How Businesses Hire Agencies

And What Every Agency Should Know



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Introduction

The last few years have been a whirlwind of change for businesses and digital agencies across the board. Brands had to shift their business practices in response to a global pandemic. Disruptions in the supply chain have challenged entire industries. More than ever before, businesses have had to lean into digital channels to reach their customers. Agencies adapted to provide ongoing support for their clients and safely navigate them through the storm.

We surveyed more than 100 businesses in the United States during 2021 to gain insight into what they need, what they look for, and how a digital agency can be a true partner for success. Here we dive into common pain points, barriers, and agents for growth to provide marketing firms with strong direction on how and where to focus their efforts.

As every digital agency and marketing leader knows, innovation is at the heart of providing valuable service to your clients. This study will arm you with the most important elements that companies are looking for in 2022 and beyond.

The information from our study will **empower agencies** to make the most of their expertise, **position themselves for success**, and **grow their book of business**.

Who We Surveyed: Industries and Company Size

To get a clear, birds-eye view of the state of the client-agency relationship, our team collaborated with more than 100 businesses across the following industries:

Information technology	21.2%	Travel, tourism, & hospitality	3.0%
Business & professional services	15.2%	Banking & finance	2.0%
Manufacturing	11.1%	Legal services	2.0%
Construction & renovation	5.1%	Nonprofit	2.0%
Ecommerce	5.1%	Adult	1.0%
Education & training	5.1%	Gamification	1.0%
Computers & electronics	3.0%	SaaS	1.0%

To get a full view of how and why businesses seek the expertise of digital agencies, we explored the following topics:

- What businesses look for in a marketing agency
- Why they seek a marketing agency in the first place
- Size of their company
- ✓ Their **industry**

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🖌 What's **important** to them

- Red flags when it comes to outsourcing
- How they found their marketing partner and why they chose them
- Challenges of working with an agency
- Budgets and pricing models



SMB Company Size

The SMBs (small and medium-sized businesses) varied in company size, ranging from one to more than 250 employees as follows:

How many employees does your company have?



In-House Marketing Employee Count

Almost 90% of companies have at least one marketing expert on their team—but that doesn't mean they don't need the help of a marketing firm to outsource their activities. Out of the SMBs surveyed, we discovered the size of their in-house marketing teams as follows:

How many people are in your marketing team?



Who Is Looking for Marketing Services?

Using the <u>Semrush Market Explorer</u>, we gathered the following demographic information using data from the biggest agency directories in the industry. Here's what they look like, the social channels they use, and what they're interested in.



Age & Sex

Social Media Preferences





Audience Interests



How Companies Look for Marketing Agencies

How Companies Outsource Marketing

To outsource, or not to outsource?

Deciding between outsourcing or hiring an in-house marketing team is the rub. It's a hot topic for decision-makers. Is it better to build an internal team or to partner with a digital agency?

In every industry we surveyed, we found that nearly 60% of companies seek the marketing expertise of a third party. Surprisingly, more than 6% reported that they outsource 100% of their marketing, while 41.4% of SMBs don't outsource at all. More than half of businesses surveyed opt for a hybrid approach where their in-house marketing efforts are supplemented by outsourcing.

Do you outsource activities marketing?



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Key takeaway for agencies:

A great deal of potential exists for you to appeal to businesses and brands who are looking to scale their marketing efforts. With the right approach, you can pitch your expertise and position yourself for success.



The Outsourcing Experience

On a scale of one to five, our SMBs gave an average score of 3.3 to describe the quality of their outsourcing experience. They also provided a list of what specific services they look for in an agency. **A key takeaway for agencies: Paid advertising, web development, SEO, and content marketing were the topmost sought-after marketing services.**



Which marketing services do you outsource?

The Reasons Behind Outsourcing

Businesses are looking for marketing excellence, but most of the time they don't have enough resources internally to make it happen.



Why do you outsource marketing activities?

Not enough in-house expertise:

Companies are struggling to find qualified marketing experts to work on-site

Not enough in-house resources:

Companies have difficulty allocating time and other resources to marketing activities

Need to scale up marketing activities:

Businesses need to publish more organic content and articles, update their website, and be active on social media, and they need outside help to execute

Need an outside perspective:

Marketing agencies can offer a fresh outlook and an infusion of creativity to a brand

More cost-effective than hiring talents:

Imagine hiring five marketing professionals and paying them \$100K each per year. Now imagine hiring an entire agency for \$5K per month—which would you choose?

