

Agency Productivity Report

**Identify Barriers to Productivity,
Time Management and Budgeting**

2018

Introduction

A Partnership in Productivity

Words from Chris Wilson

CEO, Function Point

At Function Point (FP) and the Agency Management Institute (AMI), productivity is something we eat, sleep and breathe. We share a mutual, underlying passion for it throughout our companies. So much so, that in 2017 we decided to partner on a study to understand the state of productivity within the marketing and creative services industry.

Using a web-based survey targeting creative agencies, internal marketing departments, and professional service firms in the United States and Canada, we gathered data from over 400 respondents. The survey ran from November 2017 through to mid-January 2018 with the primary objective of expanding industry-based knowledge on key drivers and barriers to productivity within creative teams, and to provide insights and best practices.

While a lot of agencies are highly productive, there are many areas we all seem to fall short on. As a result, work suffers, staff morale suffers, and the organization's bottom line suffers. The beauty



of creative work is that the vast majority of us chose the lifestyle out of a genuine enthusiasm for what we create. We constantly challenge ourselves to be more productive because we want to please our clients, and we extend deadlines because we believe in delivering the best possible end result. With our shared growing pains, we can find solace, as well as opportunities for learning.

Use the report findings as a tool to gain insight into the performance of your team, relative to your market. We're fortunate at both FP and AMI to sit in a unique position: we've been lucky to work with thousands of agencies from around the world, providing us with insights to share with you. Take what you need, apply it to your business and see the positively productive results.

Introduction

A Partnership in Productivity

Drew McLellan

CEO, Agency Management Institute

Productivity is a loaded word with agencies. On the one hand, we know we need to run our agencies profitably so we can scale, grow and continue to reward our team. On the flip side, we struggle against systemizing our work or trying to pack creativity into a set process.

Whether we're trying to conceive a new campaign or dig into the latest analytics, we pride ourselves on our ability to be creative and offer our clients something innovative. And that doesn't always happen on demand or just because it's scheduled.

That's exactly why we decided to do this study. There's an interesting juxtaposition between our hunger to create memorable work and our need to hit our own business objectives. Our hope was that we could identify some useful insights that would help agencies find that delicate balance.

As you might imagine, the challenges to being more productive are wrapped up in our ability to have visibility into



our work in real time. Are we staying aligned with the creative brief? Is the project moving along at a pace that means we can hit our deadline, and of course: will we make money on this work? Without the real-time data, we can't answer those questions until it's too late.

We know what causes us to lose money, employees and clients. The trick is knowing how to solve those challenges. Hopefully, this study begins to frame up the answers we need.

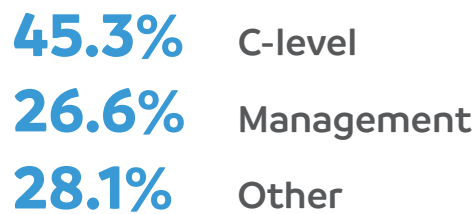
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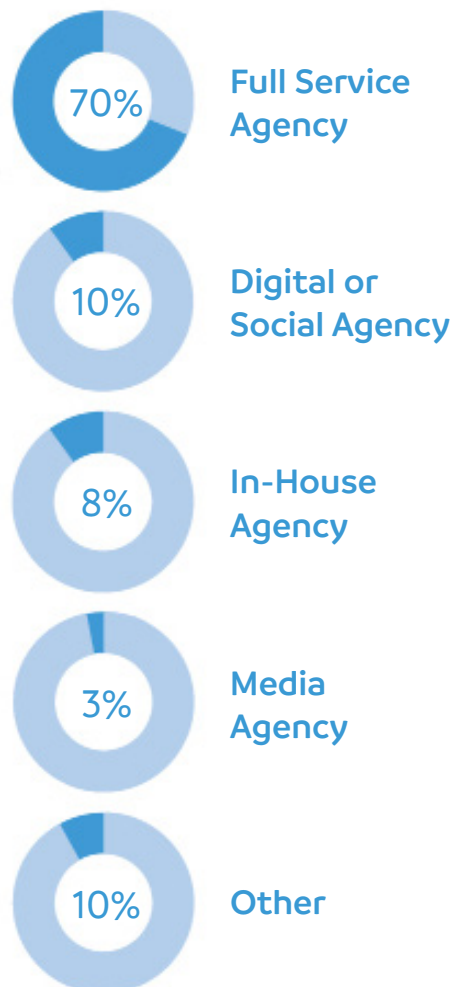
Demographics

