding Of Our Core Business	#11
Stronger Technology Leadership	#4	More Collaborative	#8	Broader / Integrated Capabilities	#12

Digital Distinction Hangs On

The term "digital" continues to be a meaningful way for client-side leaders to differentiate both agency types and marketing activities related to technology. In 2017, while 90% agreed that "digital" was still a relevant, 76% said they expected the term, as a meaningful differentiator, to disappear within 5 years. In year 3 of that 5-year window, it appears that the relevance of the term "digital" isn't going anywhere anytime soon. (Q4 2019)

"Digital" is still a meaningful way differentiate marketing activities and agencies related to technology.

2019	2018	2017
90%	80%	90%

Digital Decision Makers

On the client side, the primary decision-makers in selecting partners for digital initiatives has held relatively stable over a 3-year period with most categories holding within a 5-8 point margin. There's no doubt that digital decisions are a collaboration across the C-suite, marketing and technology departments. (Q4 2019)

2019		2018		2017	
CEO / COO / President	40%	CEO / COO / President	31%	CEO / COO / President	49%
CMO	19%	CMO	13%	CMO	16%
VP, Marketing	18%	VP, Marketing	16%	VP, Marketing	26%
Director / Manager, Marketing	26%	Director / Manager, Marketing	27%	Director / Manager, Marketing	24%
CIO	22%	CIO	14%	CIO	14%
VP, Technology	19%	VP, Technology	18%	VP, Technology	6%
Director / Manager, Technology	17%	Director / Manager, Technology	17%	Director / Manager, Technology	8%
Business Line / Product Lead	14%	Business Line / Product Lead	13%	Business Line / Product Lead	4%

SoDA

CEO In Charge of Digital & CX

As "digital strategy" and "customer experience" pervade the enterprise, the CEO begins to step in. (Q4 2019)

Customer Exp.

who is the primary lead?	**2020**	**2019**
Executive Leadership (CEO)	40%	–
Marketing Leadership (CMO)	20%	23%
Technology Leadership (CIO/CTO)	16%	39%
Operations Leadership (COO)	12%	–
Sales Leadership (CRO)	6%	12%
Product Leadership (CDO/CPO)	2%	5%
Interdisciplinary / No Single Group	4%	–

Digital Strategy

who is the primary lead?	**2020**	**2019**
Executive Leadership (CEO)	42%	–
Marketing Leadership (CMO)	16%	28%
Technology Leadership (CIO/CTO)	23%	45%
Operations Leadership (COO)	10%	–
Sales Leadership (CRO)	3%	8%
Product Leadership (CDO/CPO)	2%	4%
Interdisciplinary / No Single Group	4%	–

Top of Mind Issues

Three-quarters of client-side executives note the relative importance and impact of several industry issues.

Data Privacy

74% agree that *growing concerns over data privacy* has had a major impact on the way they plan for and execute digital marketing initiatives… up from 64% last year.

Person–alization

75% agree that producing and publishing *personalized digital content more cost-effectively*, is a major priority for their business…. up from 67% last year.

Impact of AI

76% agree that AI technology is *impacting the way we design for customer interactions today*… up 18 points from 58% last year.

Trans-parency

78% that they are demanding greater detail and transparency *from our agency partners in how they report on budget spending*… up from 66% last year.

Design Ethics

75% agree that *design ethics is a major priority* for how we approach projects and the work we create. Note: This is the first year we've asked this question.

SoDA

AGENCY LEADERS

Data highlights from agency leaders on the state of their business, readiness for disruption and a revised outlook for 2020.

Before you begin this section

A couple of thoughts to keep in mind before you review the data related to the agency leaders and the 2020 outlook.

AGENCY LEADERS

(1) **A snapshot before and at the beginning of a period of uncertainty.** Data in this section juxtaposes sentiment coming into the year (Q4 2019) and a snapshot of perspectives and revised expectations near the beginning of an accelerating global pandemic (March 13-22, 2020). The sentiment and anticipated actions by agency leaders will undoubtedly evolve through the year.

(2) **Duration and depth of impact unknown.** Agencies have taken initial steps to adapt to remote teams, travel restrictions and a diminishing revenue outlook for 2020. Economic stimulus is ramping up from governments across the globe and the duration and severity of community health measures will likely vary by region. It's still early days and we should view this initial market response as Phase 1.

