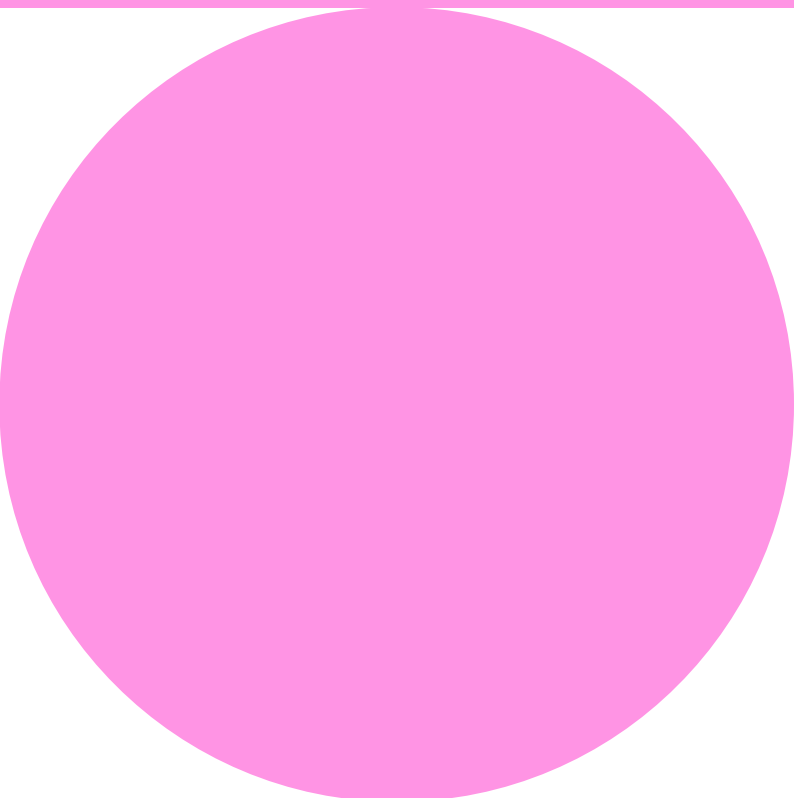FUNNEL.

New research from Funnel spells out the
mounting hazards facing marketing agencies,
plus hidden opportunities to turn disruption
into innovation and growth.

Agency
Acceleration

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About the research

Funnel surveyed 327 in-house marketing professionals and agency leaders globally. We also interviewed nearly a dozen agency leaders from high-performing, data-savvy shops in the U.S. and Europe. Our goal was to understand the unique challenges facing agencies, as well as how high-performing agency teams are innovating and out-competing the market. The research was managed by a third-party partner, Ravn Research, and sponsored by Funnel.

Ravn
RESEARCH

FUNNEL.

The optimism gap

Marketers signal they may replace their agencies with AI-driven tech, but agencies appear unconcerned.

Marketing agencies face a serious triple threat:

1. Pressure from regulators and Big Tech: Cross-device and web tracking was always a contentious issue in marketing. With new and continued pressure from regulatory bodies and Big Tech — such as the sunsetting of third-party cookies and iOS updates that emphasize user privacy — companies now face even greater challenges in profiling individual consumers and assigning objective value to paid media channels. All of this will have lasting effects on marketers' long-term strategic goals.

2. A shortage of advanced analytics skills: Companies like Meta will struggle to effectively target users due to data loss, limiting agencies' ability to attribute objective success (e.g., post-click attribution). These changes will push agencies toward more statistical methods, like marketing mix modeling (MMM), which require data skills many agencies do not currently possess. These methods may also be too advanced for many agency clients to understand and invest in.

3. Changing perceptions about 'value': AI and automation tools are being used by marketers and agencies alike to augment human work in areas like SEO, video editing, content generation, campaign optimization and targeting. In the short term, these changes are driving workflow efficiencies, but in the long term, these tools may erode some revenue sources for agencies and destabilize the marketer/ agency relationship.

Funnel surveyed both in-house marketers and agency professionals to find out what the future holds for the modern marketing agency in the face of these critical pressures. How can these agencies continue to provide value and even thrive?

How do agencies prove their value?

"Everyone says, 'We're data-driven.' They believe that just because they're downloading some data, sticking it in Excel and making pivot tables that makes them data-driven. But a lot of marketing spend is like handing out free pizza vouchers to people who are already in a queue for a pizza place. Sure, they have a one hundred percent conversion rate, but it's because people would've come there anyway."

Julian Modiano
Co-Founder & CEO
Acuto

Are agencies overconfident about the future?

Two AI story arcs

Hearing in-house marketers and agencies describe the future, one wonders if they're talking about the same industry.

A significant share of in-house marketers say AI will invariably affect their agency relationships. In fact, 43% say AI will make their company less dependent on agencies — roughly 6x the rate of those who say they will be more dependent on agencies due to AI.

This outlook may already be affecting spending. Three in four in-house marketers report that outsourcing rates at their company are projected to remain flat or fall during the next 12 months.

Despite these negative signals from in-house marketers, agencies do not yet appear to be alarmed. In fact, most are predicting rising fortunes. Financial condition, they say, is on the upswing. Two in three agency professionals expect their financial condition will improve over the next 12 months. And agency professionals largely believe AI will have a net positive impact on their business.
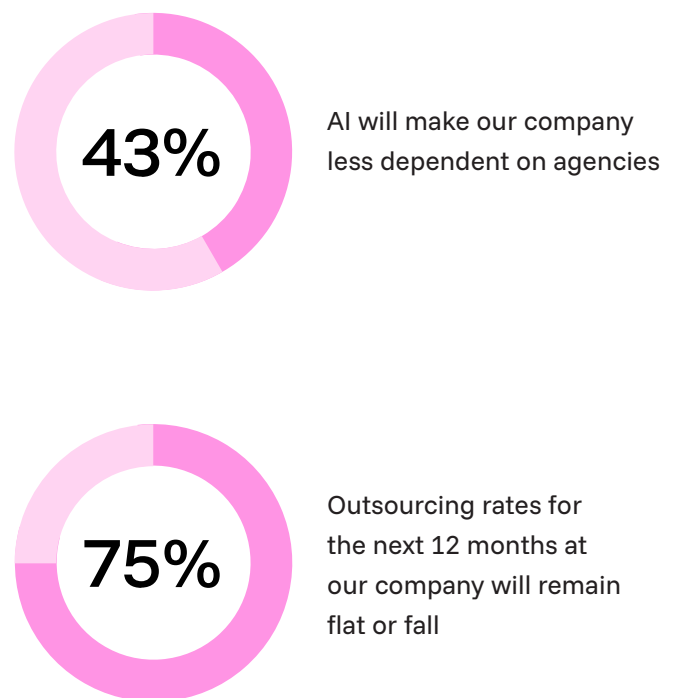
The vast majority of agencies we surveyed do not view "in-housing" (i.e., marketers bringing agency work back in-house) as a near and present danger. Just 23% view in-housing as a major or extreme threat.

If nothing else, this gulf between marketers and agencies points to a tremendous amount of optimism about how AI will wind its way through the stages of the customer journey and the connected parts of marketing operations.

Agencies say...