Meet Our Survey Respondents

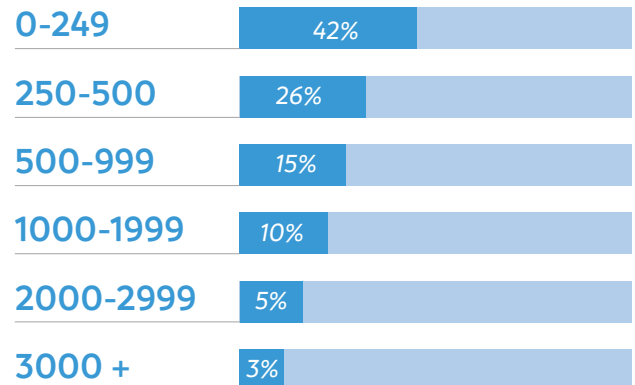
What best describes your role?



Types of Agencies:



How many projects per year does your team complete?



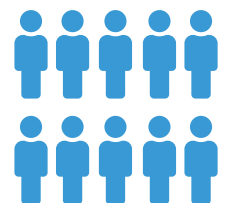
Does your team work with part-time staff or freelancers?

58.8% Part-Time Staff

Of Team Leads:

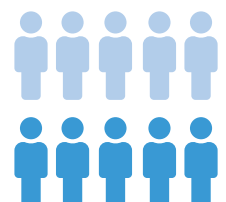
91.7%

Less Than 10 People Reporting to Them



68.5%

Less Than 5 People Reporting to Them



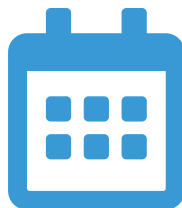
Key Findings

Barriers to Productivity for Creative Teams



68.8% of respondents:
Ineffective communication
= Greatest barrier to agency productivity.

Not being able to gather accurate briefs and clients changing their minds were seen as the main causes for breakdowns in communication for agencies. By honing their discovery processes, agencies can streamline a more productive and communicative relationship right off the bat.

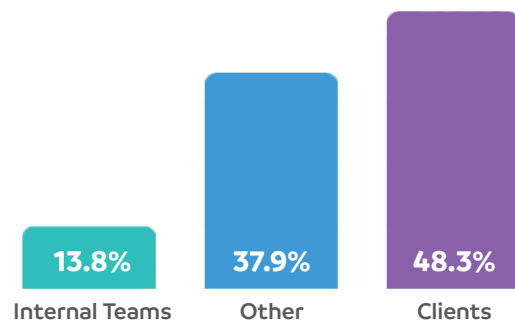


62.1% of respondents:
Felt clients' failure to meet schedules & timelines
= Primary barrier to effective time management.

With 48.3% of respondents citing their clients' workback scheduling as the primary cause for missed deadlines, and a smaller group of 13.8% citing internal team inefficiencies as the culprit, it may seem as though the onus is on the client to improve.

However, the research reveals that almost half of all agencies are failing to manage the friction between creatives and clients well enough.

Cause of Missed Deadlines:



Only 9% see workback schedules as important criteria when prioritizing a project. As one Chief Operations Officers points out, "It's a fine line to walk with giving clients deadlines and then holding them accountable. I think some of our account team is nervous about making the client mad or seeming demanding."



29.8% of respondents:
Say they over-served clients by 70-90%.

Budgeting and resourcing will forever be an imperfect science, but continuous improvement by reverse engineering both profitable and unprofitable projects can help to improve initial project quoting, and reduce mid-project scope creep.

Insights

Over-Servicing & Time Management



67% *of creative teams:*
**Are over-servicing clients
by 50% or more.**

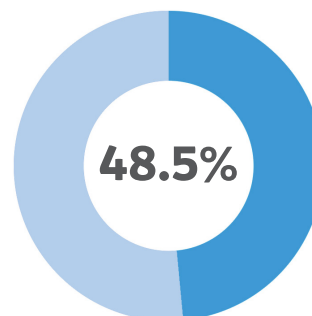
Over-servicing clients was a major concern, with 29.8% of survey respondents stating that their agency over-serviced between 70-90% of their clients. While a small majority of agencies are working towards eliminating over-servicing, 48.5% say there are no repercussions for when this occurs. One Brand Manager highlighted this challenge. “The difficulty with over-servicing is that the client begins to expect that level of service, even if it’s beyond what they’re paying for. It becomes very challenging to realign expectations later on.” In turn, this leads to billable hours and workloads not being accurately tracked.

