Digital Agencies in 2020:
A Glimpse into the Future

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Intro

The digital agency industry is relatively new and ever-evolving. The increasing rate of change in all things online demands that we adapt to new technology and pioneer new avenues of growth and innovation.

This environment of rapid change brings both serious challenges and exciting new opportunities to those of us who wish to stay ahead of the curve—which is where you come in.

Our intent is to combine diverse voices in the space in order to identify the most significant challenges of the near future and discuss actions to best navigate them.

Read this eBook to gain insights on:
- ✓ Increasing competition
- ✓ Emerging technology
- ✓ Redefining brand identity
- ✓ Leveraging consumer trends for business focus and growth

And more

Ready to dive in? Read on!

Discover the Biggest Upcoming Challenges

Our first goal was to identify the upcoming challenges with the biggest potential impact, according to active members of the industry.

Biggest Upcoming Challenge for Agencies

25% — Adapting to New Technology

17% — Hiring & Retaining the Right People

8% — Increasing Regulation & Stricter Privacy Standards

50% — Increasing Competition

0% — Lower Demand for Websites

According to the Wix Agency Breakfast forum on October 18th, 2018, NYC
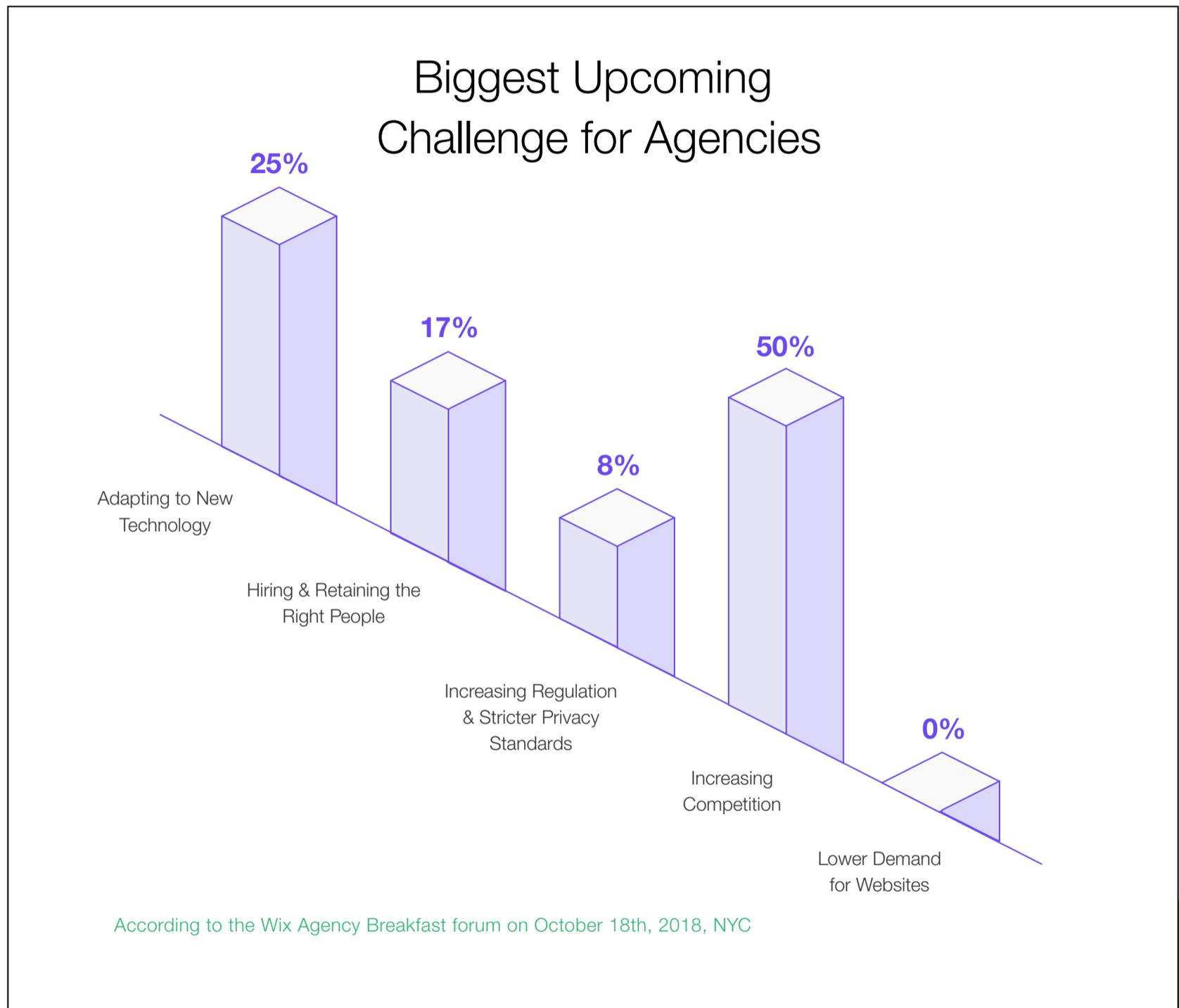
Increasing competition led, followed by the need to adapt to new technology. Interestingly, no agency predicted that lower demand for websites would be a challenge. All of the agencies polled provide website creation as a core service and do not foresee this diminishing.

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Competition

The digital agency space has always been highly competitive, fueled by seemingly infinite demand for digital services. With everything—from needs to tools—changing rapidly, it becomes even more challenging to identify competitive threats in the market.

Traditionally, you could look at your local market to see who offers similar services. In today's (and tomorrow's) market, competition can come from surprising places.
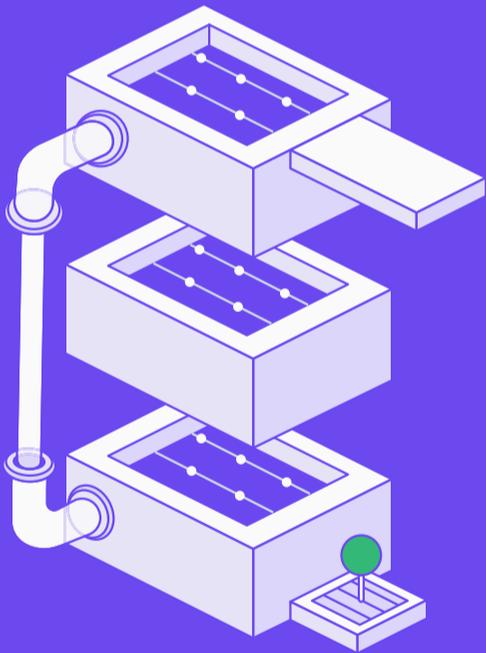
Local to Global... And Back Again

The first wave of agencies were built on a local client base and grew by word of mouth. The landscape was primarily based on local businesses in need of an online presence and ancillary digital services. The emergence of digital marketplaces has flattened the landscape, essentially placing agencies in a global arena.