23% In-housing is a major or extreme threat

66% Our agency's financial condition will improve over the next 12 months

Marketers say...

43% AI will make our company less dependent on agencies

75% Outsourcing rates for the next 12 months at our company will remain flat or fall
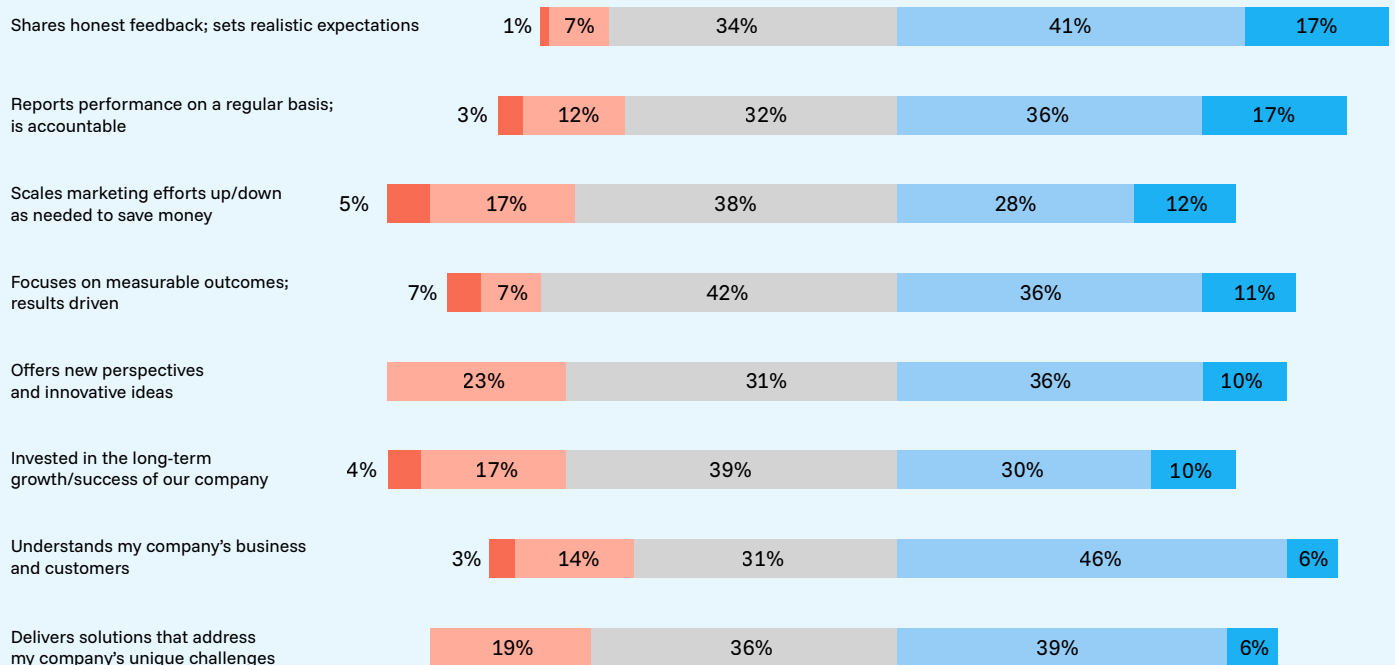
The agency report card

How do marketers feel about their agency relationships?
There's lots of room for improvement.

The future of marketing depends on more sophisticated measurement models and massive amounts of data spread across the customer journey. If agencies are going to prove and deliver value, they must be trusted to work with client data — a lot of client data. And agencies must be trusted to deliver insights and results in areas their clients may not fully understand.

Is the marketer/agency relationship ready for this type of high-trust, collaborative partnership? We asked marketers how their agencies perform across eight key dimensions. The results are sobering.

Do you agree or disagree with the following statements about your agency?

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Shares honest feedback; sets realistic expectations	1%	7%	34%	41%	17%
Reports performance on a regular basis; is accountable	3%	12%	32%	36%	17%
Scales marketing efforts up/down as needed to save money	5%	17%	38%	28%	12%
Focuses on measurable outcomes; results driven	7%	7%	42%	36%	11%
Offers new perspectives and innovative ideas		23%	31%	36%	10%
Invested in the long-term growth/success of our company	4%	17%	39%	30%	10%
Understands my company's business and customers	3%	14%	31%	46%	6%
Delivers solutions that address my company's unique challenges		19%	36%	39%	6%

Legend: ■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree

For example, only 40% of marketers say their agencies are invested in the long-term growth and success of their company. And just 47% say their agencies focus on measurable outcomes/results. Agencies scored slightly higher marks for sharing honest feedback and setting realistic expectations.

More than half of in-house marketers don't trust their agency partnerships, particularly when it comes to controlling costs and delivering tailored, innovative solutions. These results are particularly troubling given that marketers may be questioning their agency spend due to AI, or at least wondering whether some portion of agency work can be brought in-house.

Marketers who answered the survey shared some of their frustrations with agency relationships:

"[Our agencies] lack understanding or interest in our products, market conditions and internal processes. They only think in terms of their channels or technical tools and are not interested in the larger strategic context."

"Prices are high, results are mixed at best, and the agency team seems to learn nothing over time. We're just replaying the same tactics over and over again."

In a world in which many marketers do not fully understand how or why a particular ad platform or model is recommending a specific action, it's downright critical that marketers trust their collaborators — whether those are tech companies or marketing agencies hired to navigate decision making.

Building this trust, say many agency leaders we interviewed, is rooted in sharing knowledge. As Benjamin Keller, chapter lead data and business intelligence at Sunlab, explains, *"Our agency is in the business of making sense of data analysis, AI, machine learning, language models, etc. What can be difficult is presenting it in a way that clients can understand and synthesize."*

Keller says agencies must understand their clients' goals (marketing and underlying business goals) to collaborate effectively. Keller continues: *"It's critical to ask, 'Why do they want to know this information? How can the business use these insights?' If we can answer these questions with our analysis, it's easier to tell a simple, highly relevant story with data."*

How do agencies earn trust and credibility?

"To build a trusting relationship with clients, you need to share knowledge — what lies behind the numbers. When you share insights, they can better understand the context we're working within and become true partners."

Andrea Vit
CEO & Founder
Storeis

Next-horizon measurement

Performance marketing is undergoing a profound methodological change. Many in the industry are not ready for it.

Most marketers measure online performance using last-click attribution — giving credit to the final touchpoint the user engaged with before converting. This model has always been less than ideal: multiple channels could take credit for the same conversion, and attribution tools like Google Analytics were limited in certain channels and often biased toward search.

Still, the model had a place in marketing. To quote the old phrase, "all models are wrong, but some are useful."

Now, last-click attribution is slowly being eroded by data limitations brought on by regulation and Big Tech. Marketing is evolving to focus on more advanced forms of analytics — models that do not rely on third-party data to measure the return on marketing investments. These include:

Marketing mix modeling (MMM): Using statistical models to measure the impact of various marketing activities on business outcomes, such as sales and ROI.

Incrementality testing: Estimating the additional impact of a specific campaign or activity by comparing the results of a test group exposed to the campaign with a control group that was not.