Smaller agencies were quick to note that improving their portfolio was a higher priority than profitability, and in the earliest stages of a new agency, this might make sense. However, at some point steps need to be taken to resolve the disconnect between client satisfaction and agency profitability. One Vice President says:

“Account managers earn extra incentive compensation for keeping clients within the original proposed budget. If they are over budget, they do not earn this additional compensation. It’s a strong way to motivate managers to continuously improve their budgeting skills.”

While many underperforming agencies are quick to state that they highly value client satisfaction, no profitable agency would ever suggest that they don’t. Profitability isn’t driven by valuing profit above all else: no client would choose to partner with an agency that has a reputation for securing profits without producing results.

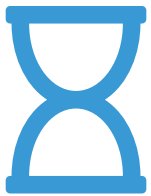
Respondents:



Say there are no
repercussions for:
Over-Servicing

Insights

Over-Servicing & Time Management

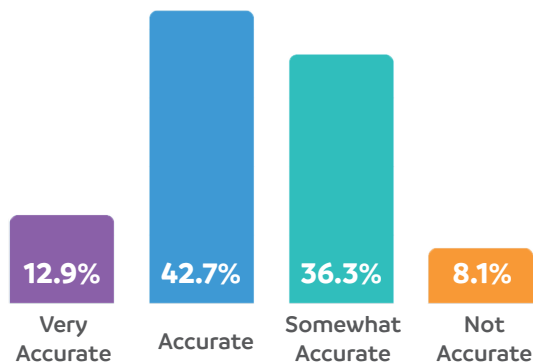


44.1% of respondents:
Their team's time tracking
= **Somewhat or not at
all accurate.**

As a result of inaccurate time tracking, profit margins and proper resourcing are sacrificed. Time tracking may be the bane of creative teams, but it's what drives the financial success of a professional service.

To encourage time tracking within creative teams, agency leaders reported a variety of tactics to ensure accuracy. Internal competitions and contests inspired friendly competition, while directly linking profitability to bonus structures ensures that all levels of staff are equally committed to project profitability.

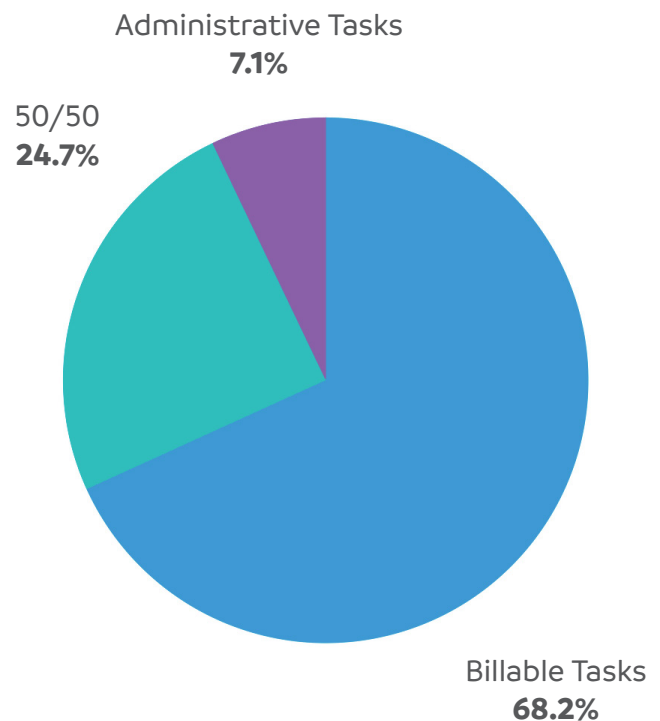
How accurate is your team's time tracking?



We require all time to be entered by 10AM the next business day, and provide a monthly draw with a cash prize for all employees who meet the requirements. As a result, we hit 97% accuracy for time entries in 2017.

- Chief Operating Officer

Where are creatives spending their time?



Insights

Hurdles to Client Communication

Ineffective client communication was the strongest barrier to agency productivity in 2017.

In 2017, “communication” was commonly cited as a barrier to productivity. Even with our apps, hacks and programs we still struggle to connect with our coworkers and peers. Individual preference plays a part in hindered understanding, but what are the common causes of this breakdown? Our survey, conducted across a broad spectrum of creative industries and serving 406 participants, has revealed some interesting results.