Hard to hire good in-house marketers:

Good talents can be difficult to find

Project specific:

Whether it's a single campaign or initiative, some businesses outsource on a case-by-case basis

Outsourcing Budgets \$\$\$

Interested in knowing how much businesses are prepared to spend each month on outsourcing? You might be surprised to know that almost 20% of businesses we surveyed spend upward of \$20K per month on marketing alone. On average, most companies are prepared to budget \$7,560 per month.

What is your monthly outsourcing budget?





Semrush's Agency Partners typically report similar numbers for budgets:





Key takeaway for agencies:

Most businesses understand the value of marketing and are prepared to invest in it. Shape your proposal accordingly and offer different budgets and price points to appeal to your prospects.



The Other 41.4% Who Don't Outsource

Whether or not they rely completely on their internal marketing team or simply have no time for marketing, a huge number of businesses simply don't outsource at all.

Why don't you outsource marketing activities?



So much potential exists for agencies to reach this group of companies that could use a marketing partner. However, we discovered some common challenges that form a barrier to building relationships like these.

Company Challenge	Agency Solution
"It's hard to communicate with outside marketers."	 → Create a transparent and open system of communication with your clients as a standard business practice.
"It's hard to explain our product or services."	→ Find your niche: Research and pitch to businesses that you truly understand.
"lt's not financially viable."	→ Offer flexible budget options, such as an hourly, project-based retainer or a hybrid pricing plan to suit their needs.
"Outsider marketers aren't focused enough on our project."	→ Share testimonials and success stories that demonstrate your commitment to serving your clients.
"We lack control with outside marketers."	→ Set expectations with your clients and foster communication and collaboration.
"We tried outsourcing, and it didn't work out."	→ Find out why, and create a better solution.

Top 10 Most Important Traits: What Businesses Want From Agencies

For companies that do outsource, here are the top 10 most important characteristics and qualities that they look for in a marketing partner.



Experience in your industry:

An agency with niche industry experience is always preferred rather than one that will "try to learn"



Realistic action plan:

Agencies that present viable strategies and timelines are more likely to achieve success



Accessible and responsive account managers:

Businesses want to rest assure that they can communicate with their marketing partner and reach them when they need to



Affordability (tied):

Budget is always a factor, and agencies should offer flexibility to suit the needs of their clients



Referrals from other clients (tied):

Hearing positive feedback from other clients goes a long way in capturing the trust of a prospective client



Positive, public reviews from clients:

Be sure to have plenty of stellar reviews on Google My Business, social media sites, and agency directories that speak to your experience and professionalism

Access to marketing tools: Transparency is key when sharing data with clients

Time the agency has been in business: While it's not the biggest dealbreaker, agencies with more longevity are considered more seriously



Place in agency ratings:

How well do you fare against your competitors in agency score? Businesses will consider this.



The agency is certified:

Businesses see certifications as a reinforcement of an agency or a marketer's expertise. Stay on top of certifications and include your badges and banners on your marketing materials.

Top 10 Biggest Red Flags

What are the biggest turn offs for businesses that negatively impact an agency's likelihood of success? Here are the top 10 pet peeves that businesses do everything to avoid:



Key takeaway for agencies:

Be authentic. Be honest. Be yourself. Communicate effectively and in a timely fashion. Don't be another bad experience that will cause a business to forget about hiring another agency ever again. Put yourself in the client's position to understand their concerns and give them the quality of service you'd expect.

The Client-Agency Relationship: The Client Perspective

We looked at companies that are partnered with a marketing firm to understand what kind of experiences and perspectives they had. Their answers to our questions were very revealing.

Why have you chosen your existing marketing agency?



Two answers were head above shoulders to the rest. The first is that their **agency was recommended to them**. The second was that the agency presented an **interesting and convincing proposal**.

Key takeaway for agencies:

- Research your prospect and present a unique, tailored strategy that hits the spot
- Ask your best clients for referrals
- Build your brand awareness and be visible to your audience
- Produce engaging content on your website to demonstrate your subject matter expertise
- Give your current clients a reason to write you a glowing review
- Be active and engaged on social media



How Businesses Found Their Marketing Partner

Considering that recommendations were the #1 most popular reason for choosing an agency, it's no surprise that word of mouth dominated this part of our study. Here is the breakdown:



Key takeaway:

Referrals and recommendations from other businesses are the most effective endorsements that lead to new clients. Agencies should focus on giving their absolute best service to their existing clients. If a client loves their agency, they will tell the world — and they may even become a brand ambassador for your firm.