To be fair, some marketing teams simply do not (and will not soon) have the budget and/or access to sufficient data to make these models work. But for those that do, high performance will be based on artfully using these models to estimate the impact of different marketing activities on business outcomes — and constantly iterating and optimizing the marketing

mix. Marketers that hire agencies that provide these types of advanced methodologies need to buy into this approach long term — understanding that engagements cannot remain static.

The key to using these types of marketing performance measurements successfully is not to pick just one, but to use multiple methods like multi-touch attribution, marketing mix modeling and incrementality testing in concert — a practice that is sometimes called triangulation. By combining these, the field of marketing is slowly moving away from the attempt at determinism and toward probabilism.

Approximately 60% of marketers say they're using some kind of data analytics to measure performance, but very few are using the most advanced probabilistic forms — such as MMM (26%), incrementality testing (26%) and predictive analytics (15%).

And few marketers (15%) say they have plans to outsource additional advanced analytics services in the coming 12-18 months.

How should agencies react to pricing pressures?

''We've broadened our services to include strategy and manage the entire marketing mix, not just individual platforms like Google Ads. We're also investing in and experimenting with AI to enhance our offerings and improve internal efficiency.''
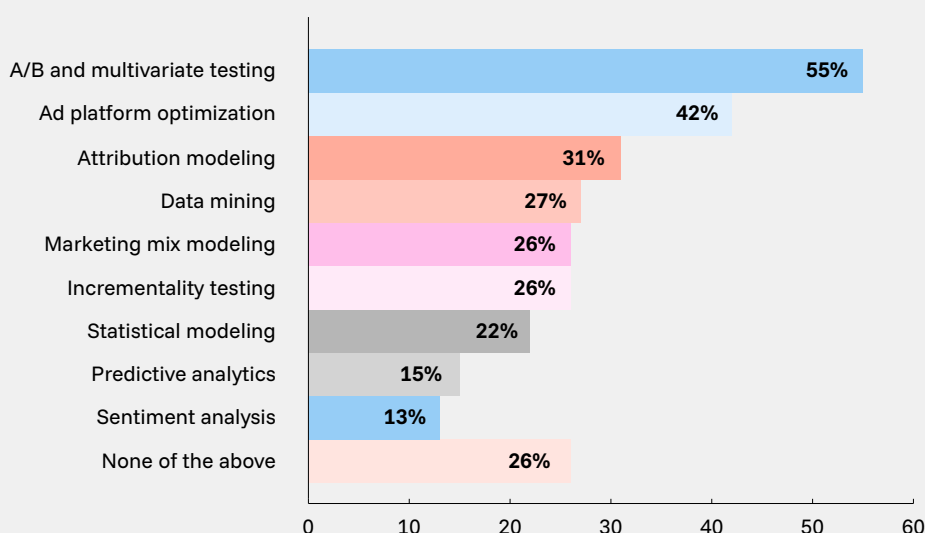
Andreas Kraus
Founder and Managing Director
Sunlab

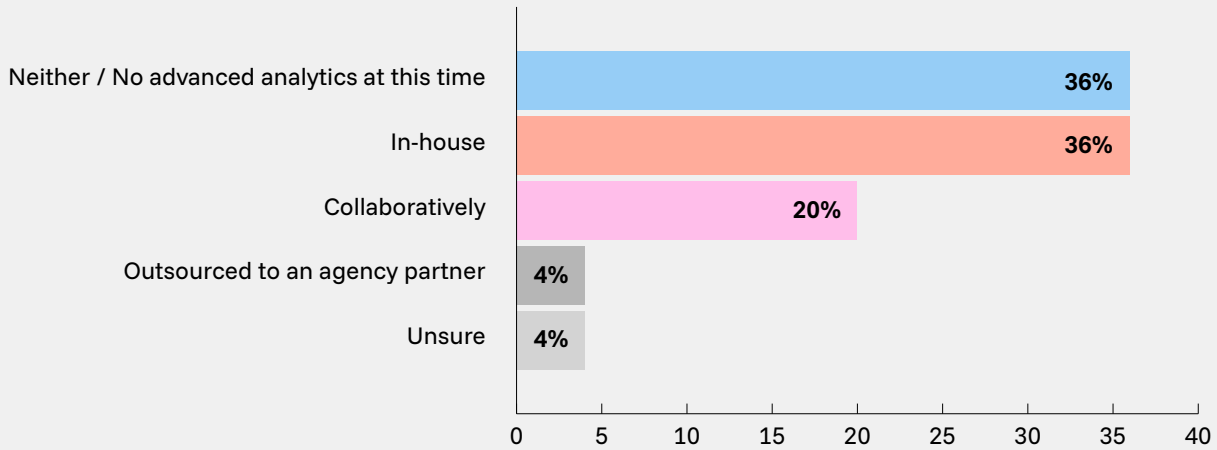# Triangulating: Combining advanced measurement methods in marketing

Methodology	Data level	Advantages	Disadvantages
Data-driven multi-touch attribution (MTA)	User-level and micro-level tracking (E.g., user-ID timestamp, campaign-click combination)	Suitable for daily marketing optimization Insights into user journeys and impacts of individual touchpoints	Does not account for marketing channels and activities that are not trackable (e.g., offline campaigns, Facebook views)
Marketing mix modeling (MMM)	Aggregated time-series data, macro-level (E.g., channel ad spend, daily impressions or conversions)	Holistic big-picture view Evaluation of offline campaigns and non-trackable channels Required data is always available	Not as granular as MTA. No consideration of touchpoint sequence Longer update cycle (e.g., data about print campaigns only updated weekly)
Incrementality testing, randomized controlled trials (RCT)	Micro user-level split or macro-level geographic split (E.g., number of conversions and users in test vs. control group per period)	Insights into causal relationships between marketing activities if applied correctly The gold standard for determining incrementality	Snapshot view only Not suitable for daily marketing control Danger of misuse through overlapping test groups or too many tests at once Opportunity costs (e.g., control group misses out on positive campaign impacts)

Outside A/B testing and optimization, few marketers do advanced analytics in-house

Does your marketing team do any of these things in-house? →

A/B and multivariate testing: 55%
Ad platform optimization: 42%
Attribution modeling: 31%
Data mining: 27%
Marketing mix modeling: 26%
Incrementality testing: 26%
Statistical modeling: 22%
Predictive analytics: 15%
Sentiment analysis: 13%
None of the above: 26%

Just over 1 in 3 marketers handles advanced analytics in-house

|	
Neither / No advanced analytics at this time	**36%**
In-house	**36%**
Collaboratively	**20%**
Outsourced to an agency partner	**4%**
Unsure	**4%**

Do you do advanced marketing analytics in-house or do you outsource it to an agency partner?