Unclear or unrealistic expectations set by both the client and the market were culprits number one and two. Not fully understanding project requirements was the third most common barrier to client communication.

“***I think that the project managers try to make everyone happy and end up with everyone frustrated.***
- **Frontend Developer**

When agencies set unrealistic expectations in an effort to win bids, they undermine both industry standards and their own ability to please the client. Of course, winning new business is essential to growth — but quality work and productivity are essential to delivering high value.

“***One of the worst consequences of incomplete or misleading briefs is the psychological toll on our team. There is much hand-wringing, second guessing, frustration and mental energy that is applied to things that are not productive.***
- **Account Manager**

What was the biggest barrier affecting communication with clients for your team in 2017?

35.8% Clients not providing accurate or comprehensive briefs.

32.2% Clients changing their minds.

17.4% Project team members not understanding requirements.

Insights

Hurdles to Client Communication

Creative work is subjective, and it's the nature of the beast that disagreements will arise and opinions may change. The key to mitigating these scenarios is effective communication between agency and client.

A common complaint from respondents (35.8%) was that the creative brief they received from clients was incomplete, inaccurate or lacking in detail. How can project managers and agency leaders work with clients to improve this process? While there's not a lot that can be done to cure the occasional change of heart, a thorough creative briefing session can help bring to light issues and opinions before work begins, helping clients to see the value in the original plan and commit to following through.

Inaccurate briefs not only break down communication and morale but cost agencies in wasted time. Account teams can help improve overall agency productivity and profitability by improving their briefing sessions and aligning expectations between the agency and the client.



We've learned to treat the client as a partner in the project so that they understand that the results and costs are based on their being efficient, as well as our being efficient.

- President

Top three driving reasons for implementing project management software:

1

58.1%

Better **Time Management**

2

54.9%

Improved **Management of Budgets**

3

48.5%

Better **Team Alignment & Communication**

Insights

Precision Quoting, Budgeting & Retainers

Accurately Quoting

Agencies use measurable KPIs to track project and campaign performance for clients. It's time to begin treating quoting and budgeting with the same respect. In order to use data to find out where quotes are going awry, deliverables, time entries and profitability need to be recorded.

Agency software can provide data and analytics to continuously improve quoting and project profitability, but it's up to project managers to put this data to work for them.

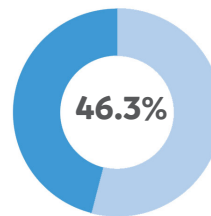


This was the first year we had an account manager. She's amazing and made tracking projects and communicating with clients so much easier. But collectively we're still learning just how long it really takes to complete projects, and to not tell clients what they want to hear, but what's accurate. We don't all track our hours as accurately and consistently as we need to.

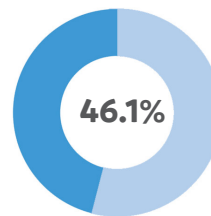
- Associate Copywriter

While 55.6% of respondents felt that their teams were already tracking time accurately, numerous project and account managers admitted that they weren't actually using this information to better forecast future projects. Time tracking may feel like an exercise in futility for both management and creative teams if the agency isn't noticing an improvement on budgeting and time management as a result.

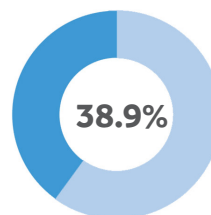
The top 3 challenges to accurately quoting clients were:



The client changing their mind.



Not having enough information on project scope.



Differing expectations about work involved.

Insights

Precision Quoting, Budgeting & Retainers

Retainers: For or Against?

While 76.8% of respondents said they saw value in having clients on retainer, the debate rages on as to whether or not retainers help to alleviate over-servicing and quoting concerns. Even for agencies that provide a value-based pricing structure or retainer model of billing, time tracking is still a necessity for accurate quoting. Without knowing the amount of time spent per deliverable, quoting will always remain a shot in the dark.

But besides ensuring cash flow and recurring clients, retainers allow creative teams to build relationships with clients, measure success and make incremental improvements that are not locked into a timeline. However, the nature of retainer billing can create friction in client/agency relationships when either party feels they are being taken advantage of.

Retainers

55.9%

Of Respondents have:

30% Of Clients
Using Retainers

18.2%

Of Respondents:

Are Not Using
Retainers

For...

"A retainer is guaranteed income, so it allows our team to get more involved with a client."

