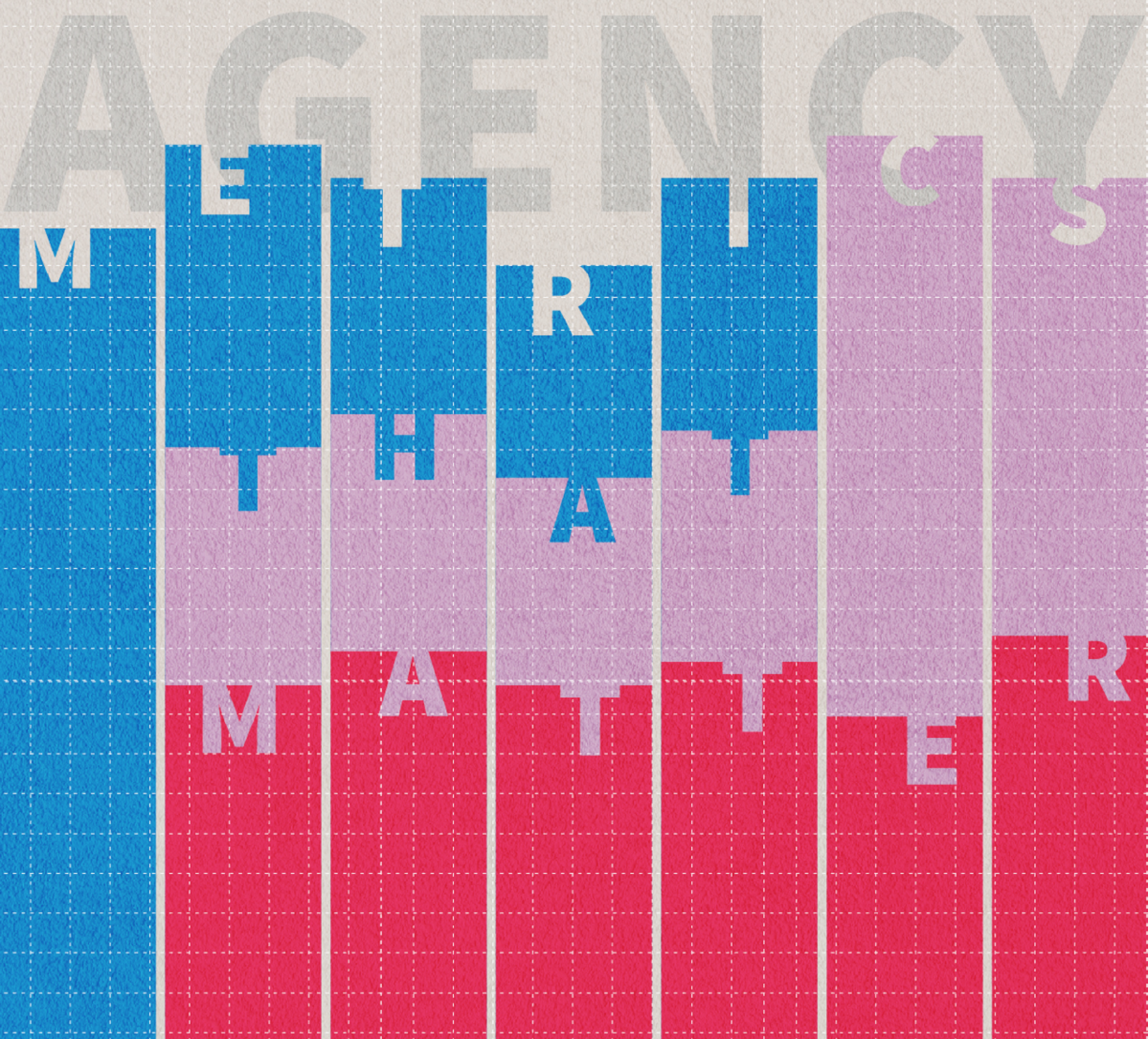
the SoDA REPORT On

in partnership with 10,000ft



Welcome to this special edition of *The SoDA Report* on Agency Metrics that Matter, developed in partnership with 10,000ft.