Suddenly, it didn't matter whether you were based in Missouri or Kashmir. Competitive prices and a simplistic star-based reputation became the de-facto criteria for being hired.

Without warning, agencies were competing with international entities offering similar-sounding services for half the price—from the other side of the world.

There are obvious disadvantages to receiving a core service remotely, and predictably, global marketplaces for digital services already show a bias towards lower-end projects, but the fog around the impact of this new landscape hasn't fully lifted.

We understand the pull towards the global arena, mainly due to low barriers of entry and seemingly easy marketing demands, but using these marketplaces as a primary source for business brings with it a shaky business foundation and high-risk dependencies on uncontrollable factors.

We predict that the appeal of globally-offered services will continue to diminish, precipitating a resurgence of the "local agency".

Quick Tips for a Dependable Client Base and Premium Margins

- ✓ Focus on your immediate surroundings
- ✓ Foster relationships with local businesses to boost trust and credibility
- ✓ Make getting referrals a process

Client or Competitor?

Just a decade ago, clients fully relied on professionals to dream, design and develop their online presence.

As technology evolves, providing better, more accessible tools to a wider audience, many clients are choosing to do it themselves, using DIY platforms to create and manage their online presence. These platforms are gaining popularity, eliciting excitement and conversation around the newfound ability to do it oneself.

This creates a new challenge for agencies: To convey how professional expertise contributes to the process, either by crafting a better product or answering business needs more effectively.

But we believe the confusion around "why pay for something I can do myself?" is transitory. We can learn from more established industries that the distinction between DIY and paid services reveals itself naturally and organically.

In the same way that it is now very clear to us whether we should fix a leak ourselves, or call a professional, or whether we should do our own taxes or hire an accountant, so will we learn to discern between digital needs we can take care of ourselves, and services for which we'd be better off calling the professionals.
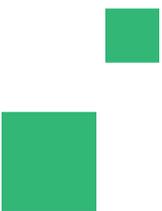
> " A noteable and consistent challenge we have is proving our unique value not only compared to our competitors, but also over the client doing it themselves.
>
> —— Anthony Virey, Any Design Agency

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Identity Crisis

In an exceedingly competitive market, agencies are pushed to think more strategically about market positioning and developing a brand identity that is conducive to fulfilling specific business goals.
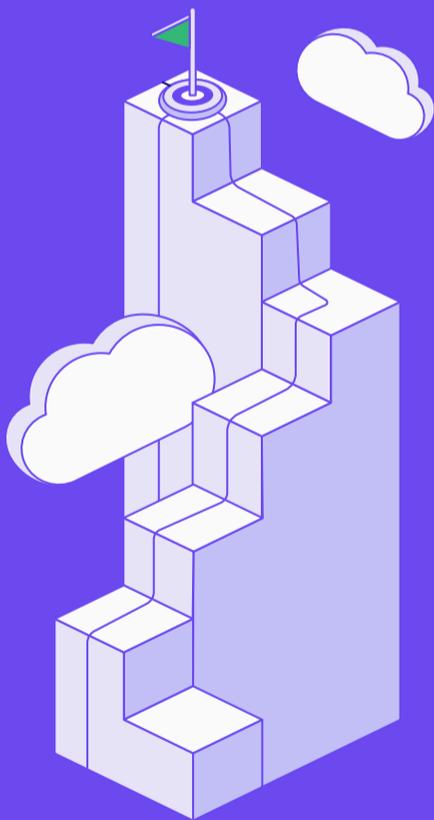
Your agency's brand identity will impact a variety of factors in your marketing funnel such as attracting potential clients, facilitating a broader service offering and supporting higher profit margins. We predict that over the next few years, agencies will have to better define their role in the client's journey towards success, choosing between a generalist or specialist approach and deciding whether to position themselves as global or local.

What's Your Type?

As more businesses shift their core marketing activities online, digital agencies are challenged with determining the role they offer to play in their client's journey.

There's a growing variety of digital services in demand and as a result which services are offered by agencies; this all contributes to the rapid fragmentation of what used to be a homogenous industry. While we can't predict which services will become dominant in the near future, we encourage you to familiarize yourself with all possibilities in order to more accurately select and promote the role you wish to play in the market.

Web Developers focus on the infrastructure of a client's online presence.

Marketers lead with how they can help with organic traffic or paid advertising.

Storytellers help businesses craft the right brand identity or content campaign.

Designers focus on the user experience.

A New Role Emerges

Digital agencies often find themselves on the defensive, navigating tough conversations with clients around the value of strategic thought and planning. With the commoditization of some digital products, the just-do-it mentality often diminishes the perceived value of deeper insights that could make a big difference in impact and performance.

We recommend taking a more proactive approach. Switch from defending the merit of strategic thought to offering those same insights as educational, independently valuable resources. Playing the role of educator can elevate your core offering and strengthen your position in the market, while allowing you to generate additional revenue from educational sessions and material.
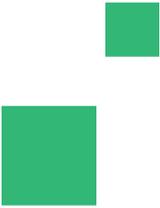
" We find ourselves having to act as educators, rather than designers or project managers. We need to position the value of what we're doing as value in and of itself.

—— Nicole Krosnowski, SEMGeeks

Jack of All Trades… Or Master of One

Still on the topic of choosing a role to play, agencies have another tough decision to make.

This one relates to the age-old dilemma of whether to establish an identity that revolves around a single role (e.g. SEO services or branding) or around a holistic approach that encompasses multiple services.

The advantages of being a specialist are clear; if a client has a specific need, they're more likely to choose a professional who's renowned for addressing that need successfully.

