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**AREA
HOSIER LA**
VEHICLES ACTUALLY
ENGAGED IN
TAKING UP AND
SETTING DOWN
GOODS EXCEPTED


Hosier La


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SHARED
ZONE


ONE
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RICHARD ALLEN

Foreword

Welcome to New Business Methodology's second annual OUCH! Factor Report™ supported by SI Partners.

The OUCH! Factor™ is a formula designed to help agencies grow profitably and help marketers build better agency relationships. It reveals the commercial impact of pitching by measuring the soft costs in terms of time and talent that are rarely tracked or truly known by agencies, and challenges leaders to consider whether they are using these resources most effectively to drive growth.

Our initial report released in 2021 revealed for the first time the hidden cost of pitching within the Australian advertising and marketing industry, based on a survey of c.120 agencies

and marketers. Many agency leaders were shocked to discover their agency's OUCH! Factor™. The results helped agencies and marketers better understand the impact of pitching on their business and make informed decisions about the role pitching plays in their new business strategy.

The second OUCH! Factor Survey reveals that the hidden cost of pitching is getting worse. 'Pitching is heroin', according to one respondent, 'we are addicted to the thrill of it'. Agencies are investing more time than before, but while the average win rate has slightly improved year on year, the returns are getting worse and the burden of unprofitable pitching threatens to undermine many agencies' growth potential and damage agency/client relationships.

**Unprofitable pitching
threatens to undermine many
agencies' growth potential**

Forward continued

But it doesn't have to be this way. Our findings reveal what the best agencies are doing and how independents are holding their own against network agencies. It outlines which disciplines succeeded in pitching and who reaped the rewards.

This new report reinforces the lesson we learned in the initial report - that if leaders are able to analyse the true cost of pitching upfront, they can avoid the wastage of time and talent that benefits no-one. The key extra leap we have made this year is to focus on profitability, not just cost.

Pitching is not the problem. Unnecessary and unprofitable pitching is the problem

After reading this report we hope more agency leaders will adopt the recommendations for change that we present, and that both agencies and marketers will be ready to have more upfront commercial conversations for the benefit of both parties.

The initial OUCH! Factor report's mantra was: 'Pitch less, win more'. This report's mantra is: 'Pitch profitably'. But agencies cannot fix this problem alone. To maintain the viability of our industry, both agencies and marketers must accept that pitching is not the problem, unnecessary and unprofitable pitching is the problem.



Julia Vargiu
Director, Australia SI Partners and
Founder & MD New Business Methodology

Methodology

The 2022 OUCH! Factor Survey questioned 94 CEOs, MDs and leaders from creative, media, digital, PR and integrated agencies, and 14 client marketing and procurement leads, asking them to share their 2021 pitch year. The data investigated the difference between independent agencies and network agencies, agency size and agency type. New groupings were created this year for better reporting by size and type and responses were analysed along the following criteria:

WINS - the number of pitches won and lost, the win rate (the percentage of pitches won) and the pitch-revenue win rate (the percentage of pitch revenue won)

TIME - the time invested to win, and frequency of pitches

COST - the equivalent cost of that time spent based on charge out rates

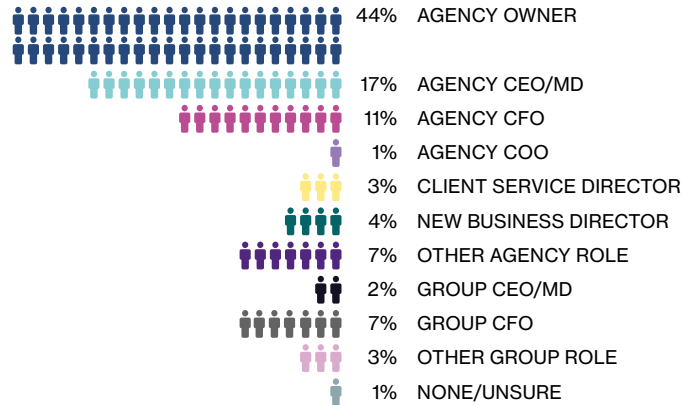
BUSINESS IMPACT - the revenue and profitability, including the time-path to client profitability (i.e: how long agencies work to break even)

The following new questions were added to the survey based on feedback from agencies on what would be most useful to understand:

- What is your average agency profit margin % (EBITDA)?
- Did you get paid a pitch fee for any pitch you participated in?
- Are you on a roster and have to compete against other rostered agencies for projects regularly?
- What was the revenue value of each pitch?