We are thrilled to feature this report in a series of white papers released under *The SoDA Report On…* moniker designed to conduct deep dives on a targeted issue which impacts the companies and people who are creating the future of marketing and digital experiences.

The importance of what to measure, how to measure, and translating those results are critical to every agency's bottom line. Within this special edition of *The SoDA Report*, marketing and business leaders discuss creative opportunities for business performance measurement. They grapple with topics such as transparency, budget tracking, promoting and maintaining healthy levels of team and client satisfaction, benchmarking data, and much more. Authors from Stink Studios, August, Viget and 10,000ft share real-life examples of challenges, modifications, successes and tools to continue the conversation of agency metrics that matter.

I'd like to thank 10,000ft for partnering with us on this valuable initiative. To become a subscriber of *The SoDA Report*, please email SoDA (info@sodaspeaks.com) and we will ensure you have priority access to the release of upcoming editions. We hope you enjoy this report and, as always, welcome your feedback, ideas, and contributions for future editions.

Best,
Lakai Newman, Managing Editor and Head of Production, *The SoDA Report*

Research Highlights and 2017 Performance Benchmarks

Research summary overview

SoDA recently conducted an extensive survey to explore business performance measurement within agencies, production companies and design studios. We assessed the relative breadth, sophistication and transparency of internal measurement practices and compared several important benchmarks for 2017 performance including revenue growth, profit margin, average billable rates, employee turnover and more.

Download summary findings and benchmarking data via SlideShare.

Paul Koch, Viget

A More Data-Informed, Action-Prone Culture

According to SoDA's recent study, "acting on the data" was the most common data challenge — ahead of "getting the data I need," "accuracy," "timeliness," and "interpreting the data that I have."

If an organization has necessary, accurate, timely, and understandable data, shouldn't acting on it be the easiest step? And if an agency can't act on its own data, can it credibly guide clients to do so?

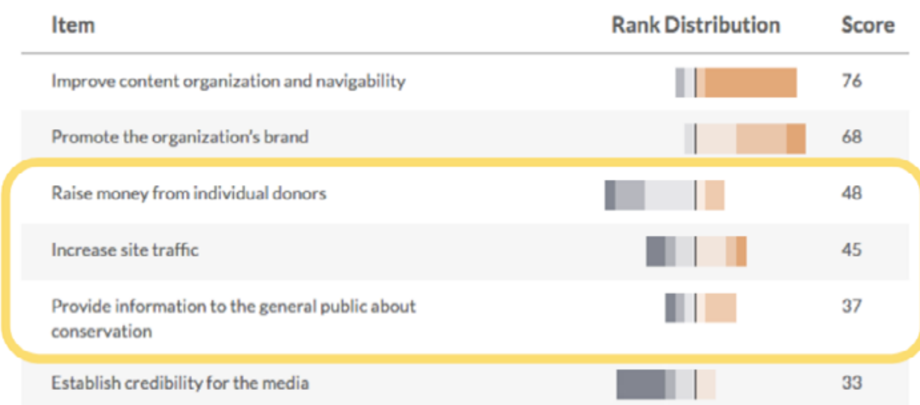
The "actionability" challenge seemingly occurs at the end of the data collection and analysis process, but the underlying issues often happen earlier.

Three upfront factors, described below, must be in place before people can take action on data.