That said, more clients are requiring an array of services as part of a launch, revamp or new campaign, and would benefit from a one-stop-shop service provider that can offer a comprehensive and cohesive solution. There's no clear guidance here as both options work depending on the circumstance, but it's important for your agency to thoughtfully address this aspect of your identity.

World Wide Web vs. Main Street

The global/local dilemma comes back into play when contemplating an agency's brand identity and market positioning. Defining oneself as global-facing used to lend credibility and prestige, opening the door to international leads and projects. Now, based on our assessment of the global arena and digital marketplaces, we believe that the prestige of internationality is waning, eclipsed by the enduring trend of going local.

Crafting a more local identity may be especially beneficial in the United States where Americans are once again seeking out goods and businesses that are made in the US. This nostalgia-fueled trend can benefit agencies who choose to craft their identity as the local digital agency that people know and trust.
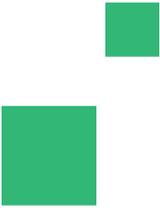
> "
> Many of our clients have been burned in the past by international service providers and now feel safe in the hands of a local agency they can trust.
> —— Shanna DeCola and Kim Cunningham, Skigital

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Opportunities for Growth

We predict that the biggest opportunities for growth will come from offering clients additional marketing services, presenting a higher quality product and refocusing on the local market.
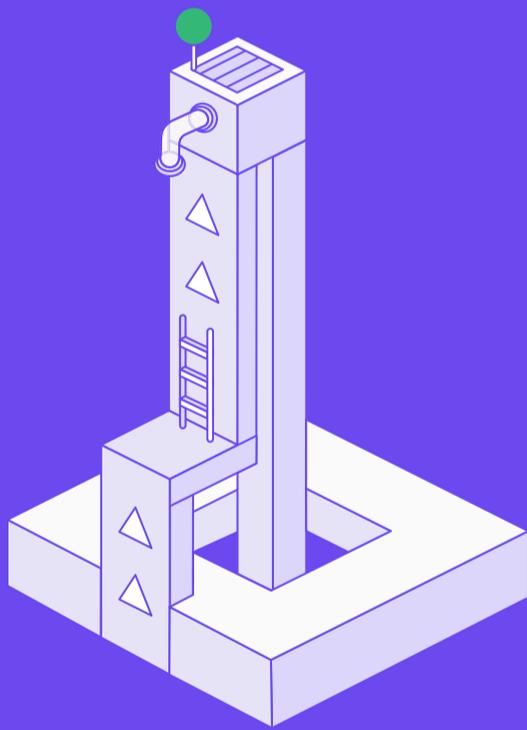
Opportunities for Growth

Biggest Growth
Opportunity for Agencies

34%

49%

0%

17%

Offering Additional
Marketing Services

Offering Higher-End
Design (with Price
Increase)

Expanding to the
Global Market

Refocusing on the
Local Market
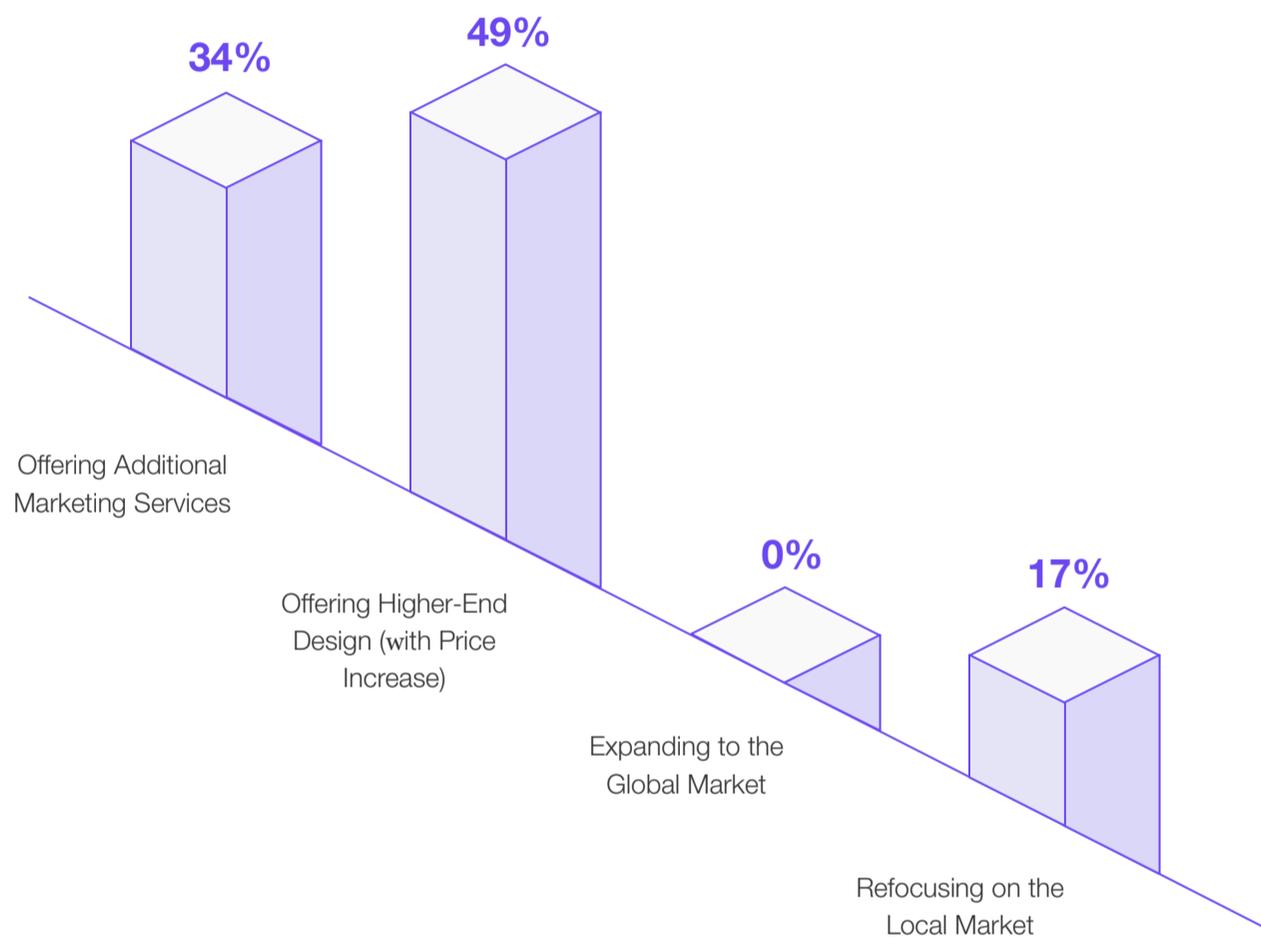
According to the Wix Agency Breakfast forum on October 18th, 2018, NYC

Offering Additional Marketing Services

Initial conversations with prospective clients often revolve around one specific need, whether it's website development or a marketing service.