Likes and Dislikes: the Client Perspective

We've seen that business put a lot of stock into finding the right agency partner. They've also shared some of their dealbreakers with us. Our research reveals the biggest likes and pet peeves across the board:

Likes	Dislikes
Takes the time to deeply understand my brand position and voice	Limited understanding of brand, products, and services
Improves the quality of generated leads	Poor or difficulty maintaining communication
Regularly reviews analytics with us	Limited ability to integrate channels, campaigns, and technology
Provides analytics showing proof of results	Inability to effectively track progress
Helps us refine our value proposition	Lack of innovative ideas
Generates a positive ROI	Lack of practical ideas
Helps us better understand our customers and improve our customer service	Poor project management

Key takeaways for agencies

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Be proactive with new ideas and solutions at every turn. Make sure your client is happy with the level of communication they receive. Otherwise, make changes to ensure they are satisfied.



Measuring Agency Performance

How do companies measure the impact or success of the agency they've partnered with? Spoiler alert! It's not impressions or time spent on a page. It's all based on how much they pay their agency and the difference it makes in their overall ROI.





Pricing Models

Historically, agencies and businesses looked to the hourly or retainer-based pricing models in the past. More recently, we've seen some changes in these trends.

More than 41% of businesses adopted a project-based pricing model, with only 13.8% reporting the hourly rate as their standard.



Key takeaways for agencies

Don't just offer a single payment structure. Businesses like a variety of options. Experiment with different pricing models depending on the nature of the outsourcing arrangement and the specific needs of your clients.

Who are the Decision-Makers?

Step 1: Initiation

Who in your company initiates the need for an agency?





Step 2: Final Decision

Who in your company makes the decision to work with an agency?





Key takeaways for agencies

Don't neglect any of these decision-makers when preparing, presenting, and following up on any proposal. While a director of marketing may initiate a RFP, they may not be the one pulling the trigger. Always research the company and consider the leadership roles you're addressing.



From Business to Business: Outsourcing Advice

Here are some of the words of advice that surveyed business owners share with others considering an outsourcing arrangement:

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- Look for someone who understands your business and how you define success.
- Don't ever focus on how to get the cheapest agency if you need leads today especially PPC (pay per click). They won't give you enough time, effort, or experience to get the leads. And then you'll still be suffering in three months.
- Ask for references and follow up with their clients directly.
- Do your research. Listen to industry podcasts for referrals. Look for one that matches your company's culture.
 You want to find one that will work with you.
- Do your homework. If, after the first month you don't see results, don't keep wasting time and money.

- Make sure to stack up at least two to three other agencies when comparing. This way you'll get a good understanding of cost and project scope, and if you need to make a use case, it always looks good to the director or decision-makers that you've done your research.
- Make sure the people you speak with about your business will also be the people you will work with afterward — and that they understand what you want!
- Spend a little more and never go for the cheapest option.
- Slow to hire, quick to fire.
- Find a partner that will work with you and more importantly work as hard as you do!

- Be clear in your requirements and ensure the agency can translate a path to achieve these.
- Verify the competence of the agency and then start with a pilot project.
 Don't sign long-term contracts.
- Consider starting with a smaller piece of work to test them out, rather than committing to a long-term or regular service.
- Be sure they have the resources and model to support the needs you've communicated to them. Beware of agencies that hire freelancers only, as there's no consistency or continuity of support provided to you, and you're constantly starting from scratch.
- Vet them before hiring.
- Work with an agency with whom you can have a good rapport.



What Businesses Want To Say to Agencies

From the company's perspective, here's what they had to offer for agencies seeking to build their book of business:

- Ask questions and listen. Questions must be within the context of the industry and sales process.
- Be as transparent as you want your client to be. Communication is a two-way street.
- Be clear and set expectations properly
- Be honest, open, and transparent about everything — company structure, employees, client results, and pricing
- Be transparent and respond when you say you will
- Communicate and disclose what you are doing
- If you're going to have an account manager, their number one responsibility should be to immediately reply to a client when they email, saying, "I received

your email. I'm working on finding an answer now. I'll have a response within the next 12-24 hours."

- Learn the clients' industry first
- Nobody cares about gross rating points, impressions, or time on page — only sales or defined opportunities
- Make the customer feel like they're the only one you speak to. Don't let them feel like just a number. Get to know their business and try to understand it.
- Provide regular updates. Don't wait for the client to chase you. Provide ideas and opportunities broader than the initial scope.
- Provide status reports. Proactively provide new idea.
- Slack is a game-changer. I always feel connected when agencies offer to use Slack for communication.

- Do the research and really try to get your client's business. Allocate more time and resources to the discovery stage.
- Some marketing agencies lack competence, and they need to update their knowledge base by taking courses and educating their employees. Outdated SEO practices, for example, will certainly make potential clients run.