Methodology continued

The mean responses from each question of the OUCH! Factor™ survey were aggregated to create a snapshot of the “average” agency, and results compared to the previous year. Agency responses came from the following roles:



BREAKDOWN OF AGENCY RESPONDENTS BY ROLE

This year the survey was backed by the following industry associations, which invited their members to participate: Advertising Council Australia (ACA), Australian Association of National Advertisers (AANA), Media Federation of Australia (MFA), Independent Media Agencies of Australia (IMAA) and the Public Relations Institute of Australia (PRIA).



The OUCH! Factor™ Report 2022
overview and highlights



Overview

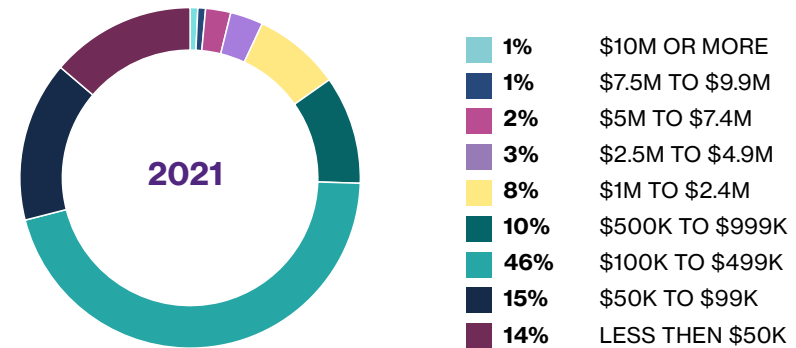
This survey sample was similar in size to the previous survey sample, but includes an increased number of larger agencies. All agency respondents combined pitched 1,533 times (-20% YoY), for \$518m of pitch revenue (+3%YoY). In total they spent 177,000 hours pitching (+2% YoY), or the equivalent of \$41.4m value in non-billed hours (-6% YoY). The group won roughly half of the pitches and scored just over half of the revenue.

Standout pain points were:

- 29%** of pitches were worth **under \$100k** – agencies pitch for these hoping they can ‘land and expand’, but do they?
- 75%** were **worth less than \$500k** – likely to be projects that might not last the 24 months to reach profitability*
- 37%** of respondents **didn’t track time spent** pitching
- 30%** of rostered agencies had to **pitch against other rostered agencies**

According to our previous research, incumbent agencies who were asked to re-pitch had a 1 in 5 chance of retaining an account. In 2021, only 13% of incumbent agencies who were asked to re-pitch declined, meaning 87% accepted despite the unfavourable odds.

*based on average 15% EBITDA in 2020 and 17% EBITDA in 2021



BREAKDOWN OF THE VALUE OF ALL PITCHES WON IN 2021

Highlights of all agency respondents



2021 compared to 2020

WINS

	2020	2021	% change
Total number of pitches by all agency respondents	1913	1533	-20%
Number of pitches won	918	722	-21%



TIME

Total hours spent by all agency respondents (that track pitch hours)	174,000	176,881	+2%
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COST

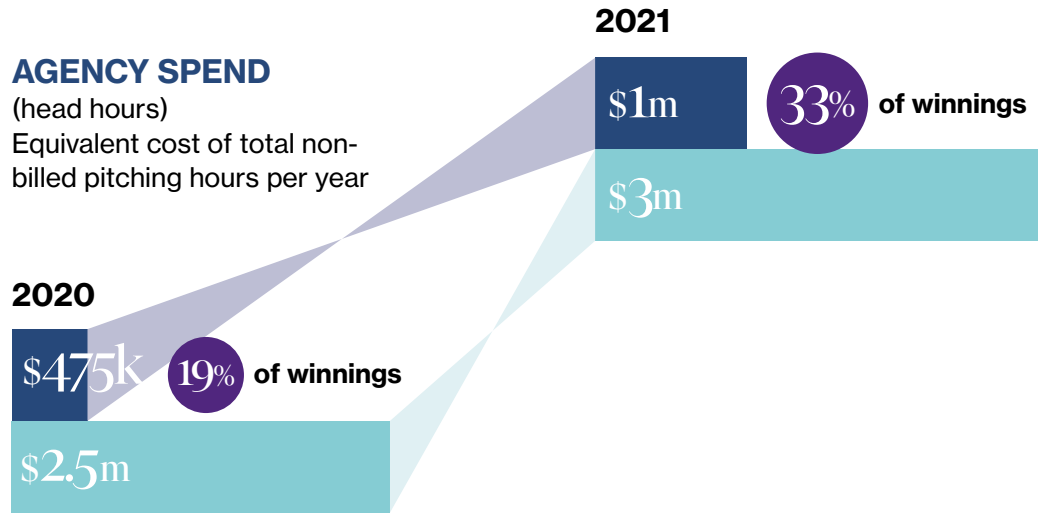
Cost of all non-billed hours spent pitching all agency respondents	\$44m	\$41.4m	-6%
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IMPACT