Few marketers have definite plans to outsource advanced analytics

Unsure **37%**   Yes **15%**

No **48%**
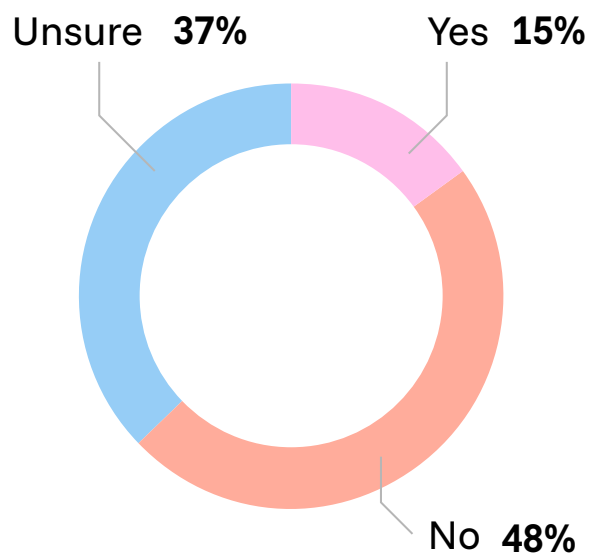
Do you plan to outsource any advanced analytics responsibilities in the coming 12-18 months?
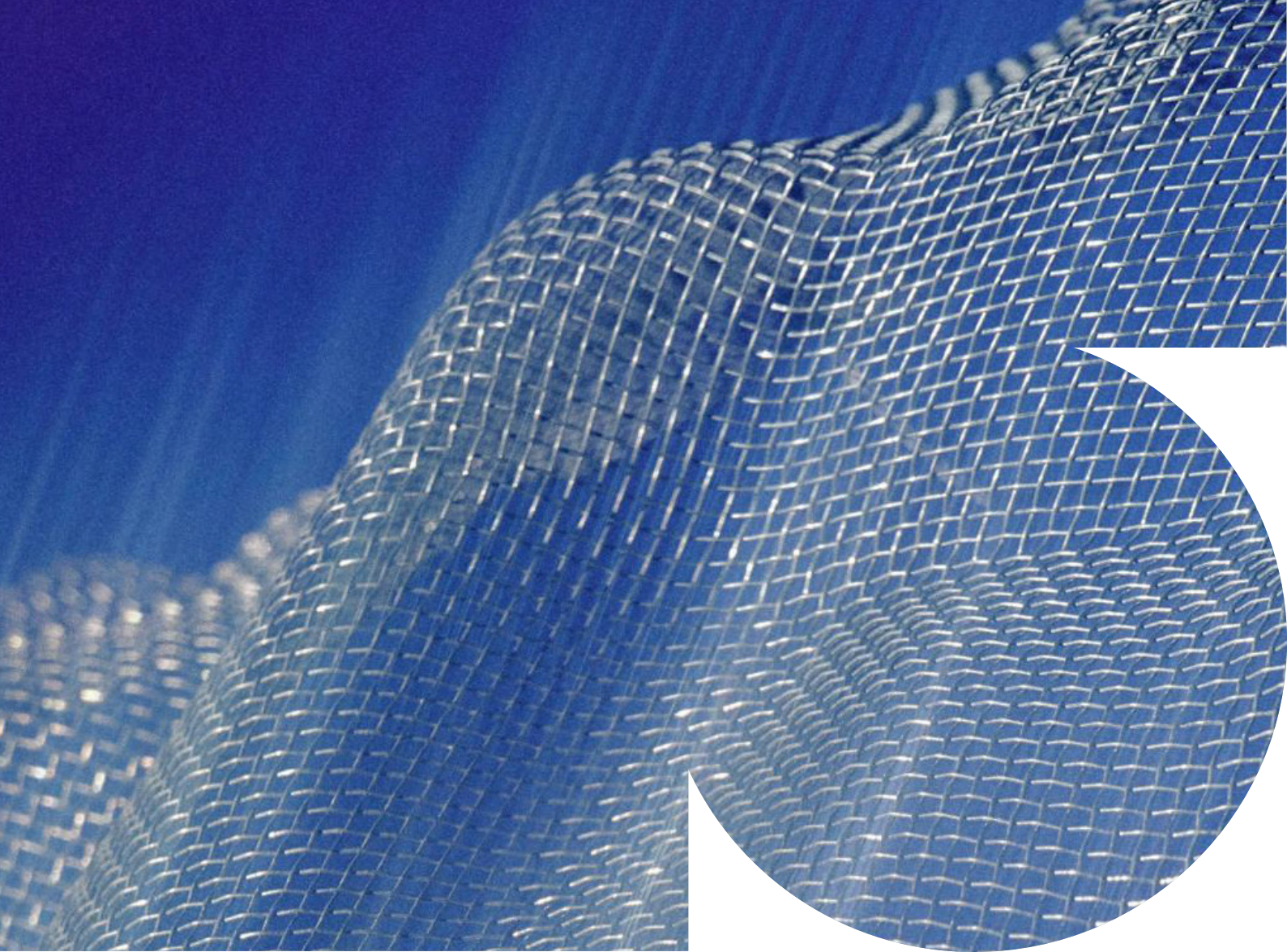
What are among the challenges marketers face today?

"There's a lot of pressure to prove the value of awareness dollars and their impact on performance media. And there is an impatience as always with awareness media among performance media teams, because clients expect a one-to-one relationship with cause and effect like they get with performance marketing."

Susan Cunningham
Executive Director, Managing Partner,
Marketing Intelligence & Data Science
Wavemaker

A golden opportunity:

Advanced analytics requires niche expertise. This may be the agency world's moment to shine.

Up until now, advanced analytics — such as probabilistic models — were out of reach for most marketing teams, and even for many agencies, due to cost and complexity. For example, marketing mix modeling requires:

• Collecting data scattered across tens to thousands of ad accounts, and retrieving the data in the correct format and on an automated schedule.

• Building models that require specialized expertise in statistics, econometrics and marketing analytics. These skills are expensive and hard to find.

• Regularly updating and recalibrating models to account for changes in the market, consumer behavior and business strategies.

While SaaS, AI and machine learning have become more prevalent in marketing measurement, they've also made advanced analytics cheaper, more scalable and more accessible to a wider range of players.

Even so, many in-house marketing teams will need help from agency partners to pull these strategies off. That's because even well-resourced marketing teams may not have the budget to pay for a full-time statistician or advanced technologist. Agencies, on the other hand, can spread the costs of these domain experts across multiple clients.
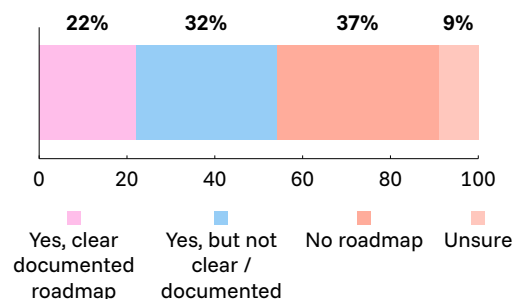
It's no wonder most agencies (66%) believe that offering advanced analytics is a major opportunity for their organization.