However, we see growing adoption of a more integrated approach, where clients want their website, media and marketing channels to be interconnected, consistently on-brand and instantly recognizable. Agencies can use modern platforms that offer a suite of integrated tools, making it significantly easier to provide the full package.
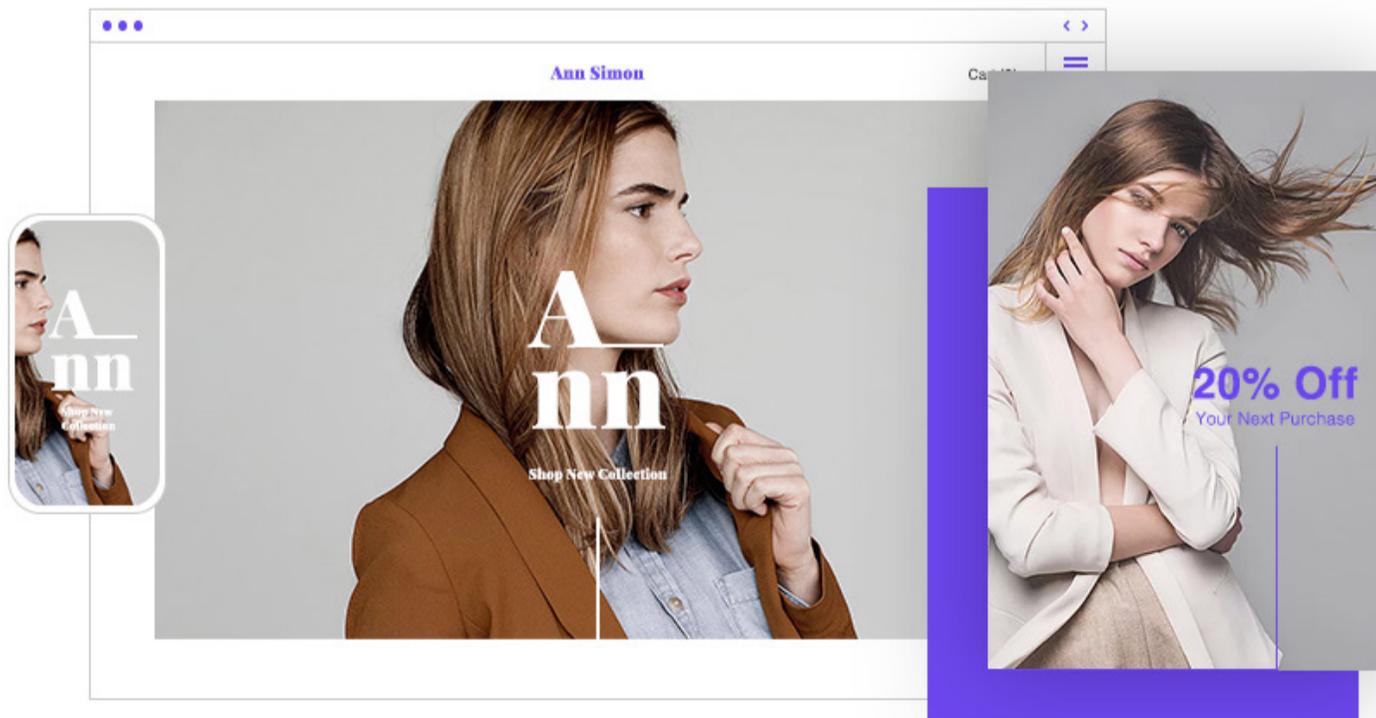
Offering Higher-End Design with a Price Tag

Digital design is no longer just about how a product looks or feels.

It's about creating a user experience that answers specific business challenges.