(3) **Agency strength, decisiveness and resilience to be tested.** Agencies delivered solid financial performance in 2019 and many entered 2020 in a strong financial position. Timing and severity of impact on revenue for agencies will be distributed unevenly depending on industry focus, client mix and project types. Cash position, cultural resilience and decisiveness are critical for every agency.

SoDA

2019 – A Good Year for Agencies

60% of agency leaders reported strong financial performance in 2019 with 21% calling it was one of their best year's on record. In SoDA's Digital Outlook Study (Q4 2019), 53% reported improved margins in 2019. (March 2020)

report a strong year in 2019

60%

of agency leaders say they had a very strong year for financial performance in 2019... *21% report that it was one of their best year's on record.*

2019 Financial Performance

21%	Great… one of best years ever.
39%	Good… a very strong year.
21%	Average… an ok year.
16%	Poor… a challenging year.
02%	Terrible… one of our worst years ever.

So DA

REVENUE GROWTH

The percentage of agency leaders projecting revenue growth in 2020 by major service area (Q4 2019). The data is compared to the same forecast made as part of last year's digital outlook study.

Projecting Revenue Growth in 2020	2020 Revenue Growing	2019 Revenue Growing	Difference
Digital Products & Services	55%	45%	+10
Standalone Strategy Services	51%	37%	+14
Websites / Web-based Marketing Experiences	46%	37%	+8
Data Analytics & Research	46%	45%	+1
Experiential / Physical-Digital Installations	44%	29%	+15
Platform Implementations	40%	35%	+5
Standalone Design/UX Services	40%	30%	+10
Native Mobile App Design & Dev	38%	27%	+11
Marketing Campaign Dev & Execution	38%	37%	+1
AI-Driven Customer Experiences	37%	35%	+2
AR/VR/Mixed Reality	34%	n/a	n/a
Voice Applications / No-UI Interfaces	32%	31%	+1
Digital Media Planning & Buying	28%	21%	+8

SoDA

Top Areas for Revenue Growth

A 3-year comparison of the Top 5 digital service areas where the greatest percentage of agency leaders had planned for revenue growth in 2020. (Q4 2019)

2020

Top Areas for Revenue Growth

1. Digital Products & Services
2. Standalone Strategy Services
3. Websites / Web-based Exp
4. Data Analytics & Research
5. Experiential / Installations

2019

Top Areas for Revenue Growth

1. Data Analytics & Research
2. Digital Products & Services
3. Standalone Strategy Services
4. Websites / Web-based Exp
5. Campaign Dev & Execution

2018

Top Areas for Revenue Growth

1. Data Analytics & Research
2. Content Development
3. Websites / Web-based Exp
4. Digital Products & Services
5. Platform Implementations

SoDA

Investments in Growth

Agency leaders force-ranked the Top 3 areas where they are investing most heavily to fuel their organization's success. Capabilities, talent and innovation topped their list of investment priorities coming in the year. (Q4 2019)

Investments to Drive Agency Growth			
Developing new services and capabilities	#1	Improving or expanding our sales and marketing resources	#6
Attracting and retaining top talent	#2	Improving the efficiency of our operations	#7
Differentiating our brand through innovation	#3	Building and selling or own products and IP	#8
Expanding to new geographic markets	#4	Partnering with other service providers to expand our offerings	#9
Developing a lower cost delivery model	#5	Targeting a specific industry segment or niche	#10

SoDA

Engagement Models Changing

60% of agency leaders said that the mix of their client-engagement types and revenue model had changed over the last 18 months. The results indicate movement across existing and emerging engagement types. (Q4 2019)

engagement models changing

60%

… of agency leaders said that their mix of their *client-engagement types and project revenue models* had changed over the last 18 months.

Agency Revenue Models Evolving

51%	More project-based work.
40%	More retainer-based work.
29%	More incentive-based work.
28%	More T&M-based work.
22%	More work exchanged for equity.
19%	More revenue from our own products.
12%	Experimenting w/ new pricing models.

