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Forrester: Agencies will upgrade or fade away

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As 2019 draws to a close, chief marketing officers and agency leaders turn their attention to a decisive 2020.

This will be the year that agencies of every size and type finally take up the task of deconstructing and reassembling their model in the face of economic uncertainty, looming regulatory action and a compounding pressure to both perform and transform simultaneously or risk falling further into irrelevance.

In 2020, anticipate that agencies, under the guidance of new, operational-minded leaders, will reshape their processes and capabilities around centralized structures that can deliver services in a coordinated manner.

Our predictions for the year ahead include:

Automation will reshape the agency workforce and the creative process. Artificial intelligence (AI) and automation will transform a vast majority of jobs over the next decade, and in 2020, agency employees will feel the beginnings of that transformation.

Automating tasks will collapse responsibilities and foster new, hybrid roles across disciplines.

For example, anticipate agencies to incorporate data-driven approaches into their creative toolkits.

New operations-focused leaders will centralize more agencies. In 2020, expect the agencies' media group holding companies to centralize their operations, technology, data and smaller agencies.

During the third quarter of 2019, GroupM, IPG Mediabrands and MDC Media Partners installed new executives, each with a history of aggregating and building capacity.

While the individual agency brands will not completely disappear, holding company media groups will actively consolidate their buying power to fend off the looming in-house threat.

In-house agencies expand their media remit. In-housing media grew five percentage points this year.

In 2020, we predict that a third of in-house agencies will include media operations that control substantial portions

of the paid media budget.

CMOs and their C-suite colleagues are asking themselves and Forrester, "Should we do the same as our competitors?"

In-house leaders will respond by diverting major portions of their paid budgets.

Many agencies cautiously began down this path years ago by adjusting offerings conducive to project-based engagements and adding discrete data management, customer experience or consulting practice layers.

These are important steps, but they are reactionary and too slow to build for real change.

One C-suite holding company executive told Forrester, "Our single biggest challenge is change management. Change freaks people out."

THE SPEED of the 2020 agency transformation will determine the viability of agencies' futures.

Every employee must embrace the rapid value upgrade that agencies bring to clients. Otherwise, they will fade further into irrelevance.

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