1. Prioritized goals that clarify assumptions

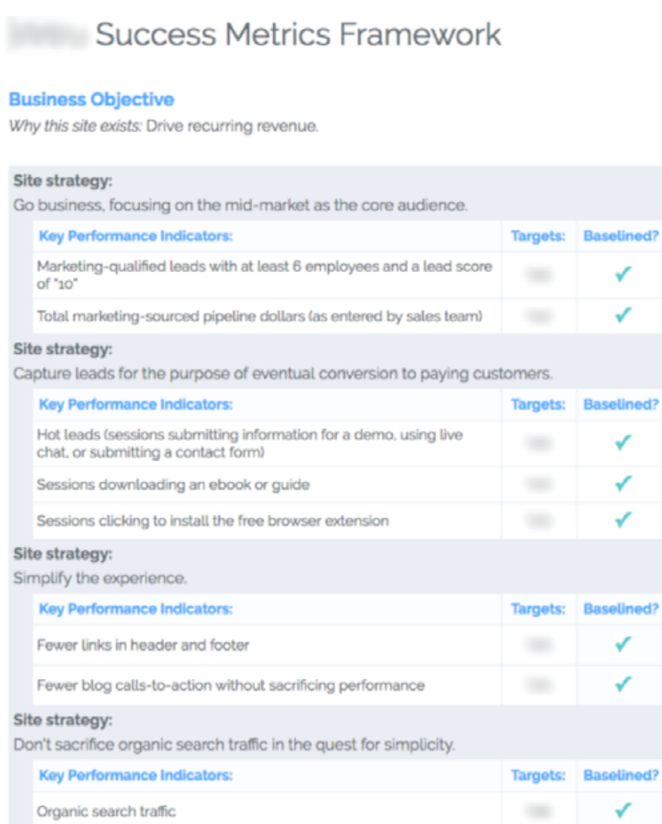
Stakeholder feedback should focus on asking: will *this* approach best achieve our target outcomes, compared to other possible approaches? Instead, stakeholders' differing assumptions about goals and priorities often cause conflicting feedback — each person may be solving for a different outcome.

Establishing upfront consensus on project goals — before they're discussed in the context of a specific deliverable — will set up your team to receive more productive feedback in the future. Ahead of a project kickoff, we survey stakeholders about all known goals: from the RFP, sales discussions, or otherwise. Stakeholders force-rank the goals ahead of the kickoff. At Viget, we use an online survey tool that provides results visualizations like this:



Each color represents the number of people who ranked a goal first (dark orange), last (gray), and in-between. As the image shows, even for the highest- and lowest-priority items, people almost never unanimously agree.

When presenting these findings, we use a tool such a task management tool to conduct a live prioritization of the objectives. Later, we formalize the input into a document inspired by analytics evangelist Avinash Kaushik's Digital Marketing and Measurement Model:



Target improvements are based on past experience and assumptions that we agree are reasonable. The stakeholder team then approves this framework.

2. Candid upfront conversations about ends, means, and tradeoffs

We encourage upfront conversations about these topics because almost no decision can improve *every* goal. For example:·

- Is total traffic a goal, or a means to another goal? If you could get twice as many signups, but at the expense of half your traffic, would you do it?
- Why improve navigability? Is the goal purely altruistic for the user, or do you expect that improved navigability will drive other goals?
- Why more organic search traffic? If the traffic came from referrals or sharing, would you be equally satisfied? Is new awareness the underlying goal?

3. An "AHA" (ask-hypothesis-action) approach to using the data

There are two types of data:

- *indicators* that serve as a health-check of the organization
- *answers* that inform a decision

Indicators, while more common, can't help people take action. A dashboard number that's up or down won't tell stakeholders what to do next. Many people look at data and expect insights to emerge, but in reality, the process must be flipped.

Enter the (kitschy, but hopefully memorable) AHA framework, which uses *answers* to spur action:

- *The **ask***: What question do you need to answer?
- *The **hypothesis***: What do you think is the answer?
- *The **action***: What will you do if your hypothesis proves true? If false, what will you do differently?

Before setting foot in a data set, one should be able to answer these three questions. They help people analyze in search of an answer, rather than waiting for the answer to reveal itself.