So DA

Competitive Landscape

Consultancies and in-house client teams increasingly factor into the competitive mix. (Q4 2019)

Biggest Sources of Competition

43%	Specialized digital agencies
38%	Full-service digital agencies
34%	In-house client teams
29%	Consultancies
24%	Traditional / integrated agencies
20%	Production companies
12%	Off-shore delivery providers
12%	Software companies w/ prof svs

consultancies a threat

64%

… of agency leaders said that the entrance of consultancies into the creative/agency space *presents a threat to their business.* 71% of client-leaders also said they were opened to working with a consultancy on future digital agency assignments.

SoDA

Areas of Differentiation

Agency leaders force-ranked the Top 3 areas where they felt their firms were most differentiated. Capabilities related to strategic planning, product/service innovation and campaign ideas/creative topped the list. (Q4 2019)

Top Areas of Differentiation for Agencies		Web Development & Technology	#6	Emerging Trends & Technology	#12
Strategy & Strategic Consulting	#1	Content Creative & Production	#7	Mobile Design & Development	#13
Product & Service Innovation	#2	Measurement & Analytics	#8	Media Planning & Buying	#14
Campaign Ideas & Creative	#3	Consumer Insights	#9	AR/VR/Mixed Reality	#15
Design & UX	#4	Platform Implementation	#10	Social Media & Marketing	#16
Account & Project Management	#5	Testing & Optimization	#11	Voice Applications & Experiences	#17

So DA

Agencies + Digital Transformation

Nearly three-quarters of agency leaders say that they work with their clients on digital transformation initiatives. Launching new products/services or improving the experience on existing ones it the primary focus. (Q4 2019)

digital transformation

73%

… of agency leaders said that they work on digital transformation initiatives for their clients.

Focus of Transformation Work

64%	Improving an existing product/service experience.
56%	Creating new products or services.
39%	Improving operational efficiency.
32%	Helping our clients enter a new market.
30%	Helping our clients move more quickly.
26%	Improving organizational insight/decision-making.
13%	Achieving greater scale.

SoDA

Top Issues Facing Agencies

Agency leaders pointed to talent, competition and pricing pressure as the top three issues facing their business coming into 2020. While the current climate may temporarily relieve pressure on the talent lever, competition and pricing pressure will, no doubt, continue to escalate. (Q4 2019)

talent
75%

competition
69%

pricing pressure
60%

… of agency leaders say that *finding and/or keeping talent is a major challenge for their business.* They also rated it as one of the Top 3 issues facing their business coming into 2020.

… of agency leaders say that *competition for the services they offer has intensified.* They also rated it as one of the Top 3 issues facing their business coming into 2020.

… of agency leaders say that *pricing pressure for the services they offer has intensified.* They also rated it as one of the Top 3 issues facing their business coming into 2020.

SoDA

The Outlook for 2020 has Fallen

82% of agency leaders entered the year confident that 2020 would be better than 2019 in terms of profitable growth. The outlook for 2020 has since plummeted. (March 2020)

Confidence in 2020 Outlook (Q1)

10%	Very confident
26%	Somewhat confident
17%	Meh
31%	Not very confident
17%	Not confident at all

A Falling Outlook For 2020

% of agency leaders confident that 2020 will be better than 2019 in terms of profitable growth.

Q4 2019	Q1 2020
82%	36%

March 13 – 16*	March 17 – 22*
38%	31%

* Sample size less than 100 and should be viewed as such.

SoDA

Revenue Forecasts Revised Down

45% of agency leaders have already downgraded their 2020 revenue forecast and another 19% expect to do so. 18% of agency leaders say they've actually increased their revenue forecast since the beginning of the year. (March 2020)

cut revenue forecast for 2020

45%

of agency leaders *have already cut their revenue forecast for 2020* and another 19% expect they will do so in the coming weeks and months.

Annual Rev Forecast (March vs. January)

45%	Decreased
19%	No change yet but expect to decrease
18%	No change yet but expect to stay on plan
18%	Increased

Some agency leaders have <u>increased</u> their revenue forecast for the year.

SoDA

Project Delays and Cancellations

Agency leaders are already reporting an increase in delays and cancellations for active projects and RFPs. (March 2020)

project delays have increased

51%

… of agency leaders have already seen an *increase in delayed projects* and another 39% expect to see an increase in the coming weeks and months.