Transparency is critical

Use a project management tool

that the agency and client have access to. If the client has their own project management tool, respect that and find a way to integrate it with your own.

Weekly meetings have worked for us



Looking Into the Future

Without a doubt, the global pandemic has caused so many changes in our professional and personal lives.

Surprisingly, a resounding majority (more than 71%) of businesses surveyed said they outsource more than ever before.

Additionally, remote work has become part of the "new normal" and is an accepted mode of collaboration across clients and agencies today.

When it comes to marketing plans in 2022, lead generation and inbound content marketing are the two biggest areas of improvement for SMBs. Businesses are looking to agencies to help them acquire higher quality leads with seamless lead enrichment processes. Content marketing continues to be a major priority, and agencies with expertise in this area have an opportunity to showcase their strengths.

How has the pandemic affected marketing outsourcing in your company?





4.4%

How comfortable are you working with your agency completely remotely?

We definetely want to have meeting with our agency
 We like working remotely and are comfortable with it
 We would like to have both online communication and offline meetings

Where do you want to focus your marketing efforts in 2022?



Key takeaways for agencies

- Companies are outsourcing MORE that means higher demand for your expertise
- Remote work is here to stay but options to meet in person are attractive to some companies
- **More businesses** are focused on improving their lead generation and content marketing. How can you help?


Part 2: How Digital Agencies Land New Clients

Challenges and Takeaways

This part of our study is designed to help agencies understand some of the common challenges and opportunities that others face within the industry as a whole. We asked 111 marketing agencies in the U.S. about how they find clients, their budgets, marketing channels, cost for lead generation, and more to give a high-level view of the agency landscape in 2022.

Number of clients

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We asked 111 marketing agencies in the U.S. about how they find clients, their budgets, and more. Here is how they answered.



Marketing Channels Used to Find New Clients

Which marketing channels do you find more effective to find new clients for your agency?



Lead Generational Budget: Monthly



Lead Generation Stats: Monthly



9%

10.8%

Average Cost per Lead

What is the average cost of a generated lead?



Agency Pricing Models

What pricing system do you use?



What is your lead-to-client conversion rate Less than 5% 5-10% 10-15% 15-20% More than 20% 13.5% 19.8%

How do you nurture leads?



Who usually makes a hiring decision on the client side?





How long does it usually take to convert a lead into a client?



Key takeaways for agencies

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- **48.6%** of agencies **use content marketing** to find and attract new clients
- 61.3% of agencies use SEO to attract new customers but only 35.1% say it works
- 65.8% of agencies say client referrals are the best way of attracting new business
- 68.4% of new leads take one week to more than a month to convert
- 62% of agencies budget \$1K or less each month to finding leads
- 52% of agencies report the cost per conversion to be less than \$100
- One-on-one interaction is the most effective way of nurturing new leads
- The majority of agencies use a combination of pricing models; hourly, retainer, and project-based are the most popular



Challenges of Attracting New Clients

Agencies have a particularly difficult barrier to cross in order to gain new clients. They face an enormous amount of competition and must elevate themselves to break through the noise online. And that's not all.

Specific processes in the sales funnel can be just as challenging. Here are the answers our surveyed agencies gave:

- Difficulty finding the proper strategy, tactic, or offer
- Not having enough people to generate leads
- Not succeeding in turning qualified leads into sales

- Difficulty shaping the conversation and appealing to leads
- Providing relevant and valuable content to leads
- Managing and tracking leads
- Measuring and documenting
 the lead generation process



What is the most challenging aspect of attracting new clients for your agency?

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Part 3. How Companies Look for Digital Marketing Services Online

As a data company, we used our own research tools to learn more about how companies find <u>marketing agencies through search</u>. Analyzing the top 100 keywords related to "marketing agency" using the Keyword Magic Tool, here are some of our most significant findings:



15% were brand-related keywords

While 15% of the keywords on our list were associated with a specific agency brand, the quality of those keywords varied significantly.

How People Search for Marketing Agencies

Top 100 keywords by volume related to the term "marketing agency"





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2 73% had a commercial search intent

Top Marketing Agency-Related Keywords by Intent

Top 100 keywords by volume related to the term "marketing agency"









Key takeaway

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Pick your keywords strategically, considering the intent behind the search and provide valuable, optimized content supporting that intent.

35% were local or regional-specific searches

In the 100 keywords we examined, 35 of them were local. Nine of these included the search phrase "near me," rather than calling out a specific region.

Of the search terms that did specify a region, New York (with 13 keywords) and Chicago (with six) were the most strongly represented on our list, followed by St. Louis and Miami. Of these, "marketing agency Chicago" had the highest search volume.