There's a growing trend of agencies positioning themselves as offering business solutions rather than digital services. They lead with answering a goal for the client as opposed to delivering a product that the client requests. The conversation shifts to the impact a digital agency has, allowing for higher price points and consequently, higher profit margins.
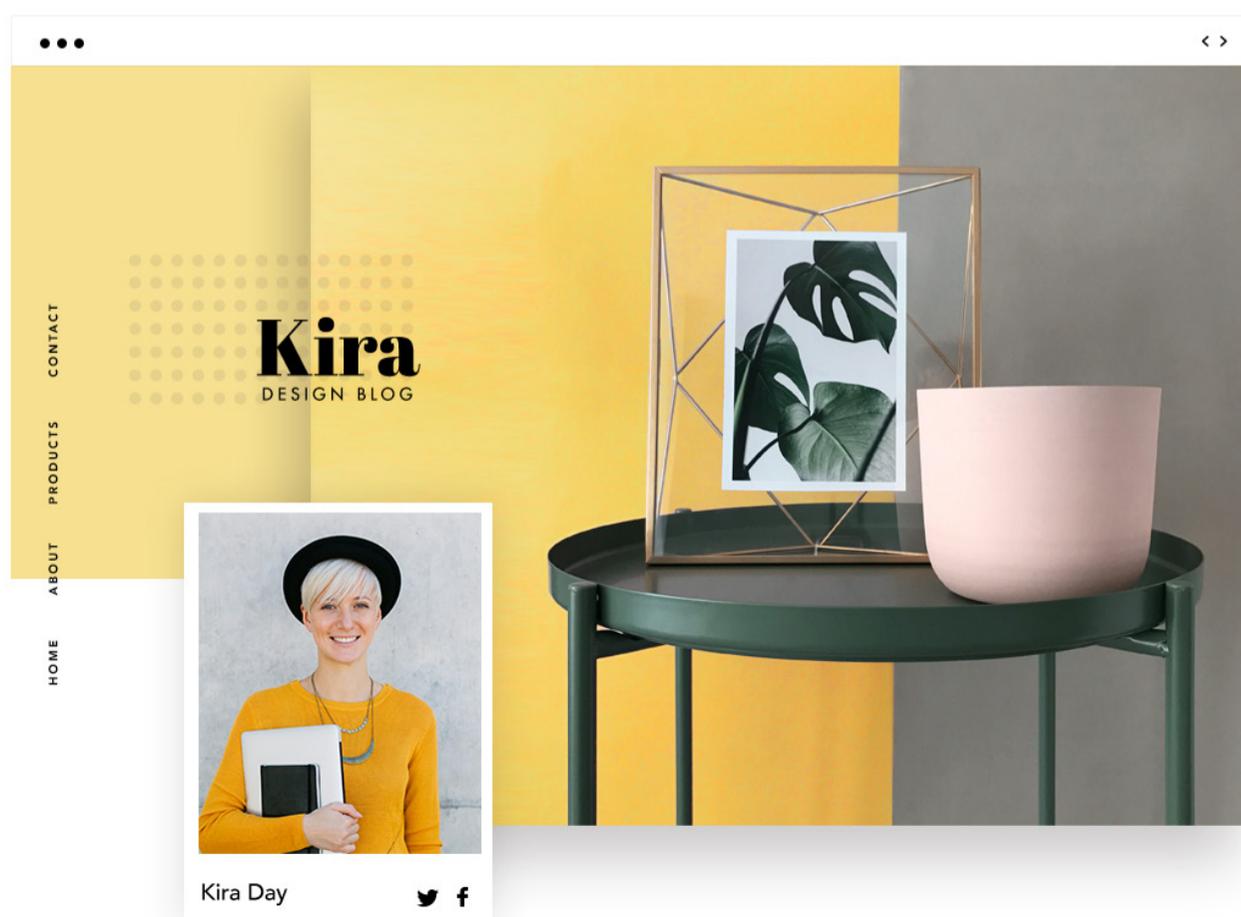
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Consumer Trends

Stay on top of trends so you can offer services that are emotionally appealing, rather than solely a business justification.

The ideal combination? Offer both what a client wants—and needs.
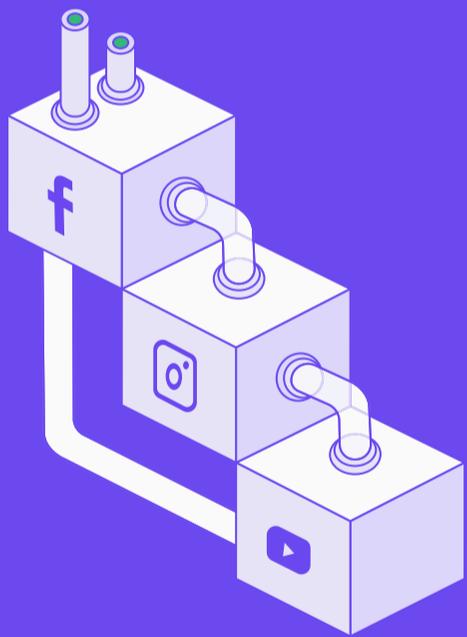
Consumer Trends

Predicting Consumer Trends

Websites

Apps

Social Media

Email Marketing

SEO
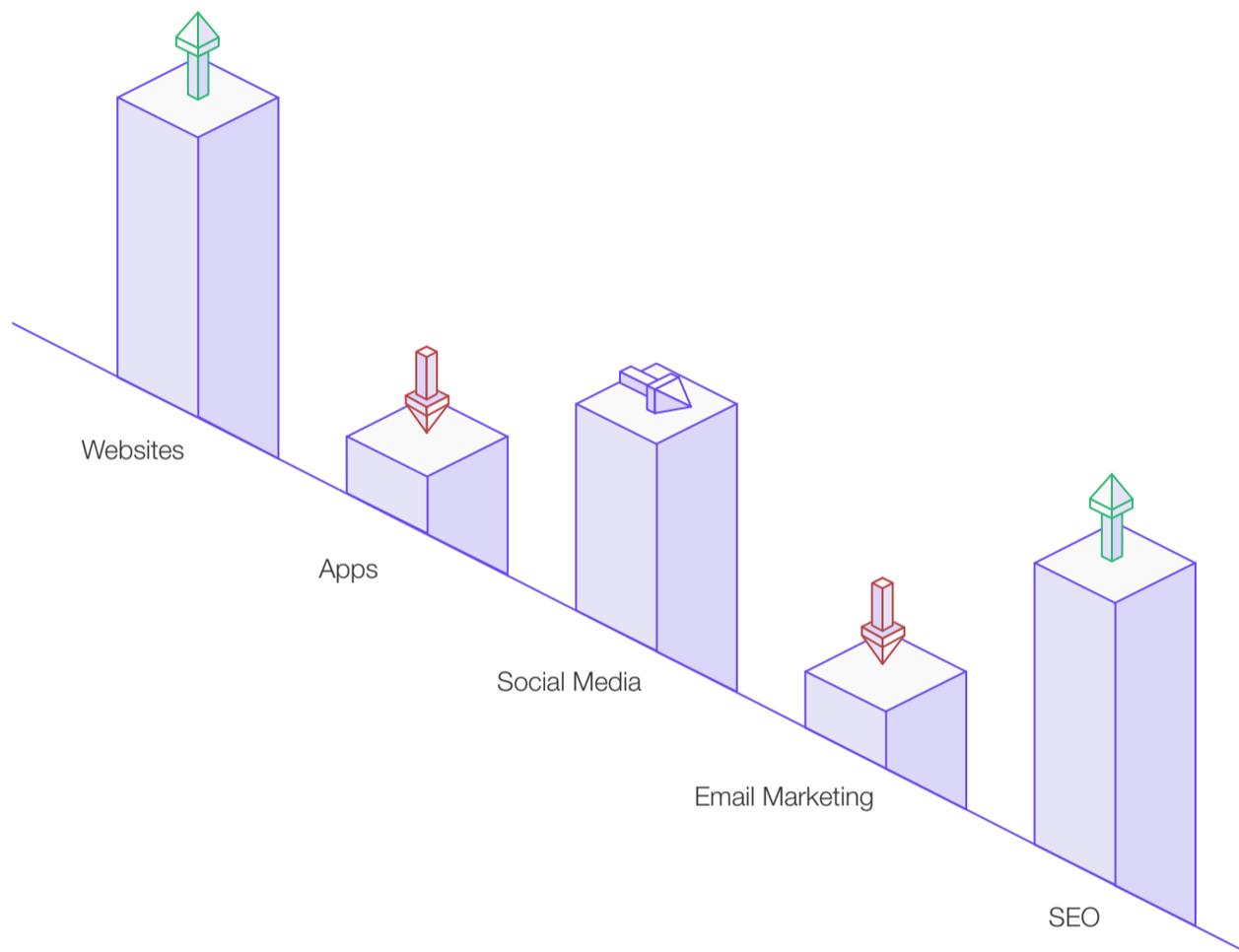
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Read on to see our analysis of:

- Websites
- Apps
- Email Marketing
- Social Media
- SEO

Websites and SEO on the Rise

A significant amount of agencies provide website creation as a core service, firm in their belief that consumers will continue to want websites. As more businesses transition online and become more mindful of their online presence, agencies find themselves explaining the value of a website less and less. The same goes for SEO.

> " Your website is the only part of the internet that you totally control. It's the one place where you can promote your message, your way.
>
> - Michael Pilla, Pilla CM

Social Media

Social media is maturing as a monetized platform. What used to be a relatively affordable communication channel for businesses and users has essentially become yet another advertising platform. As algorithms constantly and unpredictably change, strategies that companies used to employ become no longer viable. The impact of traditional social media platforms declines, causing business owners to be less willing to invest their time, money or effort.
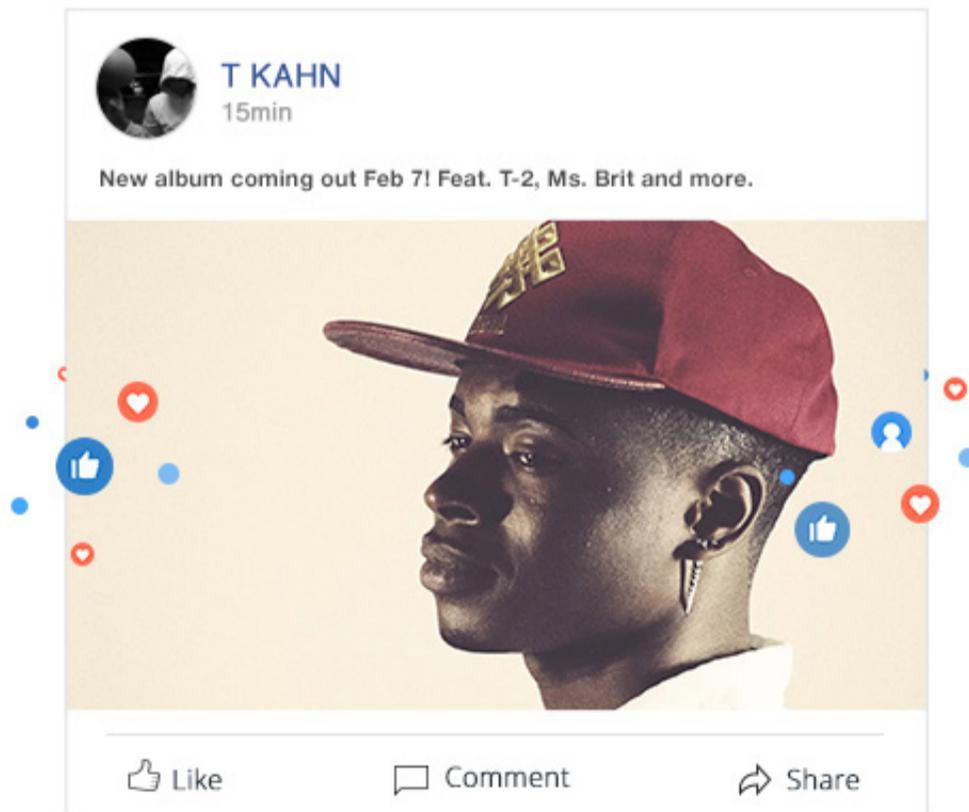
Diminishing Demand for...

Email Marketing

The popularity of email marketing is subsiding, in direct correlation to its potential impact. Despite being one of the most prevalent channels of the past decade, very few businesses derive enough value from it to justify the cost in time and resources. Decreasing open rates, increasingly sophisticated spam filters and stricter regulation has led email marketing to be much less effective. Yes, it can be a great avenue for building relationships for specific industries (e.g. commerce, restaurants) and highly-targeted audiences, but the time of it as a mass tool is over.

Apps

There was a time when every business wanted to build their own app. Just as quickly, business owners realized it's challenging—if not impossible, to earn real estate on their customer's phones. As mobile responsiveness becomes increasingly important, the trend shifts back to aggregated apps and directories.

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Emergence of New Technology

The rate of new technology emerging is increasing, impacting every aspect of the digital agency space, from the tools you use to the products you deliver. This makes it even more difficult to predict which technology is only a fad and which will disrupt the way people interact online or build products.

Emergence of New Technology

The #1 Technology Trend That Will Dramatically Change the Way Agencies Do Business