2 in 3 agency professionals believe advanced analytics is a 'critical' or 'major' opportunity

23% 43% 24% 8% 2%

0 20 40 60 80 100

Critical opportunity | Major opportunity | Moderate opportunity | Minor opportunity | Unsure
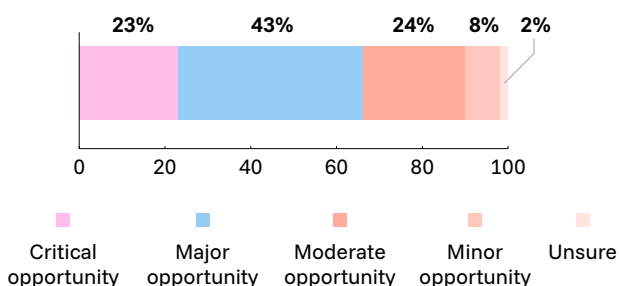
Do you think offering advanced analytics is a major or minor opportunity for agencies to grow / survive?

Many marketing teams have no clear direction for a cookieless future

22% 32% 37% 9%

0 20 40 60 80 100

Yes, clear documented roadmap | Yes, but not clear / documented | No roadmap | Unsure

Does your marketing team have a clear roadmap to adapt to a "cookieless" future?

What factors will boost agencies in the new digital landscape?

"When you sign a retainer with our agency, you're getting access to five or six domain experts in tagging, data engineering, reporting, analytics and data science. We can bring all those things to bear for a much, much more compressed cost than you would have to pay to hire six different people. That's because we can share resources across accounts. We help clients go from zero to 60 really quickly."

Andrew Ford
Vice President of Data Strategy and Analytics
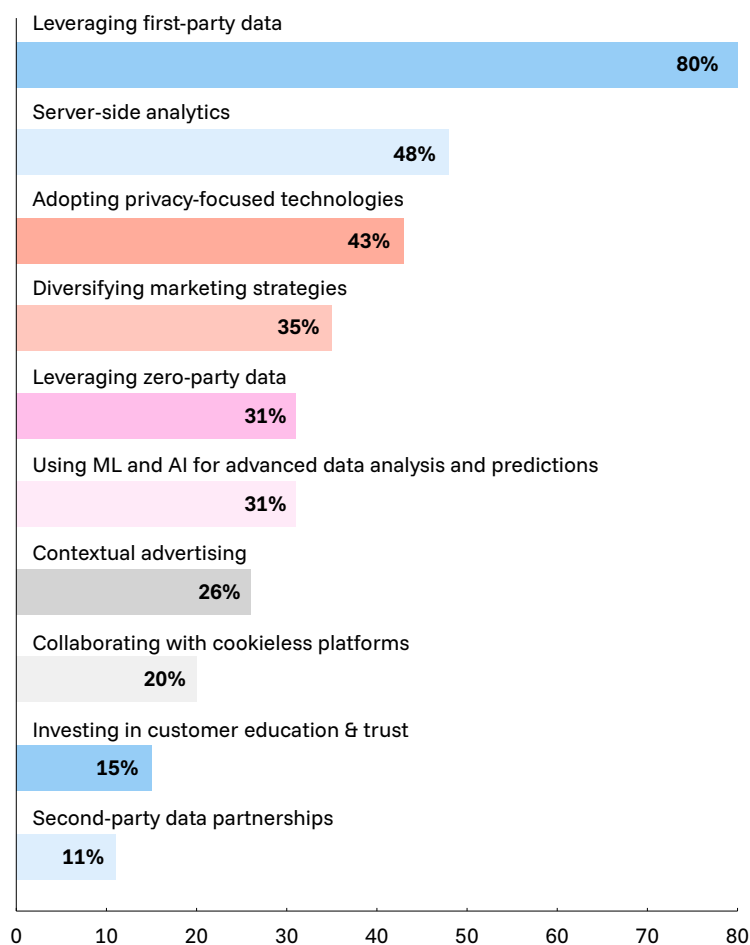**Wpromote**

Agencies as knowledgeable guides

Funnel's research shows that most in-house marketers are not prepared for a cookieless future (i.e., a future in which advanced analytics is necessary).

Of those surveyed, 69% say they have no clear, documented roadmap to adapt to the deprecation of third-party cookies. And even among those who say they have plans in place, fewer than one in three are using next-generation tactics like leveraging zero-party data or taking advantage of AI and machine learning for advanced analytics.

Marketers also admit they are uncertain about how to act on "black box" findings — meaning they know both the data inputs and outputs, but they don't understand how the model arrives at its conclusions and recommendations. Just 12% say they have an "expert" understanding of advanced analytics, and another 36% say their knowledge is "strong."

Agencies — with all their experience across their client base and ability to hire highly specific expertise — can offer in-house marketers contextual insights to "decode" the black box. They can interpret data, explain the methodologies behind their recommendations and essentially guide their clients through a complex marketing landscape.

What steps is your marketing team taking to adapt to a cookieless future?

Leveraging first-party data — **80%**

Server-side analytics — **48%**

Adopting privacy-focused technologies — **43%**

Diversifying marketing strategies — **35%**

Leveraging zero-party data — **31%**

Using ML and AI for advanced data analysis and predictions — **31%**

Contextual advertising — **26%**

Collaborating with cookieless platforms — **20%**

Investing in customer education & trust — **15%**

Second-party data partnerships — **11%**

0   10   20   30   40   50   60   70   80

Vision 2030

What steps can agencies take to remain competitive — and even innovative — in the face of so many industry changes?

1. Deliver truly 'client-first' engagements

To become true collaborators, agencies must dive deep to understand each customer's needs, challenges and opportunities — no more rinse-and-repeat engagements.

To do this effectively, agencies may need to require that clients give them proper onboarding and access, including sufficient budget to investigate the client's business goals and competitive environment, as well as access to a wide set of client data to fuel advanced analytics.

2. Solve the IT/legal roadblock

Many agencies tell us that convincing marketers to act is not the challenge; it's convincing in-house IT and legal teams that sharing data with agencies is smart and secure — with the proper guardrails in place.

Just 28% of marketers say they would not share deeper access to data with agency partners.