Total potential revenue value from all pitches	\$500m	\$517.5m	+3%
Total pitch revenue won for all pitches by all agencies	\$250m	\$252.6m	+1%

Highlights of the average agency respondent



GAIN
Total revenue from pitch wins per year

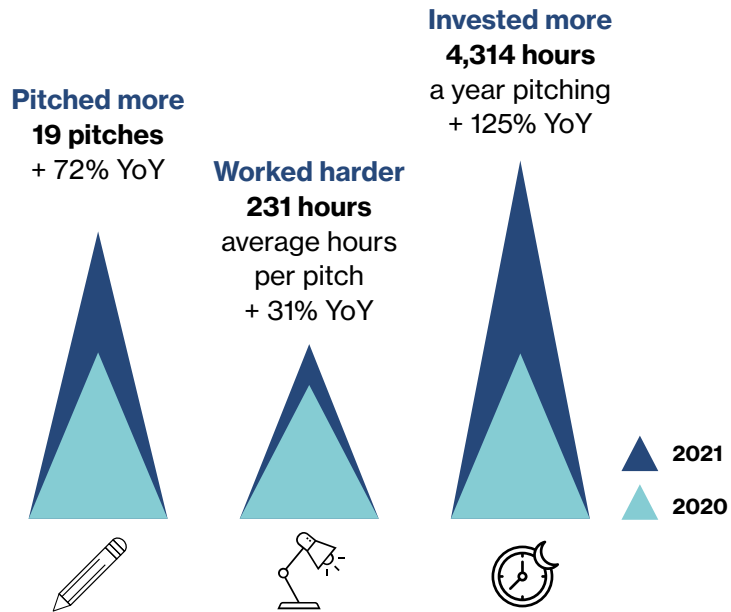
The good news is that the average agency respondent won slightly more than last year, with a 50% win rate, +5% YoY.

But pitching is a high risk game, and the stakes are getting higher. In 2020, across the whole year, the average agency respondent spent the equivalent of \$475,000 in non-billable hours dedicated to pitching to gain \$2.5m in pitch revenue. In 2021, they spent \$1m to gain \$3m. This means in 2020, the average agency respondent sacrificed the equivalent of 19% of the new business value won from pitching. In 2021, this almost doubled to 33%. OUCH!

Given the average agency respondent's EBITDA was 17%, the additional revenue required for them to replace the overall cost of pitching would be \$5.8m. It would take them 2 years to see a return on their investment.

An average agency would need to earn an additional \$5.8m to re-coup their non-billed pitch hours.

Highlights of the average agency respondent continued



The outlay of resources required for a win has grown substantially year on year. A typical agency spent 231 hours per pitch, the equivalent of one employee working 6 full weeks. They did this 19 times per year, a total of 4,314 hours a year spent pitching, or the equivalent of one employee working nearly 2 and a half years full time.

“The sheer competition out there makes it difficult to grow and sustain a business long term.”

Small Independent Agency Owner

At just over a 50% win rate, it took 490 hours, or a quarter of one person’s annual time to win one pitch. **At an average hourly charge out rate of \$234, this equates to approximately \$54,000 spent per pitch, and \$115,000 spent to win a pitch - 24% more than our previous report. OUCH!**

This increase in OUCH! Factor raises the questions that we aim to answer in our recommendations - where does an agency draw the line? And how could they better use that time to drive profitable growth?