Agencies have already seen an impact on projects and RFPs.

51% Report increase in *delayed projects.*

34% Report increase in *cancelled projects.*

26% Report increase in *delayed/cancelled RFPs.*

SoDA

Impact and Anticipation

Delayed Projects

51%	Occurring already
39%	Expect to occur
06%	No change expected
04%	I have no idea

Cancelled Projects

34%	Occurring already
48%	Expect to occur
13%	No change expected
06%	I have no idea

Agency leaders report increases in delayed and cancelled projects and RPF's. More than 75% anticipate an increase in these areas in the coming months. (March 2020)

Shrinking Sales Pipeline

29%	Occurring already
52%	Expect to occur
11%	No change expected
08%	I have no idea

Longer Sales Cycle

26%	Occurring already
59%	Expect to occur
08%	No change expected
07%	I have no idea

RFP's Cancelled/Delayed

26%	Occurring already
50%	Expect to occur
12%	No change expected
13%	I have no idea

Reduced Project Budgets

24%	Occurring already
52%	Expect to occur
17%	No change expected
08%	I have no idea

Longer Payment Terms

08%	Occurring already
43%	Expect to occur
41%	No change expected
08%	I have no idea

Reduced Billing Rates

08%	Occurring already
25%	Expect to occur
61%	No change expected
05%	I have no idea

Client Payment Default

05%	Occurring already
33%	Expect to occur
50%	No change expected
13%	I have no idea

Early Actions for COVID-19

Agency leaders moved very quickly to implement "work from home" and "no-travel" policies. The percentage of those implementing these actions accelerated rapidly over the 10-day period of this study. (March 2020)
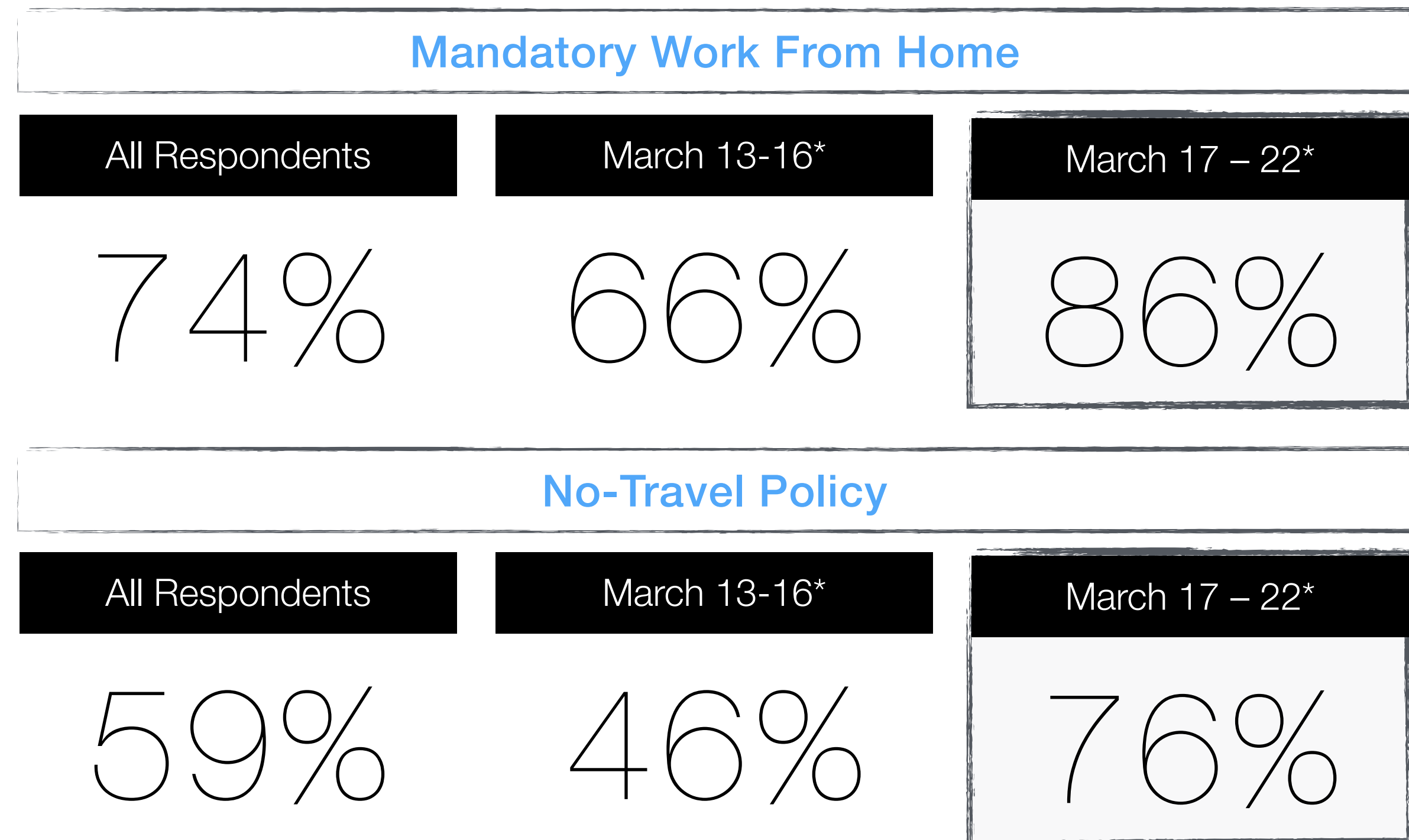
Implemented as of March 22nd