Getting in-house legal and IT to sign on, however, is more challenging. Agencies report significant friction with these organizational gatekeepers:
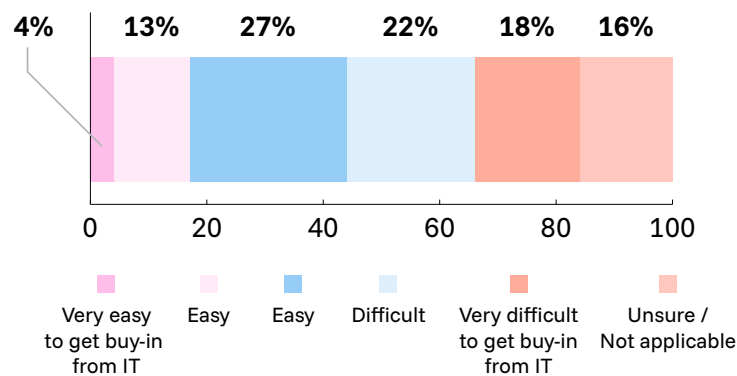- Just 22% say it's easy to get buy-in from clients' IT departments
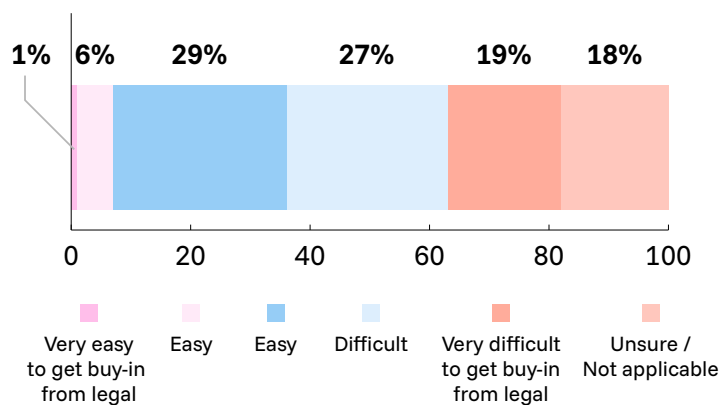- And 17% say the same about getting buy-in from legal
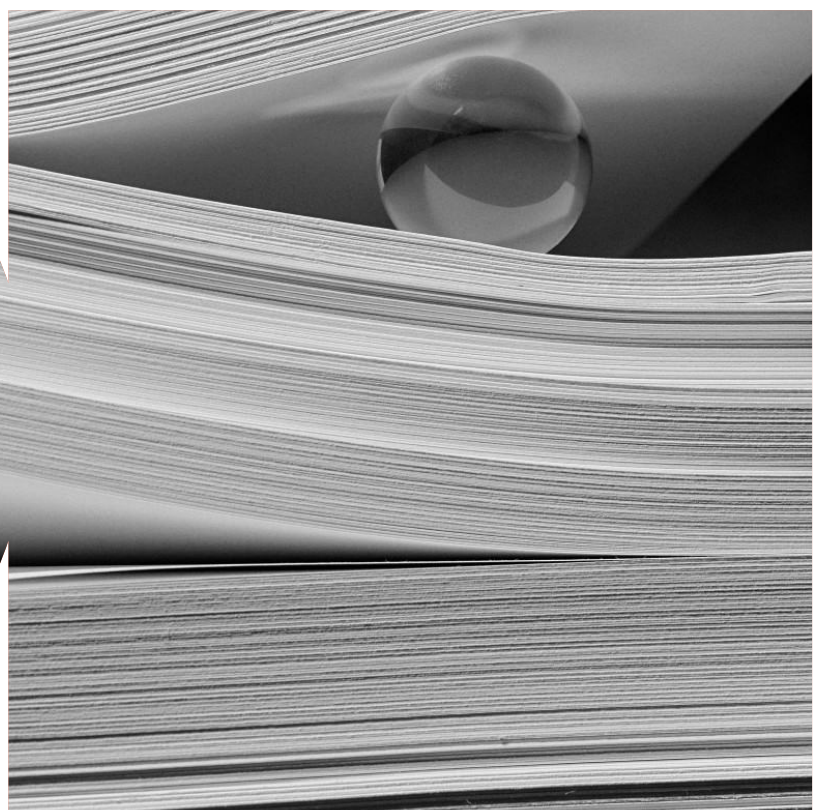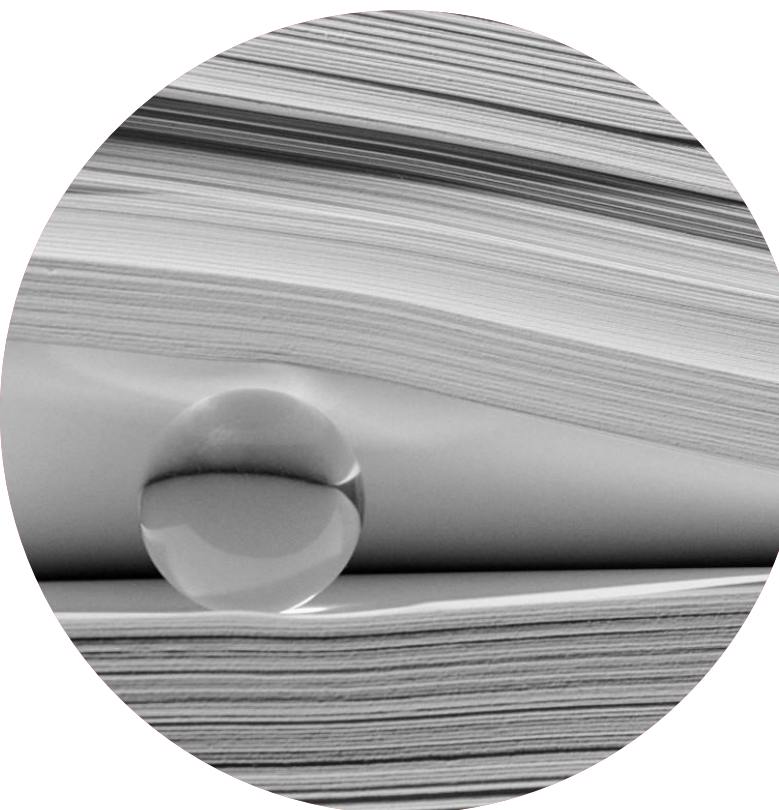
71%: Marketers who say the relationship between marketing and IT is 'not very collaborative'

Agencies must develop clear and compelling education and content to overcome these significant hurdles — including convincing in-house marketers why they should allow third parties (i.e., agencies) access to their internal data. These educational and consultative approaches to selling help cement relationships and build trust with clients.

Marketers say getting buy-in from IT and legal is a challenge

4%   13%   27%   22%   18%   16%

| Very easy to get buy-in from IT | Easy | Easy | Difficult | Very difficult to get buy-in from IT | Unsure / Not applicable |

Getting buy-in from the IT team to give access to company data

1%   6%   29%   27%   19%   18%

| Very easy to get buy-in from legal | Easy | Easy | Difficult | Very difficult to get buy-in from legal | Unsure / Not applicable |

Getting buy-in from the legal team to give access to company data

How can agencies help clients navigate the regulatory landscape?

"We work with giant corporations in tech and entertainment, among other verticals. These big companies have a number of legal entities within their structures that may not be very familiar with the digital advertising space. They are, however, extremely concerned with privacy and data gaps, as we are. As an agency, often we take on the role of facilitator — helping these parties speak to one another.
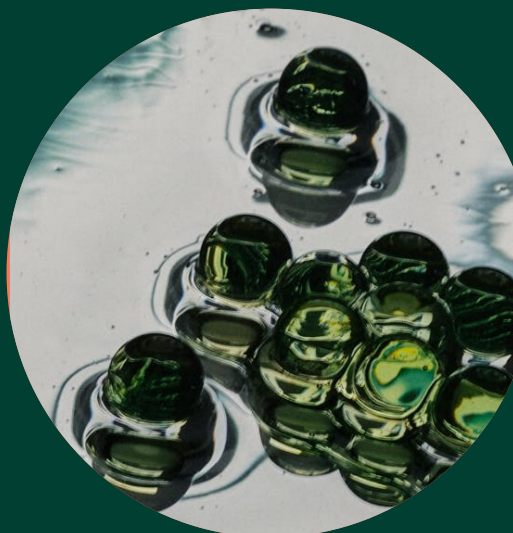
Susan Cunningham
Executive Director, Managing Partner,
Marketing Intelligence & Data Science
Wavemaker

How do you build a high-value, consultative relationship with clients?

