

A guide to running a business in the Marketing & Communications sector.

The Creative Industries Innovation Centre (CIIC) supports the business of creative enterprise. The CIIC is part of the Australian Government's Entrepreneurs' Infrastructure Programme, and is supported by the

University of Technology, Sydney. This Forensic Report summarises the insights drawn from our interactions with this sector. Overall, the CIIC has worked with more than 1,500 creative enterprises (2009-2014).

Talking point

If the only constant is change, how can marketing and communications agencies stay relevant and keep pace with client demands?

With so many new entrants to this sector – such as PR, digital and social media agencies – marketing and communications businesses are working under immense competitive pressure.

For many agencies, the transition from fee-for-service to more scalable revenue streams has been a bumpy one. Core business strategies are constantly challenged as agencies struggle to keep pace with technology and clients' new and varied demands.

A few years ago, marketing departments relied heavily on the creative and strategic expertise of advertising agencies. Today, marketing departments are far more sophisticated, and agencies are at risk of seeing their work commoditised as implementers of creative services or "suppliers", rather than "partners".

As this CIIC Forensic Report reveals, embracing digital media must occur as part of

a determined business strategy as opposed to relying on organic, reactionary change. Overcoming deficiencies in sales, leadership and strategic planning is also vital.



Pressure points

Challenges specifically impacting marketing and communications agencies:



Lack of formalised strategy & business practices

Many agency principals do not devote enough time to strategic planning and goal setting; managing staff; and generating new business. Over-servicing current clients and poor cash-flow are common repercussions.

Ad hoc reinvention

In an attempt to evolve their service offering as digital and social media channels emerge, firms often incorporate additional services without addressing the impact on the business as a whole.

Economic rollercoaster

Businesses in this sector are exceptionally vulnerable to changes in the economy. An uncertain economic climate over the past 18 months has led to many stalled projects and new business pitches.

Poor marketing and sales strategy

Many agencies neglect their own brand and marketing, resulting in low sales or a limited client list. Without a defined sales strategy, fear of losing clients is pronounced.

Weak financial management & systems

Poor job and profit tracking systems are common, particularly in small and mid-sized agencies.

Intellectual property

Many agencies create solutions looking for problems without understanding the needs of end-users before embarking on IP development. Social media models, mobile apps, web management services and data analysis may present IP opportunities, particularly for digital agencies.

High staff turnover

At the SME size, agencies are commonly short on staff and specialist skills, leaving many employees feeling stretched as they struggle to keep pace with new technologies and shifting client demands. Morale suffers, resulting in high staff turnover.

Steps towards sustainable growth

The CIIC has identified the following steps to help marketing and communications agencies exploit market opportunities and achieve sustainable growth:



Marketing & Comms

\$1.55m Annual turnover

7.2% Profit before interest & tax

10 Employees

13 Years in business

A typical CIIC client in the Marketing and Communications sector has an annual turnover of \$1.55m, with profit before interest & tax of 7.2%.

It employs 10 people and has been in business for 13 years.

The insights highlighted in this Forensic Report reflect the challenges and opportunities faced by businesses of this size.

Step 1 Stay relevant

Keep abreast of change by upskilling or hiring staff with digital expertise, and revisiting your Business Model regularly. The CIIC uses the Business Model Canvas (developed by Alexander Osterwalder and Professor Yves Pigneur) to help marketing and communications agencies examine their business models in line with technological change.

Step 2 Step away from day-to-day issues

Agency principals must allocate time to managing the business strategically. To increase your agency's efficiency, consider staff restructuring and requisite training; online work management and dashboards; and developing systems to leverage campaign and client data.

Step 3 Weigh up scale v niche

Create a differentiated value proposition that sets you apart from competitors. The world doesn't need another a "me too" agency: think about how your agency offers something different, while weighing up the virtues of offering a full suite of services, versus tapping into niche markets by offering specialist expertise.

Step 4 Address business development

Consider employing a manager to formalise business development and implement a consistent sales effort.

Step 5 Chase relevant work

Put systems in place to enable more accurate job quoting, better manage unpaid pitches, and spot unprofitable work or working beyond scope. Pitching for new business can be expensive: make sure you're not throwing money out the window by chasing work that suits your expertise.

Step 6 Develop end-user insights

If you don't understand the end user, how can you help your clients understand them? Providing in-depth customer or end-user insights is essential in a fast-moving, fiercely competitive market.

Summary

This Forensic Report reflects the CIIC's work with over 1,500 creative enterprises in Australia. To register for a free Biztro session or an Entrepreneurs' Infrastructure Programme Business Evaluation, visit www.creativeinnovation.net.au

There is a pressing need for marketing and communications agencies to keep pace with rampant technological change, with some predicting more change in the next decade than in the past 10,000 years. Agility is vital, but it must be supported by thorough internal systems and a formalised sales approach.

Success depends on putting effective management procedures in place, and focusing on quality assurance, data analysis and financial management.

Agencies are already exploiting digital opportunities, but they need to be part of a well-considered strategy to stay relevant. Agency principles also need to balance creativity with the practicalities of running a business, and become partners – not suppliers – with clients.

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