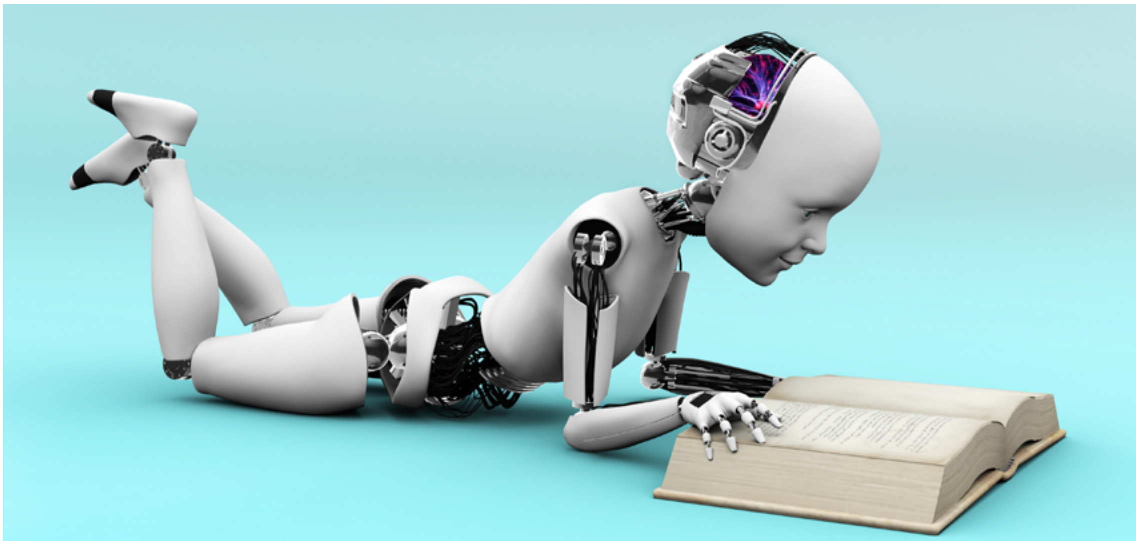
In Summary

With these three factors in place, organizations will be primed to efficiently act on their data. Good luck!

About the Author: *Paul is the Data & Analytics Director at Viget, where he works with clients such as Stanley Black & Decker, the University of Virginia, Lenovo, and the Wildlife Conservation Society. He believes in using data to prove the value of creativity, cut out digital clutter, and resolve disputes.*

Martijn van Tilburg, 10,000ft

Preparing Your Agency for the Rise of Automation



Would you let a six-year-old make decisions for your company?

We're all wondering how artificial intelligence will impact everything around us, from self-driving cars, to how we order groceries, to how we run our businesses. But the impact might still be limited.

A recent research paper shows that popular AI assistants from Apple, Google and Microsoft have an IQ that is less than a six-year-old. The researchers claim that the average IQ of six-year-olds is around 55, whereas the IQ of popular artificial intelligence technologies ranged between 25 and 50 when the research was conducted throughout 2016. By comparison, the average IQ of an 18-year-old is around 97.

Today's AI technology may still need to mature, but it's rapidly improving.

In fact, jobs are already disappearing because of automation. Just last year, Japanese insurance agency Fukoku Mutual Life replaced over 30 employees with artificial intelligence, and saved nearly $2.3 million a year as a result. Allstate and Capital One have laid off nearly 1,000 employees this year as a direct result of efficiency gains due to automation. And PricewaterhouseCoopers recently estimated that we could see 38 percent of U.S. jobs automated by the early 2030s.

We should all start preparing ourselves for a future where humans and AI will work side by side. And the best way to prepare is to start collecting data.

Start Collecting Data Today

We teach our young children many things early on, hoping it pays off later in their lives. We may instill values that aren't relevant to their current situation, like saving money or giving to charity, knowing these values will be instrumental as our children become financially responsible adults.

The same concept applies to AI in business. You can begin gathering information today, so your agency can fully reap the benefits of AI when you're ready to bring it into your workplace.

One of the early ways AI will start providing value is making forecasts. For example, an AI can interpret data about work productivity, examining how changes in team dynamics have an impact on this productivity. When a project manager goes on vacation, team utilization goes down. When certain kinds of projects enter the pipeline, utilization goes up. By considering these factors against historical data, AI will be able to forecast the future productivity of your team.

According to our survey of over 100 creative agencies, only 13 percent of respondents consider themselves experts on making forecasts based on data.

AI can help but it needs accurate data to be valuable.

Make Sure Your Data is Accurate

A forecast system needs a lot of historical data. Even if you don't yet know how to interpret all of the data, collecting this information will pay off in the long-term.

The data you collect must meet two criteria:

- Your data must be consistently tracked over-time.
- Your data must be accurate.

Almost half of our respondents reported that getting accurate information is a challenge in their industry.

It will still be quite difficult (or impossible) for AI to have all the data needed to be completely accurate. Unexpected events can influence forecasting and utilization, and these anomalies are likely still outside the realm of AI's understanding. If there's a week-long snow storm that slows productivity, the system likely can't predict it based on your historical data. We still need people to interpret this information.