"We take a collaborative approach, showing our clients a picture of all the ways we can leverage their data and boost performance. Even clients that are very restrictive still appreciate understanding the full breadth of what is possible — and over time we can connect more and more dots as the relationship grows."

Andreas Kraus
Founder and Managing Director
Sunlab

3. Partner for operational excellence

On the agency report card, one of the areas where agencies scored lowest was related to cost efficiency. Marketers do not believe agencies have their best interests in mind. And agencies report price pressures — two sides of the same coin.

Agencies need to prove their value by helping to position the agency as a strategic partner — flipping the script from "cost" to "investment." Agencies that can demonstrate deep knowledge of advanced marketing and analysis techniques can justify a larger profit margin compared to their peers. This goes for media buying, creative, digital, SEO… any agency.

Automation is another important piece of the puzzle. Agencies have extensive experience leveraging automation for themselves and their client base — and can help marketers pivot to focus on high-value activities and away from low-value activities, such as highly manual reporting. This is where agencies' deep-bench experts come into play, offering clients access to technical know-how at much lower costs than hiring in-house.

Funnel's research shows that mediocre agency work is on the chopping block. AI tools are a growing threat to agencies' services and profit margins unless those agencies can find ways to deliver expertise and insights that marketers can't otherwise hire in-house.

Winning agencies will deftly balance highly sophisticated technical skills with the ability to act as knowledgeable guides in an industry increasingly dominated by AI and analytics. If agencies and marketing clients can challenge one another — to experiment, iterate and generate value — they can both come out ahead.

How do you build a high-value, consultative relationship with clients?

"We team up with in-house marketing teams to explain advanced analytics to the IT team or the legal team. We want them to understand why we need access to data, the insights we can offer, decisions we can help them make — and then we settle on a middle ground that keeps everybody happy."

Will AI threaten agency revenues?

"AI is a potential threat both to agencies and internal marketing teams… and many positions outside of those two. Whether you're sitting in-house somewhere or you're at an agency, you need to take that threat and make it into a positive by embracing the technology and increasing your output as a result of it."

Luke Gracie
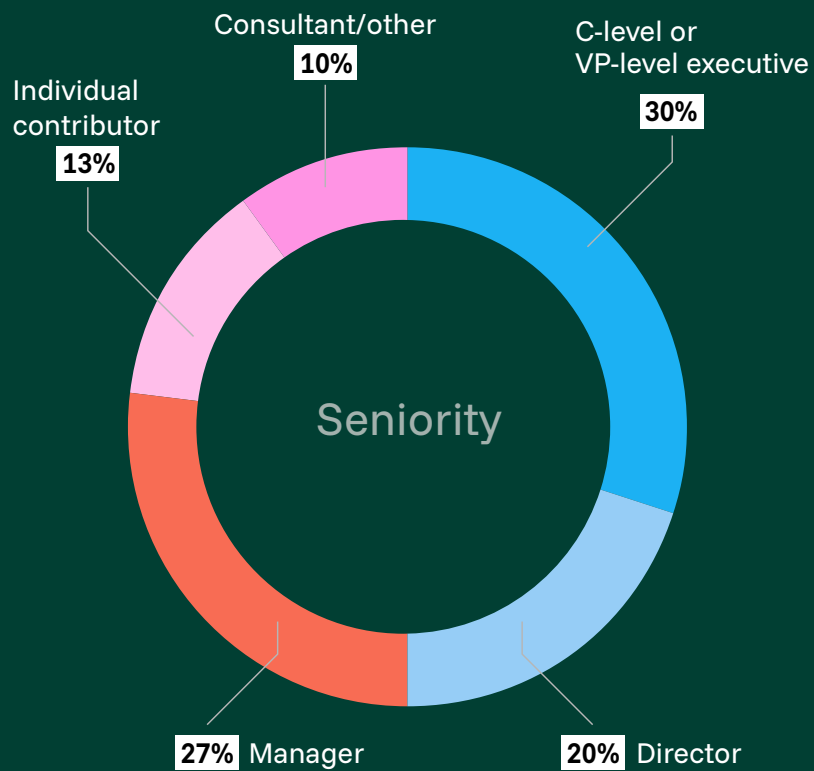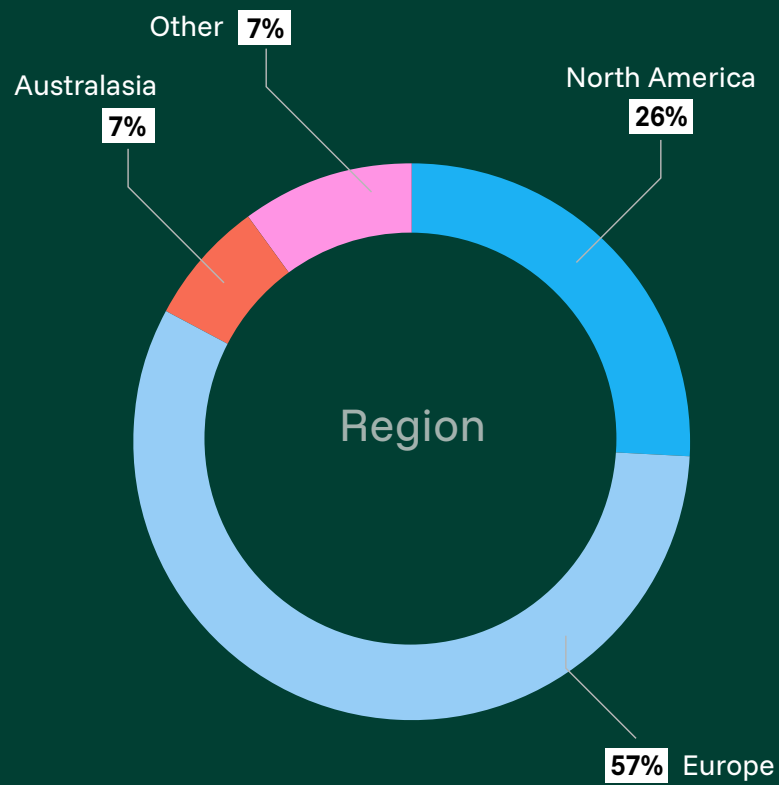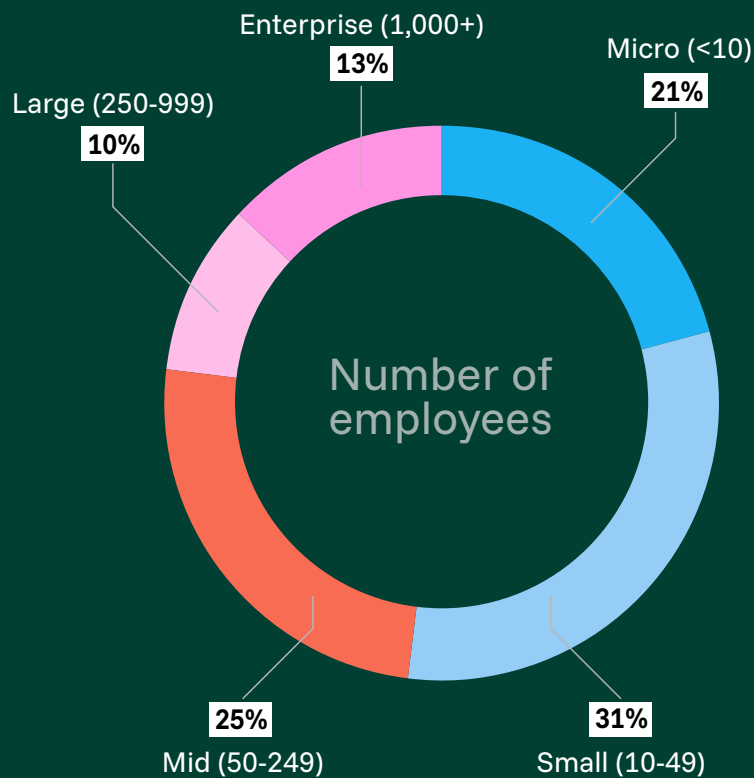Senior Vice President, Client Services
WebMechanix