The portrait of an average agency respondent



Average Agency

WINS

	2020	2021	~% change
Total number of pitches	11	19	+72%
Number of pitches won	5	9	+80%
Pitch win-rate (%)	48%	50%	+4%
Pitch revenue win-rate (%)	48%	46%	-4%
Average win (\$) value per pitch	\$529,142	\$337,588	-36%



TIME

Average total hours spent pitching	1,913	4,314	+125%
Average total hours spent on one pitch	177	231	+31%
Average total hours spent to win one pitch	372	490	+32%



COST

Hourly charge out rate of combined team	\$250	\$234	-6%
Typical \$value of non-billed hours spent on one pitch	\$43,881	\$53,999	+23%
Typical \$value of non-billed hours spent to win one pitch	\$92,262	\$114,654	+24%
Typical \$value of non-billed hours spent pitching in 2021	\$475,000	\$1,009,516	+113%



IMPACT

Annual revenue needed to recoup non-billed hours spent pitching by average agency*	\$3,200,000	\$5,852,509	+83%
% of revenue won in a year from pitching needed to cover the non-billed hours spent pitching in a year	17%	33%	+94%
Number of months to recover the costs of pitching*	14	24	+71%

*based on average 15% EBITDA in 2020 and 17% EBITDA in 2021

Which type of agencies perform best?
The OUCH! Factor by agency type



The OUCH! Factor overview by agency type

CREATIVE

Creative agencies spent 32% more than average in the dollar value of non-billed hours to win 31% less than the average pitch revenue. They require almost 3 years of work from a pitched client to recover the cost. Based on the value of their wins, many are small projects that are short lived, so some of these wins will never see profitability based on the value of the time it took to win them. Some creative agencies seemed to have a win at all cost mentality. Are clients demanding too much of creative agencies in stark comparison to media, digital and other sectors?

DIGITAL/TECHNOLOGY

The smallest group of respondents, digital/tech agencies, were more selective in going for bigger prizes, pitching 25% fewer times than average for double the average win revenue. They put higher value staff on their pitching, and invested the most per pitch, 42% more than average by dollar value of non-billed hours. But they also had the lowest win rate at only 37% compared to the average of 50% and their potential time to recover pitch costs was 22 months. It seems there are large potential rewards but very tough competition for this sector.

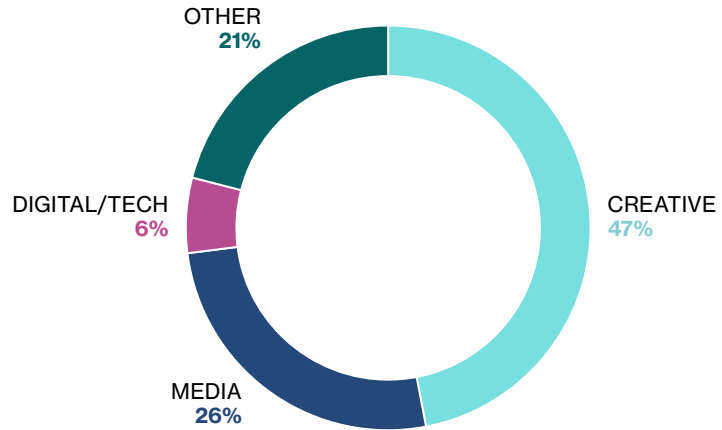
MEDIA

Media agencies are setting the standard for profitable pitching. They pitched the least, spent the least amount of time and pitched with the least expensive staff, putting juniors on to pitches and still winning at a 27% higher than average rate. The revenue value of their pitch wins was second only to digital agencies, making their time to recover pitch costs 88% less than the average.

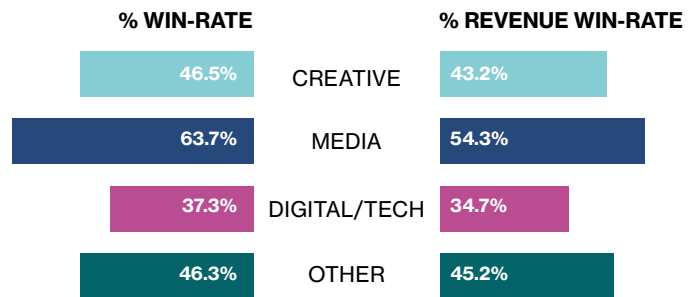
OTHER: PR / EXPERIENTIAL / MARCOMMS / PROMOTIONS / CONSULTANCY / STRATEGIC / RESEARCH / DATA / INSIGHTS / OTHER

This group had a busy year, pitching almost as frequently as the creative agencies at 21 times per year on average. They were very efficient, investing the least amount of time per pitch, at 75% less than average, and were successful with a good average win rate and win to revenue rate. But on the whole they pitched for the smallest projects worth 48% less than average. By our calculations they would expect to recover the costs in 11 months, 55% quicker than average, but still more than three times longer than media agencies.