Because the forecast still requires human interpretation, these systems will primarily support—not replace—peoples' decision-making. AI will help us proactively call attention to data trends, so people can decide whether to act on it, and how to move forward.

Translate Data into Strategy

46 percent of our respondents said it's a challenge to act on data. If you're already tracking accurate data, how can you use it to support your decision-making abilities today?

When you make a strategic decision, look at the data you're tracking to understand whether or not this decision will have the intended impact.

For example; imagine your team keeps telling you they need to hire another designer. How do you know whether or not you need to hire someone full-time?

If your team has been tracking their time, you could simply look at your design team's hours over the last three months and see whether they're consistently overworked. Are all of your designers so overworked that it justifies a new full-time hire? Or is the bulk of the workload resting on only one or two of your designers, while the rest of your team's workload remains light?

This data helps you identify the root causes of issues like these, so you can accurately determine whether you truly need to hire another designer, or if some other, deeper issue needs to be addressed within your design team first.

You can also use data to verify (or refute) the hypotheses of your decisions. If you're collecting data over time, visualize it to easily identify trends. Look at these trends over the next few months to see whether the impact of your decision matches your original hypothesis.

If the average IQ of artificial intelligence is equivalent to a six-year-old, there's still a lot of growing and learning left to do. But that doesn't mean we can simply wait for AI to mature. To stay competitive, start collecting accurate, relevant data today to maximize the positive impact of these systems in the future.

About the Author: *Martijn van Tilburg is the CEO and founder of 10,000ft, a resource management tool that helps companies breed transparency, autonomy, and improve strategic real-time decisions. Previously he was Director of Design at Seattle firm Artefact and an award-winning designer.*

Chris Mele, Stink Studios

Stick to the Basics: A Metrics-Light Spin on ‘Creative First’

Stink will always be a creatively driven organization. When we’re at our best, our work is about eliciting an emotional response.

But as we’ve grown in the breadth of in-house expertise and the scale of work visibility and impact, we’ve had to weave in a thin, foundational network of rudimentary financial KPI measurement and understanding throughout our teams, both across our disciplines, and up and down them.

In recent years, through the merits of their talent and work ethic, our team has delivered “holy shit” level work consistently enough to charge a modest growth spurt.

This growth gives us the ability to create even higher-impact work on a larger, global stage. The associated financial gains in turn fuel our ability to reinvest in helping our people develop their skills, level-up our facilities and be even more selective with which projects we take on. We also give back to our team through consistent raises and promotions, European inspired benefits, killer off-sites and super challenging projects that push the limits of our craft.

Organic growth is great, but we’d be doing a disservice to the people that instigated it by not understanding and cultivating that growth. That cultivation can -- and should -- exist in the realm of our invaluable financial analysts, but of equal importance, it requires micro-adjustments at the project level, and it only works if everyone has skin in the game.

These concepts manifest themselves through an integrated approach to everything: pitches, planning, budgeting, creative and technical decisions, and beyond. There is no "decider" at Stink. We reject in entirety the notion that "I am the ___ Director, this is a ___ decision and thusly I make the call".

This integrated, team-first approach decentralizes and flattens, but also puts increased responsibility on our Discipline and Project Leads to think and behave as business leaders as well as practitioners of their craft.

The good news is, we keep it light. Really light. Essentially it comes down to what's coming in, and what's going out. If we sweat those details, the higher-brow operational metrics (effective rates, utilization percentages, etc.) tend to work themselves out.

Our analysis occurs in three cycles: annual game plans, quarterly updates and monthly deep dives.

Our annual game plans set the tone for the year and serve as an opportunity to gut check alignment with the staff. We share…

- Revenue targets
- Work category splits
- Overhead benchmarks
- Cost benchmarks
- Qualitative benchmarks that hold equal importance
    - Brands or industries we should be working with
    - Technology we want to be creating with
    - Impact our work should be making

Quarterly, we meet again as a team to reflect on our work, and to openly discuss how we're tracking against these KPIs. If we are on track, we celebrate that. If we're not, we share insights into why that may be happening, and talk through the plan on course correcting.

On the monthly cycle, we hold a Discipline Lead team meeting with the heads of Strategy, Creative, Technology, Finance and Production. This is the deep dive.