14% — Artificial Intelligence

21% — Virtual & Augmented Reality

36% — Zero-Code Web Development

21% — Voice Activated Systems

8% — Internet of Things
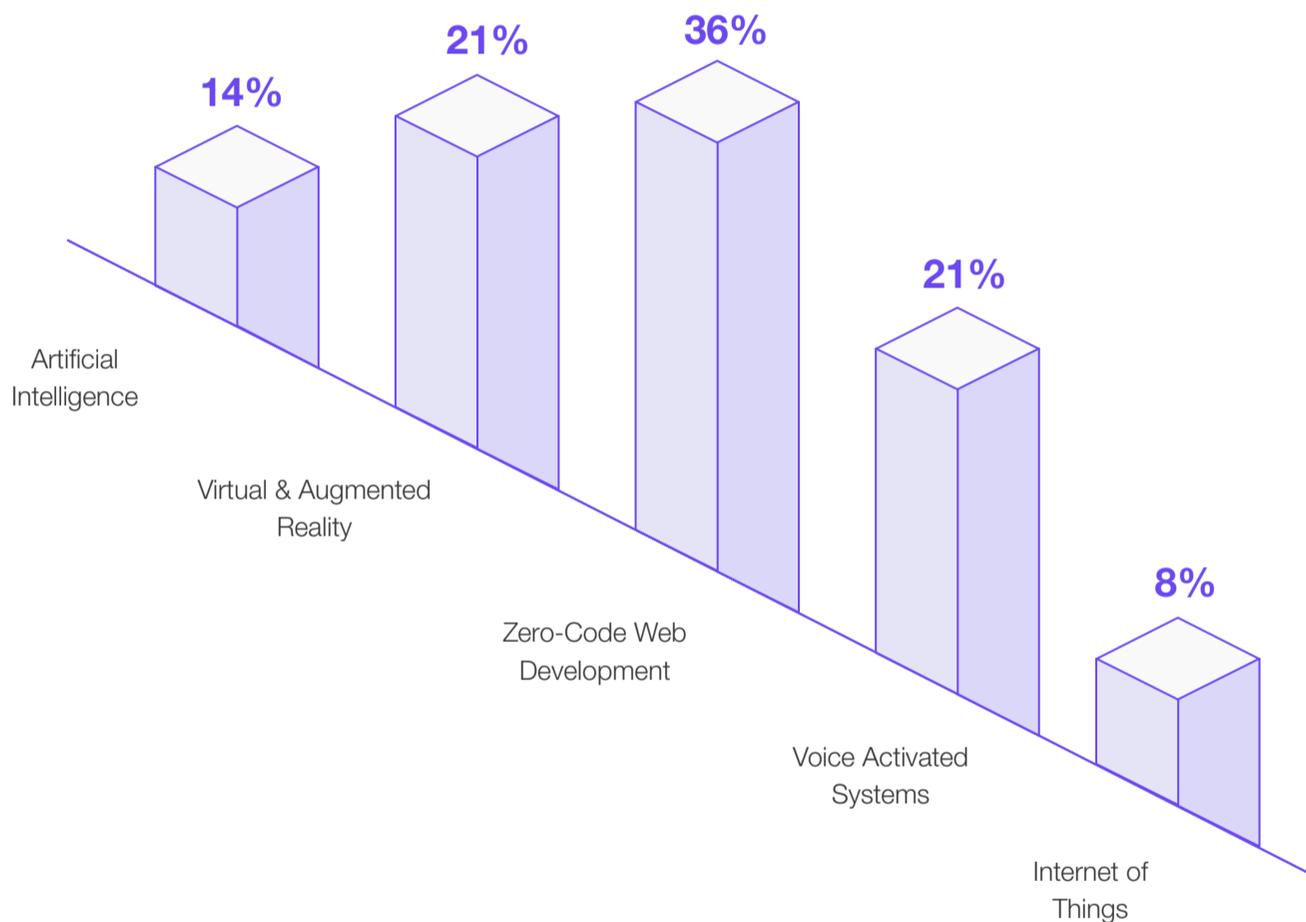
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Zero Code Web Development

Software is evolving in a way that allows the creation of more complex, robust experiences with less resources. Complex web infrastructure like databases, dynamic pages and custom interactions used to require highly specialized skills; now it's becoming more accessible. More agencies are capitalizing on this opportunity to simplify their process of creating digital products. Now they can hire people who do more, rather than hiring a wide variety of specialists. Businesses that take advantage of a more inclusive environment will have an edge over more conservative agencies that spend time coding from scratch.
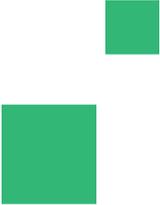
> The fact that we can develop more complex websites without coding means we can do everything in house and turn things around a lot quicker.
>
> —— Shanna DeCola and Kim Cunningham, Skigital

Artificial Intelligence

Artificial intelligence is invading our everyday lives and has recently made its way into the web design and web development space. Currently still an assistive technology, AI is not yet poised to replace web designers or humans. Instead, if embraced, it may free up a designer's time and be used to increase efficiency. We predict that in the next few years, AI will become a better assistant for designers and developers, and in the years that follow will start replacing some aspects of what they do.
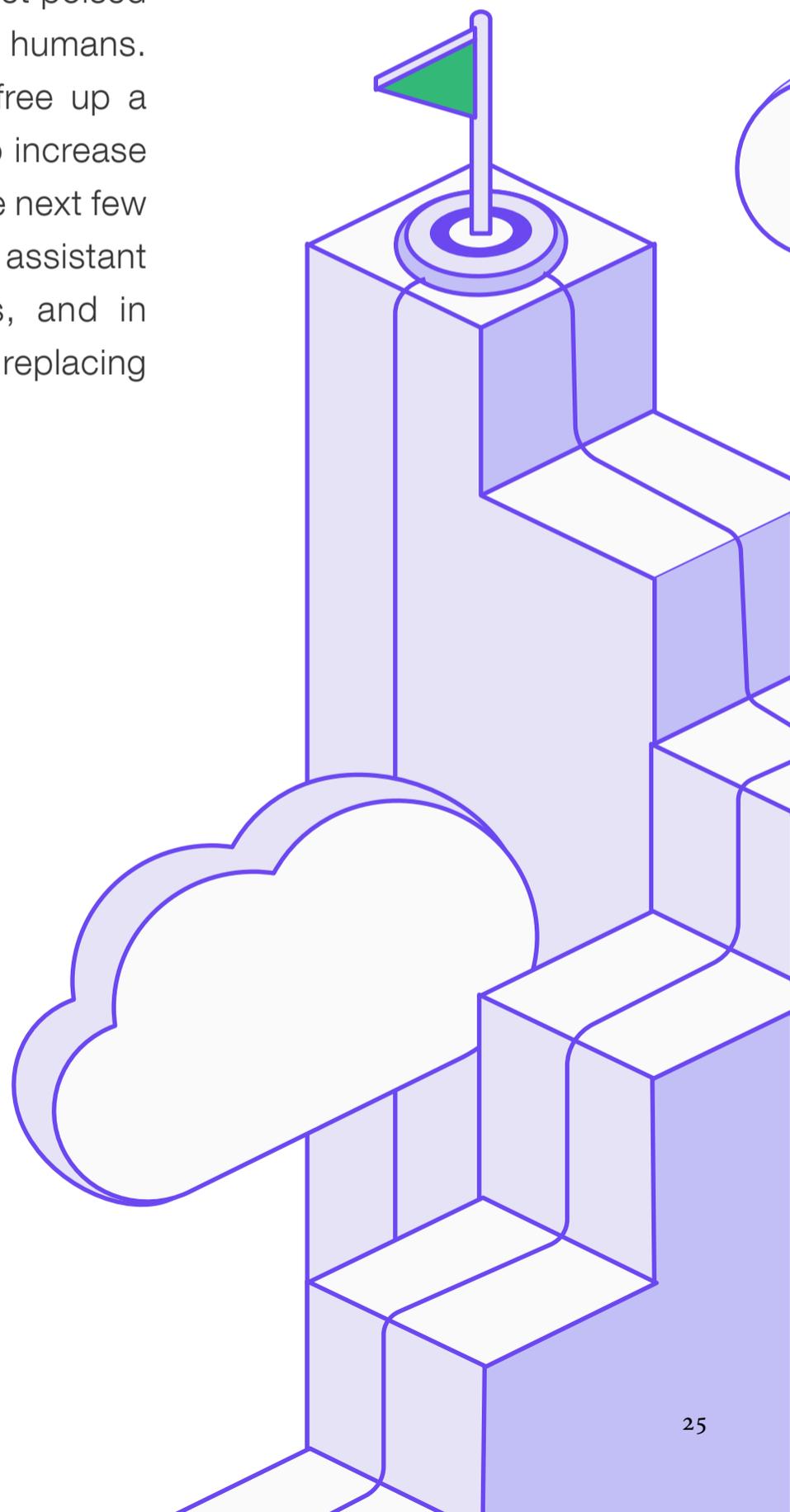
Virtual Reality, Augmented Reality and IoT