Demographics

In this third annual study, we examined the attitudes of in-house marketers and agency partners: How do both feel about the future of their industry? Is AI driving significant price pressures? Are marketers embracing advanced analytics — and will they look to agency partners for support? And what can agencies do to earn their clients' trust and collaboration?
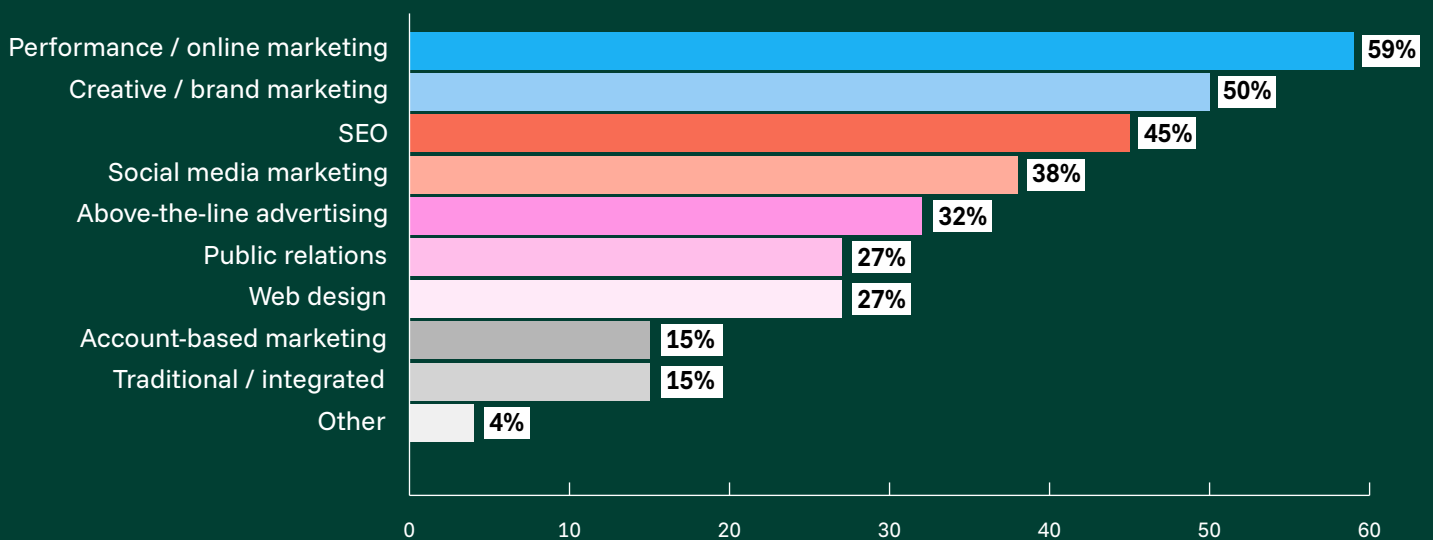
We surveyed 327 in-house marketers and agency professionals in April 2024; they represented a wide range of countries, company sizes, industries and roles. We also interviewed 10 agency leaders to get a nuanced look at how agencies are evolving, and the opportunities and challenges that lie ahead.

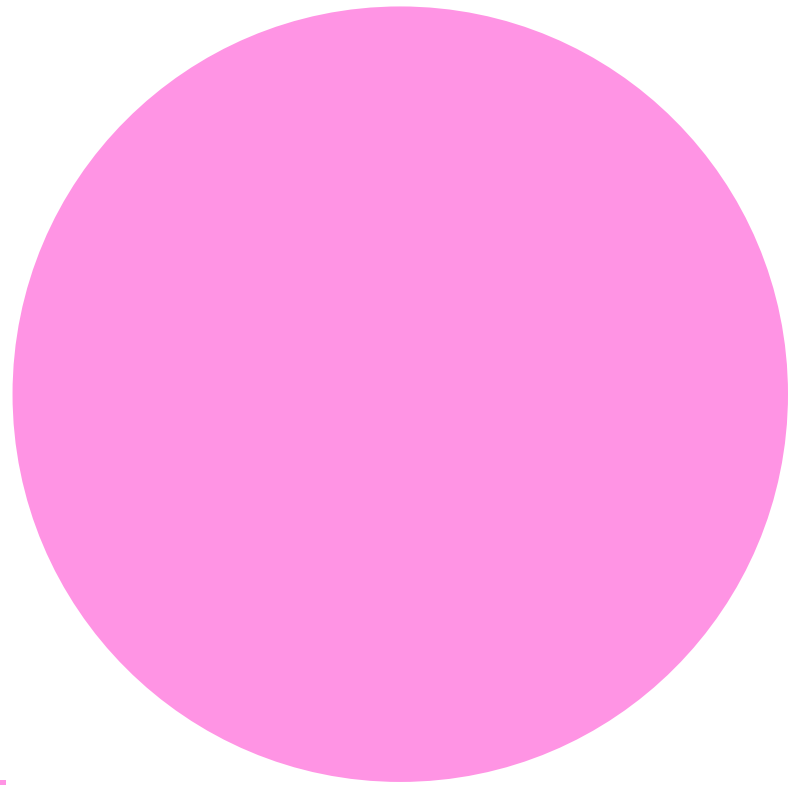The quantitative and qualitative research was conducted by Ravn Research, an independent research firm. If you have questions about the research or want to learn more, contact christopher@funnel.io.

Region

Other **7%**

Australasia **7%**

North America **26%**

57% Europe

Seniority

Consultant/other **10%**

Individual contributor **13%**

C-level or VP-level executive **30%**

27% Manager

20% Director

Number of employees

- Enterprise (1,000+) **13%**
- Micro (<10) **21%**
- Large (250-999) **10%**
- Mid (50-249) **25%**
- Small (10-49) **31%**

Types of agencies marketers work with

Type	Percentage
Performance / online marketing	59%
Creative / brand marketing	50%
SEO	45%
Social media marketing	38%
Above-the-line advertising	32%
Public relations	27%
Web design	27%
Account-based marketing	15%
Traditional / integrated	15%
Other	4%

Contact us

Do you have questions for our sales team?
Email: sales@funnel.io

Are you an existing customer?

Write to us at: support@funnel.io

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