We run through a monthly studio health check to look over

- Monthly revenue earn
- Monthly cost burn split by staff/overhead and project costs
- Revenue cliffs in coming months and biz dev strategies to fill the holes
- Run rate against booked work to maintain margins

We also review individual project P&Ls, with commentary from our EPs and Creative, Strategy and Technical leads. They interrogate each other to tease out insights about our process and teams, and we collectively raise our working IQ off of both our successes and failures.

These three cycles reflect the entirety of our reporting system and philosophy.

We hope our open-door approach gives context to the business decisions that get made throughout the year, and also hopefully provokes dialogue at key points with staff that may not feel totally aligned with our course.

The emphasis on transparency also keeps our leadership on-mission and on-task, present company included.

We know that there are deeper metrics available that can provide added layers of insight, and as we grow we'll carefully consider expanding our scope. For the moment, we believe we've found our sweet spot.

About the Author: *Chris leads Stink Studios New York headquarters, working closely with Strategy, Creative, Production and Technology leadership to develop and manage all relationships and work in the 50 person studio. With a background in brand strategy and product development, Chris has led teams on large scale product and platform builds for The Wall Street Journal, Stumptown Coffee Roasters and The Metropolitan Museum of Art, as well as campaigns for Levi's, Google and Red Bull.*



Sarah El-Atm, Rowan Barnes & Daniel Banik, August

More Than Dashboards: Transparency & Empowering Teams with Data

Being transparent with data is a double-edged sword. It's great to see wins and celebrate success when things go well. But poor results can lead to demotivated team members, finger-pointing, and even humiliation.

Nobody wants to see their name at the bottom of an agency-wide leaderboard, or find out that the project they're most proud of was horribly unprofitable. When we make performance data transparent, do we really understand the impact that data could have on our teams? Or are we just 'puking' data because it's fashionable?

Few would doubt that transparency is important to running a successful agency. When we have transparency, the collective value of an agency is greater than the sum of its individual parts. Transparency helps to ensure team members are aligned and working towards the same goals. It ensures everyone has access to the same information, meaning decisions can be made without having to revert to 'managers'. With advances in technology, data now provides team members, in near real time, where they can improve (no need to wait for that bi-annual performance review). Critically, access to information that might otherwise be hidden (such as salaries), leads to a feeling of trust and empowerment in teams, boosting productivity. Buffer is one example when it comes to salary transparency.

For many organizations, the first step towards transparency is to simply 'open the door' to the data. We email PDF reports to our teams, provide dashboards on TV screens around the office, and offer access to shared Google spreadsheets for anyone to see. We're being transparent! What could go wrong?

Intentions are almost always good. But transparency can be fraught with danger. For example:

What happens when the results look bad?

What happens when your radically transparent data publicly highlights an employee who is performing worse than everyone else? That person starts to feel demotivated. They start blaming others. They start to doubt the data itself, claiming 'there must be something wrong with the system'. They feel humiliated and performance drops further. Worst, the rest of the team start to feel scared. "What if I'm at the bottom of the list next week?", "Is this another bad month for the company? Is my job on the line?"

What to do about it:

- **Anonymize reports that don't require individual data.** While some would argue that this isn't truly transparent, the purpose of some reports is to show how the team is performing overall, rather than showing individual performance. If that's the report's objective, anonymize it. Truly understanding why you're providing certain data to the team is critical here.
- **Give underperformers a private 'heads up'.** If you absolutely must send a report that could demoralize someone, give that person a sneak peek at the data before sending to the wider team. Allow that person time to think about the result, and give them the opportunity to discuss it if required. This is another way of being transparent and it is also the compassionate thing to do. The person impacted might even help act as an advocate for the data because they've been able to respond and show action rather than be surprised and react poorly.

What happens when we have too much data?

If you want to become *truly* transparent, you must share everything. Salaries, sales performance, financial operating metrics, satisfaction data, project profitability… the works. But when we have so much data at our fingertips, it becomes hard to know what to focus on. Teams achieve wins in some areas, but perform poorly in others. When this happens, it's hard to know whether you're winning or just spinning your wheels.