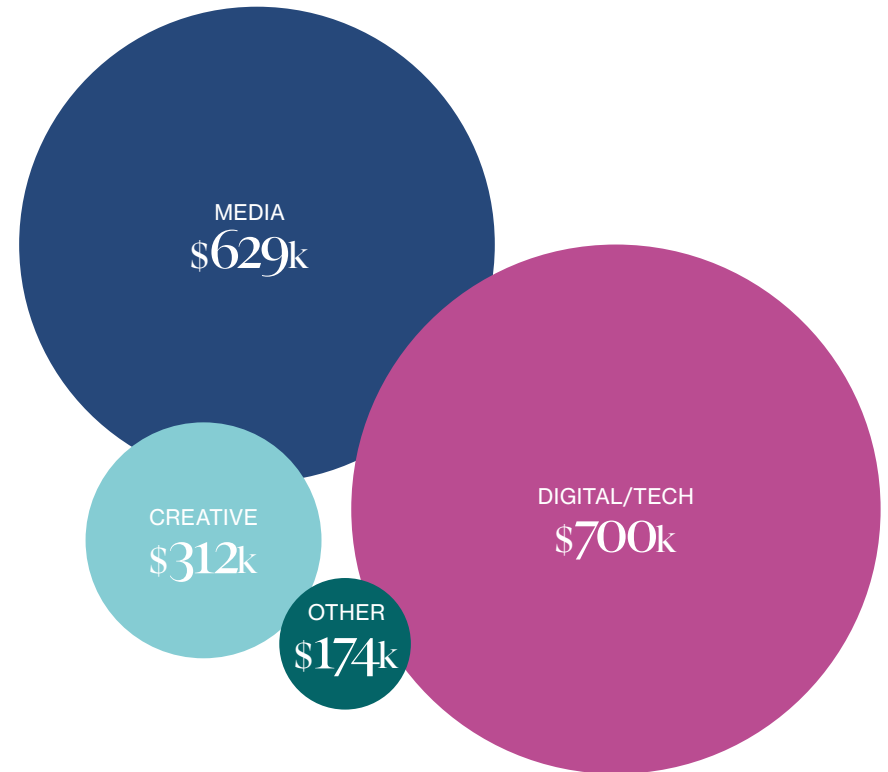
Pitch win data by agency type



BREAKDOWN OF RESPONDENTS BY AGENCY TYPE

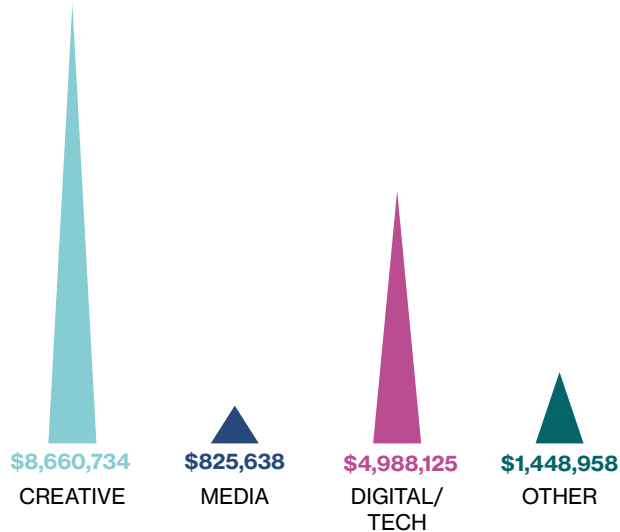


PITCH WIN-RATE vs PITCH REVENUE WIN-RATE BY AGENCY TYPE

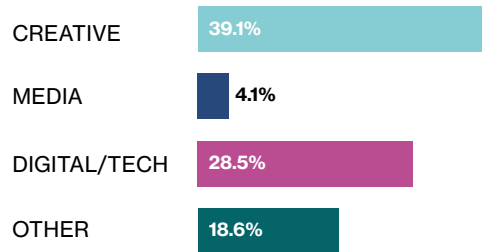


AVERAGE WIN REVENUE PER PITCH BY AGENCY TYPE

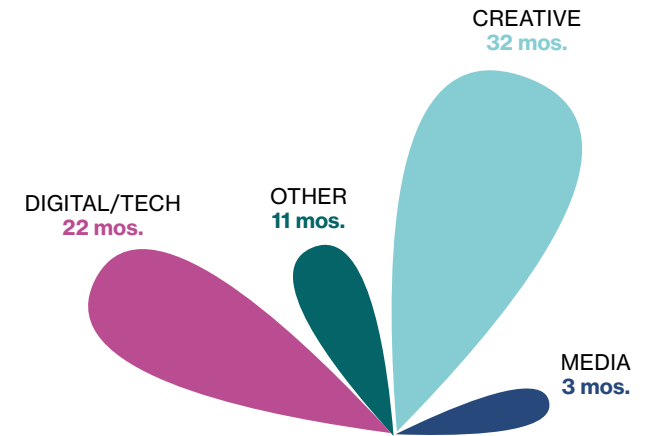
Business impact data by agency type



ANNUAL REVENUE NEEDED TO RECOUP NON-BILLED HOURS SPENT PITCHING BY AVERAGE AGENCY BY TYPE (based on 17% EBITDA)



% OF REVENUE WON IN A YEAR FROM PITCHING NEEDED TO COVER THE NON-BILLED HOURS SPENT PITCHING IN A YEAR BY AVERAGE AGENCY BY TYPE



NUMBER OF MONTHS TO RECOVER THE COSTS OF PITCHING, BY AVERAGE AGENCY, BY TYPE (based on 17% EBITDA)

All respondents data by agency type



Average Agency

TIME

	CREATIVE	MEDIA	DIGITAL/TECH	OTHER
Average total hours spent pitching in 2021	5820	708	2660	1204
Average total hours spent on one pitch	246	74	256	57
Average total hours spent to win one pitch	534	118	665	136



COST

Typical \$value of non-billed hours spent on one pitch	\$56,325	\$16,200	\$76,740	\$13,693
