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### Survey: Agencies See Glass as Half Full for '08

October 22, 2007

By Andrew McMains

**NEW YORK** Considering that more than a few once high-flying agencies are struggling to make their numbers these days, it may come as a surprise that most agency leaders are optimistic about their prospects in 2008.

What may not be surprising at all is that the majority of those positive-thinking CEOs are primarily counting on two categories for growth: digital and healthcare.

Those are the key findings from a new survey released last week that shows that eighty-six percent of all respondents—CEOs, presidents and creative chiefs—believe they will grow their businesses next year, with the rest expecting to be flat (13 percent) or down (1 percent.) And looking forward five years, 84 percent think the business will be better than it had been during the past five years.

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Wishful thinking?

"I don't think it's realistic," said Hasan Ramusevic, of the Hasan + Co. search consultancy in Raleigh, N.C. "Unless marketers are going to add an exorbitant amount to their budgets, I don't think it's possible for 86 percent to

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grow."

While marketers may be shifting their ad dollars to online, not many seem to be significantly boosting their overall budgets.

Still, 51 percent of the respondents said they would expand staff next year, with 44 percent planning to maintain their current staffing levels. The anticipated staff expansion may also reflect a desire to invest in new types of talent, such as in digital marketing or channel planning. Only 5 percent said they expect to cut staff, but that could change the moment a large account walks out the door.

The 103 respondents came from full-service ad agencies, marketing research firms and direct marketing, public relations, promotional and design shops. They range in billings from \$24 billion (a global media shop) to less than \$5 million, with about 17 percent representing agencies on the larger end of the scale, including WPP Group's MindShare, independent Cramer-Krasselt, WPP Group's Hill & Knowlton and Omnicom Group's Martin/Williams, said Mark Sneider, U.S. managing director of RSW in Cincinnati.

Larger shops expect a nearly equal amount of growth from new and existing clients—53 percent new versus 47 percent existing. Interestingly, 61 percent of the small and mid-sized agencies plan to grow by securing new clients (with the rest coming from existing clients) perhaps due to the fact that large, global marketers seem to be willing to hire relatively small shops for creative tasks, said Sneider. Examples this year include Kraft Foods hiring Nitro here to handle its Kraft Singles business and Dell hiring Mother for brand image work. Such agencies are "seeing a greater receptivity among prospects to listen to different ideas and ways of thinking," Sneider said. "People are willing to parcel some things out."

Not surprisingly, 63 percent of respondents expect interactive marketing, e-mail and online advertising to be the "hottest media" in 2008, followed by viral marketing and word-of-mouth (12 percent) and mobile text/SMS messaging (8 percent). Television came in a distant fourth, at 6 percent.

Among categories of business, 43 percent of the respondents expect the healthcare industry to heat up next year, with only single-digit percentages of respondents anticipating upticks in sectors such as consumer and packaged goods or finance and banking.

In August, RSW e-mailed questionnaires consisting of 17 multiple choice questions to some 1,000 agency principals in the U.S. and Canada and achieved a 10 percent response rate.

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