Further, while transparency can often lead to faster decision-making, in some situations it can do the opposite; and slow things down. When everyone has a desire to throw in their two-cents, we can get stuck in debates that never go anywhere.

What to do about it:

- **Agree on your core metrics.** Your agency should have a limited number of core metrics that act as a 'north star'. Agree on them, and stick to them.

- **Focus on just a few 'additional' metrics per fortnight/month/quarter.** For everything outside your core metrics, decide as a team what the focus should be for a pre-determined period. For example, "next month, let's focus on improving our response time to sales enquiries". Shout about that data, and turn the volume down on the rest.
- **Don't confuse 'transparency' with 'authority'.** While you should allow teams to share their opinion on the data and time to come up with a plan of action, there's a chance they might hit a roadblock. You still need someone to make decisions, so that everyone can move on.

Ultimately, transparency in agencies isn't *just* about being open with data. While that's an essential ingredient, it's also about ensuring teams understand the reason for the data and its impact. It's about demonstrating to teams that there's nothing to hide but, more importantly, it's about setting everyone up for success. Ultimately, that's what we're striving for, really. Transparency is just a means to that end.

About the Authors:
Sarah works across operations, HR, and engagement at August. Working with the team to improve business strategies and processes as well as contributing to their expansion activities across the UK and Canada, Sarah enjoys being involved in work that continues to lift their standards as an agency. When she's not at August, you'll find her attending lectures about developments in the law and indulging in a trail run or two.

Rowan is an experienced digital marketer, who loves getting stuck into Google Analytics to look for opportunities, and thrives on finding ways to do things better. An avid fan of Formula 1, Rowan would love the chance to drive a lap in a Mercedes F1 car.

With a background in strategy, user-centred interaction, service and experience design, marketing and brand management, Daniel is a driving force behind August. A forward-thinking and quietly ambitious individual, Daniel is constantly asking the question: "How can we do it better?" He is a strategic thinker and doer who leads the August team to think big and deliver work that exceeds clients' expectations.

Team & Partners

SoDA serves as a network and voice for entrepreneurs and innovators around the globe who are creating the future of marketing and digital experiences.

Lakai Newman, Communications Manager

A graduate of Emory University, Lakai Newman came to SoDA from a NY-based digital agency where he focused on creating compelling content for a number of blue-chip brands. He serves as SoDA's primary steward and contact for communications, social media, and marketing efforts. Lakai also serves as Associate Editor and Head of Production for *The SoDA Report*, SoDA's biannual trend publication that features primary research, thought leadership, and case studies from top digital agencies, production companies, and client-side digital marketing executives from around the world. He considers himself a natural "creative" that is passionate about global travel, cooking, pop-culture, and all things digital.

Jessica Ongko, Designer

Since joining SoDA's Operations team in 2014, Jessica Ongko has been deeply involved with strengthening SoDA's brand and visual identity while collaborating with agencies around the world to design and create publications, event signage, and both digital and physical assets related to the work of SoDA. A graduate of the Graphic Design program from advertising portfolio school, The Creative Circus, you'll often find Jessica trotting the globe and working out of airports during long layovers.

10,000ft has reshaped how creative agencies manage their projects and teams with software that simplifies resource management, project planning, and time tracking. With over 1,000 customers around the world, 10,000ft aims to be a change agent for dynamic organizations ready to unleash the human element powering the future of work. Learn more at 10000ft.com.

Martijn van Tilburg, CEO

Martijn van Tilburg is the CEO and founder of 10,000ft, a resource management tool that helps companies breed transparency, autonomy, and improve strategic real-time decisions. Previously he was Director of Design at Seattle firm Artefact and an award-winning designer at Microsoft.

Anton Rius, Content Marketing Manager

As Content Marketing Manager at 10,000ft, Anton crafts dynamic thought leadership campaigns to drive brand awareness across channels and build 10,000ft's audience. He brings years of strategic marketing experience in management consulting, where he helped clients improve organizational performance with content focused on optimizing company culture and process.

Natalie Rohde, Director of Marketing

Natalie is Director of Marketing at 10,000ft, where she leads strategic efforts to create a unique brand experience and drive revenue by attracting and engaging new customers with the 10,000ft community. Her background is in business development and lean marketing for growing technology companies.