74%	Mandatory work from home
59%	No-travel policy
24%	Reduced contract staff
07%	Reduced full-time staff
04%	Financial aid for dependent care

Mandatory Work From Home

All Respondents	March 13-16*	March 17 – 22*
74%	66%	86%

No-Travel Policy

All Respondents	March 13-16*	March 17 – 22*
59%	46%	76%

* Sample size less than 100 and should be viewed as such.

SoDA

Staff Reductions in the Works

Agency leaders are in the beginning weeks of planning for and rolling out staff reductions. (March 2020)

As of March 22nd, just 7% of agency leaders had made cuts to full-time staff and 24% had reduced contract staff. Many more indicate they are planning to make staff adjustments soon.

expect to reduce <u>full-time</u> staff

44%

of agency leaders plan to reduce full-time staff… as of March 22nd, *7% had already made cuts and 37% expected to do so soon.*

expect to reduce <u>contract</u> staff

62%

of agency leaders plan to reduce contract staff… as of March 22nd, *24% had already made cuts and 38% expected to do so soon.*

SoDA

Level of Preparedness

When looking at the need to adapt quickly to the current environment (both COVID-19 and economic disruption), the vast majority of agency leaders feel they are at least partially prepared. (March 2020)

More than 90% of agency leaders said they felt "very" or "somewhat" prepared to make adjustments necessary to respond to the impact of Coronavirus / COVID-19.

very prepared	somewhat prepared	not very prepared
29%	64%	08%

So DA
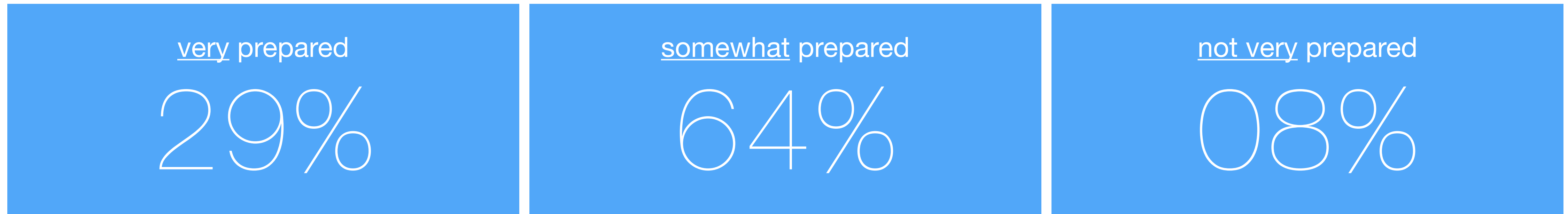
Areas of Readiness

We explored agency leaders' levels of confidence across 11 areas that could impact their ability to quickly adapt and weather significant economic disruptions to their business. (March 2020)

Technology & Infrastructure
(redundancy, remote accessibility, security)

Team & Culture
(cohesive, adaptable, collaborative)