Key takeaway

Don't forget about your local community. Even if you serve clients nationwide, it's important to appear locally by keeping your listings and Google My Business Profile up to date.



42% referred to a specific type of marketing agency or service

Keyword	Search Volume
SEO agencies	9900
Media agency	1600
Small business marketing companies	1300
Small business marketing agency	1000
Creative agency NYC	880
Website agency	880

Key takeaway

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Consider your agency's strengths and opportunities for specific niches within digital marketing as a whole. This is an opportunity to brand yourself apart from the competition and gain visibility to customers who are seeking a specific marketing solution.

5 Directories matter

We found that singular vs. plural keywords made a difference in the SERPs, where the top 10 organic results featured a combination of individual agencies and directory pages or agency lists.

Key takeaway

If the search is plural (e.g., "marketing agencies" vs. "marketing agency"), Google appears to prefer results that compare, rank, or list multiple agencies. Ergo, marketing companies should focus on ranking for singular keywords for their own website, alongside getting listed in top ranking directories. Becoming a <u>Semrush Agency Partner</u> could be your first step to maximizing your odds of being discovered by clients specifically seeking your services.



Conclusion:

Five Trends to Watch

After months of collating and analyzing our findings, we've discovered the state of outsourcing marketing to follow five distinct trends:

Companies need (and are looking for) agency solutions to grow their business.

Their pain points are well known. Attracting, retaining, and affording professional marketers in-house isn't easy. The majority of SMBs need an agency to help them scale and improve their marketing efforts to grow their book of business.

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Companies want to trust their agency partner.

Outsourcing is a big deal — it means a company is trusting its reputation, its image, and its financial investment on an outside vendor. It's a big question of trust. This is where agencies can truly step up and make it a new standard of excellence when it comes to providing transparency, communication, and innovative solutions to move their clients forward.



Companies that outsource are happy to pay the price tag — as long as they get value.

Did you notice that none of the companies surveyed ever complained once about the expense of outsourcing? That's because they are prepared to invest in a partner who will deliver value. Whether it's the service, level of communication, or calibre of work produced — the value is not determined by the agency who sets the price but rather by the company choosing to invest in it.



Agencies face a competitive landscape online.

Keyword research and our survey data show that ranking for marketing terms is no simple feat. That's why agencies should lean into directory listings and improved lead generation practices to acquire new business. Additionally, word-of-mouth marketing and referrals lead the way in acquiring new clients.

5

Agencies have a huge opportunity to scale post-pandemic.

A perfect storm is brewing. Agencies and businesses have exciting opportunities to partner up. The sheer increase in the demand for outsourcing, coupled with the adoption of remote work culture, means agencies have fewer barriers to land their ideal clients and keep them happy for years to come.

About Semrush

Semrush is an online visibility platform that makes marketing better. Used by more than **7 million digital marketers worldwide**, our software contains **50+ tools** to help businesses grow. Everything from SEO, competitive research, ads research, social media marketing, brand monitoring, and more our growing suite of tools helps agencies, small business owners, and large enterprises thrive in the digital landscape.



About Semrush

Agency Growth Kit

The <u>Semrush Agency Growth Kit (AGK)</u> is an add-on that includes several turnkey solutions for marketing firms and agencies looking to scale and improve everything from lead generation, strategy, execution, detailed reporting, and more.

AKG Highlights

Agency Partners:

For agencies looking to stand out from the competition, our Agency Partners Badge is a professionalgrade certification that validates agencies in the eyes of prospective clients. Marketing firms who earn the certification are listed in the Agency Directory, a premium listings platform that gives exposure to thousands of Fortune 500 and growing companies looking for a digital partner just like you. Agencies get access to enriched data on prospects, and companies can search for their ideal marketing company.

Client Portal:

New in 2021, Semrush created an interactive portal that lets you give your clients access to all their data 24/7. No need to spend time each day recording their Google rankings or parsing data into manual reports. Agencies save time and gain transparency and trust with their clients without having to spend additional time on reporting. Share all your files, tasks, and reports with your clients whenever and wherever.

Automated Reporting Made Easy:

AGK users benefit from branded reports that are automatically generated and shared with them and their clients on a scheduled basis.

CRM for Agencies:

Prospecting qualified leads is time consuming and requires a lot of research. That's why we provide enriched data on leads in the Semrush CRM that gives the power back to agencies. It keeps all client data organized in one place, giving you the ability to allocate resources and manage tasks in a single, seamless workflow. Instantly glean contact information, company size, invaluable tech specs, and other key details that can help you land your next dream client.



Start growing your agency today

Get free 7-day access. Cancel anytime.



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