Typical \$value of non-billed hours spent to win one pitch	\$122,193	\$25,972	\$199,525	\$32,375
Typical \$value of non-billed hours spent pitching in 2021	\$1,331,588	\$155,833	\$798,100	\$287,563



RATE

Average hourly charge-out rate (\$)	\$229	\$220	\$300	\$239
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IMPACT

Annual revenue needed to recoup non-billed hours spent pitching by average agency*	\$8,660,734	\$825,638	\$4,988,125	\$1,448,958
% of revenue won in a year from pitching needed to cover the non-billed hours spent pitching in a year	39.1%	4.1%	28.5%	18.6%
Number of months to recover the cost of pitching*	32	3	22	11

*based on average EBITDA of 17%

Does size matter?
The OUCH! Factor by agency size



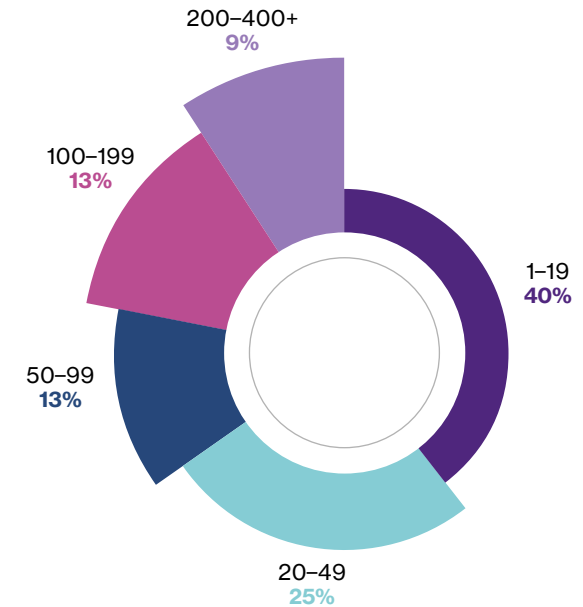
The OUCH! Factor overview by agency size

1-19 FTE

The smallest agencies were the winners in efficiency. They pitched the least at 9 times and spent the least amount of time per pitch. They pitched for the same size projects as mid sized agencies and their win rate was 51%. Their pitch cost recovery time is circa 7 months, 71% quicker than average.