The current focus of web design is on mobile, desktop and tablets. VR, AR and the Internet of Things (IoT) are all too early in their journey to become core components of what digital agencies do but we do predict them occasionally being an extension of the website. For example, agencies may be asked to create experiences for store windows with AR. It's also important to consider the impact of the IoT; there are predictions that the number of connected devices will reach 20.6 billion in the next couple of years. Some specific experiences will have to be designed with the IoT in mind. For example, an agency designing a website for recipes may also need to design an experience for the refrigerator.

Voice Activated Systems

A voice activated system is another type of interface that may be an extension or replacement of the website. In the past few years, chat and text-based interactions have become one of the most popular interfaces.

We predict that the huge amount of effort and money put into chat will naturally transition to voice activated interfaces, putting voice at the forefront of business-to-user communication. As a result, SEO will drastically change. Right now, businesses can benefit from being on the first or second page. With voice, if a user isn't the first result, they may not get found at all.
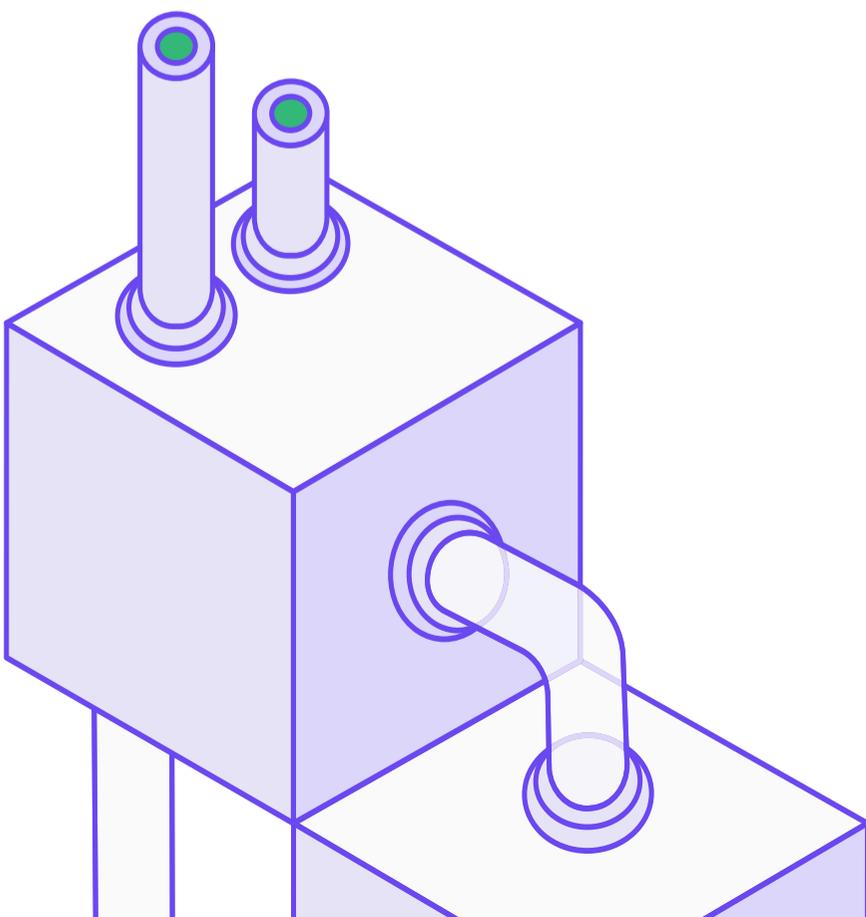
Conclusion

There are a few ways to make sure your agency can navigate upcoming challenges and find continued growth and success in the future. Firstly, research shows that despite the pull of the global arena, many clients want to find an agency near them that they can trust. This means that refocusing on the local market is an increasingly good idea. Secondly, with DIY site building enthusiasts on the rise, establishing the need for expert input is really important—as well as clearly defining your offering. Whether you provide specialist services or you're a one-stop-shop, making the distinction is crucial. Of all the emerging technology, zero code web development seems set to have the biggest potential impact on the industry, with agencies finding they can free up valuable time and resources when they don't have to code everything from scratch.

Here's to staying ahead of the curve during an exciting time for the industry!

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