Policies & Procedures
(clear, enforceable, supportive)

Process & Workflow
(clear, documented and adaptable to remote teams)

Client Contracts
(reasonable terms for payment and cancellation)

Business Insurance
(protection against major business disruption)

Financial Visibility
(detailed and accurate insight into financial position and ability to quickly project future scenarios)

Cash Reserves & Credit
(weather at least 3 months significant disruption to cash flow)

Decision-Making
(clear hierarchy and ability to make quick, essential decisions)

Sales & Marketing
(an active, always-on marketing and lead generation program)

Redundancy & Knowledge Management
(few single points of failure relative to people and organizational knowledge)

Confidence in preparedness

We found the highest levels of confidence in decision-making capabilities, technology/infrastructure set-up and team/culture cohesion. Close to one-third have concerns with cash and sales/marketing capabilities. (March 2020)

Most Prepared

50% or more are "very confident" in these areas

✓ Decision-Making

✓ Technology & Infrastructure

✓ Team & Culture

Somewhat Prepared

75% or more are "very" or "somewhat confident" in these areas

✓ Policies & Procedures

✓ Process & Workflow

✓ Client Contracts

✓ Financial Visibility

✓ Redundancy & Know. Mgmt.

Least Prepared

30% or more are "shaky" or in an "oh shit" situation.

✓ Cash Reserves & Credit

✓ Sales & Marketing

✓ Business Insurance

SoDA

Contingency Planning

COVID-19 has quickly revealed where agency leaders are the most- and least-prepared for this disruption. (March 2020)

	Very Confident	Somewhat Confident	Shaky	Oh Shit
Decision-Making	65%	28%	07%	01%
Tech & Infrastructure	63%	33%	02%	02%
Team & Culture	55%	38%	06%	02%
Cash Reserves & Credit	38%	31%	25%	07%
Policies & Procedures	36%	57%	06%	02%
Process & Workflow	36%	51%	11%	03%
Financial Visibility	34%	42%	21%	03%
Business Insurance	28%	40%	25%	08%
Client Contracts	24%	55%	18%	03%
Sales & Marketing	23%	45%	26%	07%
Redundancy & KM	21%	55%	19%	05%

SoDA

Confidence in 2020 Outlook*

A quick look at those that maintain a degree of confidence in the financial outlook for 2020. (March 2020)

36% of agency leaders said they were "very" or "somewhat" confident that 2020 would be better than 2019 in terms of profitable growth. Here's how they differ from the average respondents in this survey.

strong performance in 2019	increased revenue forecast in 2020	confident in decision-making	confident in preparedness
70% vs. 60%	40% vs. 18%	79% vs. 65%	40% vs. 29%

70% reported *strong financial performance* in 2019...
10 points up from the average.

40% *increased their revenue forecast since earlier this year*...
22 points up from the average.

79% are *"very confident" in their decision-making abilities*...
14 points up from the average.

40% are *"very confident" in their preparedness for this crisis*...
11 points up from the average.

* Sample size less than 100 and should be viewed as such.

So DA

Confidence = Optimism*

Those that maintain confidence in the 2020 outlook point to similar levels of immediate disruption and don't appear to have greater confidence in their financial visibility or sales and marketing capabilities. For this group, it is possible that the confidence is driven by a specific industry focus, client mix or project speciality. (March 2020)

Interestingly, this cohort points to the same levels of immediate impact as the rest of the group and are no more confidently prepared in the crucial areas of financial visibility and sales and marketing capabilities.

delayed projects	delayed and cancelled RFP's	sales & marketing capabilities	financial visibility
53% vs. 51%	28% vs. 26%	35% vs. 33%	78% vs. 76%

53% reported an *increase in delayed projects* versus 51% for all respondents.

28% reported an *increase in cancelled or delayed RFP's* versus 26% for all respondents.

35% say their *sales/marketing is "shaky" or "oh shit"* versus 33% for all respondents.

78% are *"very" or "somewhat" confident in their financial visibility* versus 76% for all respondents.

* Sample size less than 100 and should be viewed as such.