- Creative Director

"Retainers allow for better forecasting and planning of project needs and team utilization needs month to month."

- Traffic Manager

Against...

"The agency feels like they are not getting compensated enough for time spent, but the client feels like they are paying too much for what they are getting, not realizing all the behind-the-scenes work that is being done."

- Principal

"We like our billing to be tied to specific projects. It's easier for us to track ROI and cause and effect."

- Media Director

Insights

How Tech is Improving Productivity



74.9% of respondents:
**Saw increase in productivity
after implementing project
management software.**

Thanks to workplace collaboration tools and agency-specific software, productivity has improved dramatically. Project management software provides agencies with a centralized hub to track project timelines, files, and client communication while also providing time tracking, budgeting and billing tools.

Software such as GSuite, Slack, Microsoft 360 and many more have made working remotely easier and more productive, with 87.2% of agencies empowering employees with the tools they need to work from home.

It's clear that most agencies are becoming more tech-driven and focused on digital transformation, but the tools agencies use to boost productivity often have much deeper capabilities that managers aren't using. Tech provides management with almost too much data and

analytics. Sourcing the *right* data to improve productivity and profitability is a tougher challenge than simply generating it.

Project Visibility:



86.9%

Respondents want more visibility into a project's status, budget & timeline.

Enabling Remote Working:



78.2%

Increased productivity & billability of employees.

Since Implementing Project Management Software:



64.5%

Increase in ability to meet deadlines.

Insights

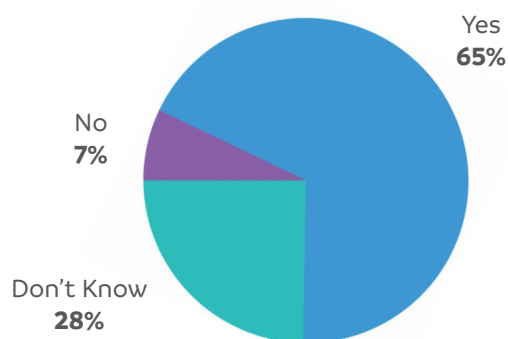
Industry Results



90.7% of agencies

Saw a ROI after implementing project management software.

Were most of your projects profitable in 2017?



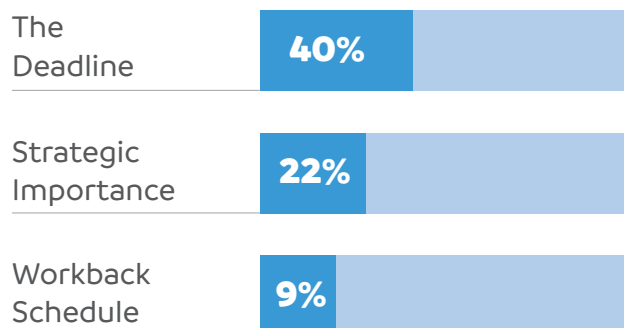
Agencies:

63.8%

Have a dedicated operational role focused on the company's:

- ✓ Process
- ✓ Systems & Tech
- ✓ Vendor Management
- ✓ Financial Management
- ✓ Reporting

The most important criteria when prioritizing a project is:



The most valued project management software features for increasing productivity are:

- 74.8%** Task Management
- 70.5%** Time Tracking
- 39.4%** Project Budgeting

Leadership

51.5%

Have no time to provide their teams with:



Coaching | Insights | Direction



About Function Point

Function Point's project management software alleviates the chaotic nature of operating creative agencies, internal marketing teams and professional service firms. Used by over 9000 customers across the world, the all-in-one solution helps teams connect each stage of project management.

We strive to deliver intuitive software solutions and unsurpassed customer service. Our goal is to make productivity more personable; to warm it up and give it a heartbeat. As a customer-funded business, we treat each of our customers as our partners. Because their success is our success.

**For more information
please visit:**

functionpoint.com info@functionpoint.com @functionpoint

agencymanagementinstitute.com @DrewMcLellan



About Agency Management Institute

Agency Management Institute recognizes that most agency owners are accidental business owners. They're brilliant at serving clients but need support and agency-centric best practices to run and grow smart and profitable businesses.

AMI serves privately owned agencies through their Build A Better Agency podcast, owner peer groups, live and on demand workshops and coaching programs.

AMI's approach to agency consulting/education is holistic, borne from 30 years in the industry and their exposure to over 250 agencies every year.