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Confidence in Preparedness*

Agency leaders that feel "very prepared" for the current climate have higher levels of confidence across the board. They also exhibit lower levels of vulnerability in at least two key areas. (March 2020)

	"Very Prepared" All Respondents	"Very Prepared" Prepared Cohort	Difference
Decision-Making	65%	91%	+26
Tech & Infrastructure	63%	91%	+28
Team & Culture	55%	69%	+14
Cash Reserves & Credit	38%	54%	+12
Policies & Procedures	36%	60%	+14
Process & Workflow	36%	51%	+15
Financial Visibility	34%	43%	+09
Business Insurance	28%	46%	+16
Client Contracts	24%	40%	+16
Sales & Marketing	23%	31%	+08
Redundancy & KM	21%	37%	+16

Less exposed when it comes to financial visibility and sales & marketing capabilities.

financial visibility… "shaky" or "oh shit"

24% vs. 06%   -18

sales & marketing… "shaky or "oh shit"

33% vs. 17%   -16

* Sample size less than 100 and should be viewed as such.

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A Few Parting Thoughts

A couple of thoughts for agency leaders to keep in mind as they navigate the year ahead.

SO WHAT?

1. **Agencies are adapting quickly.** 74% of agencies have already implemented a mandatory work-from-home policy and nearly half are planning reductions in full-time and contract staff. In the coming weeks (and months) agencies will work to get their remote team model dialed in, hunker down on their best pipeline opportunities and hustle to keep their revenue/cost equation balanced.

2. **Agency decisiveness, resourcefulness and resilience will be tested.** Agencies delivered solid financial performance in 2019 and many entered 2020 in a strong financial position. Timing and severity of impact on revenue for agencies will be distributed unevenly depending on industry focus, client mix and project types. Cash position, cultural resilience and decisiveness are critical for every agency.

3. **An opportunity for accelerated evolution.** Agency leaders already faced pressure for talent, billing rates, cost structure and a cluttered competitive landscape. The abrupt arrival of a global pandemic and economic slowdown will accelerate the urgency with which agencies tackle these systemic, structural industry issues. Many will find an opportunity (necessity) for re-invention.

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THE DATA

A look at the respondents and survey methodology used for the two studies that have gone into this report.

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Digital Outlook Study (n=494)

This study was fielded as a global online survey in Q4 2019 in partnership with Forrester Research.

Client Side Respondents (n = 261)

ROLE OF RESPONDENT		MARKETING FOCUS		MARKETING BUDGET (USD)	
C-level Executive	59%	B2C Marketer	32%	Less than $10 MM	16%
Marketing Executive	21%	B2B Marketer	33%	$10 – $50 MM	11%
Technology Executive	13%	B2B2C Marketer	36%	$50 – $100 MM	19%
Product /Design Executive	3%			$100 – $500 MM	33%
Other	3%			Greater than $500 MM	20%

Agency Side Respondents (n = 213)

ROLE OF RESPONDENT		AGENCY TYPE		AGENCY REVENUE (USD)	
Founder / Partner / MD	53%	Integrated Agency	23%	Less than $10 MM	46%
VP / SVP / EVP	17%	Digital Agency	33%	$10 – $25 MM	12%
Director / Practice Lead	27%	Consultancy	20%	$25 – $50 MM	8%
Other	3%	Product Design Studio	12%	$50 – $100 MM	15%
		Production Company	12%	Greater than $100 MM	19%

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Agency Readiness Study (n=122)

This study was fielded as an online survey between March 13-22, 2020. Respondents were primarily agency founders and partners from both SoDA member agencies (50%) and agencies from outside of our community (50%). The sample and subsequent findings largely reflect the views of small and mid-sized agencies in the United States and Europe.

Revenue (USD)		Agency Type		Respondent Role		Location / HQ	
50%	Less than $5MM	48%	Digital Agency	71%	Founder / Partner	41%	United States
30%	$5 – $10MM	17%	Integrated Agency	20%	Executive Leadership	36%	Europe
09%	$10 – $25MM	10%	Digital Product Studio	05%	Operations Leader	12%	APAC
05%	$25 – $50MM	08%	Consultancy	02%	Sales/Marketing Leader	06%	Canada
03%	$50 – $100MM	07%	Production Company	01%	Finance Leader	03%	Latin America
03%	Greater than $100MM	10%	Other Agency Type	01%	Other	01%	Middle East

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.

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