20-49 FTE

These agencies pitched almost twice as often as the under 20 FTEs, for similar size projects and achieved a slightly higher than average win rate of 54%. They invested 44% lower than average time per pitch win, and put the most junior staff on pitches. Although it would take them twice as long to replace the profitability lost in pitching as the under 20 FTEs, it would still be 46% quicker than average.



BREAKDOWN OF RESPONDENTS BY AGENCY HEADCOUNT (FTE)

The OUCH! Factor overview by agency size continued

50-99 FTE

This group struggled the most and is in a painful growth stage. They pitch at more than three times the rate of the under 20 FTEs for the same size projects and close to 35% lower than average win rate. The difference of what they are winning versus what it's costing them to win compared to the smaller agencies is extreme. They invested over 50% of the win revenue of all pitches on pitching and would need an additional annual revenue of \$8m to cover the costs at the average EBITDA, making them unlikely to recover the pitch costs.



100-199 FTE

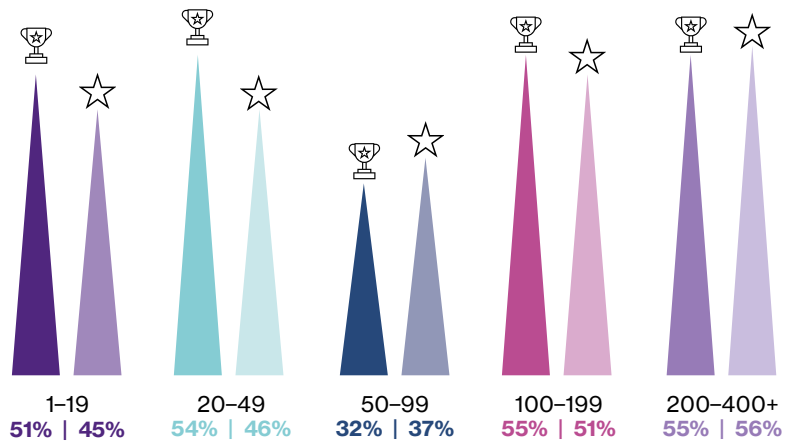
The 100-199 size agencies seemed to set the pace. They spent the most per pitch, twice the average value of time, by putting in longer hours with the highest value staff on the pitch team. Their pitch revenue win rate was only 10% higher than average, and their average revenue per pitch win was the highest at \$500k. Their OUCH! Factor was the second worst after mid size agencies, costing them 40% of the total revenue and taking 27 months to recover the pitch costs.

200+ FTE

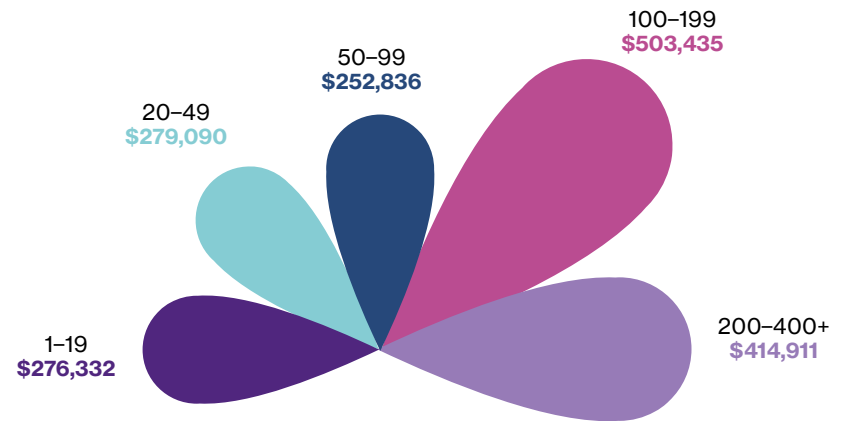
These larger agencies were the busiest, pitching three times as often as the average agency. But they are potentially pitching for small accounts given their average revenue per pitch is 18% less than 100-199 agencies. They were more efficient, investing approximately half the hours per pitch, with cheaper staff than the 100-199 sized agencies, and they achieved a marginally better pitch revenue win rate. The agencies that reach this size have developed good efficiencies in their pitching process, and would recover their pitch costs in 17 months, 30% quicker than average.

Pitch win data by agency size

 PITCH WIN-RATE (%)
 PITCH REVENUE WIN-RATE (%)

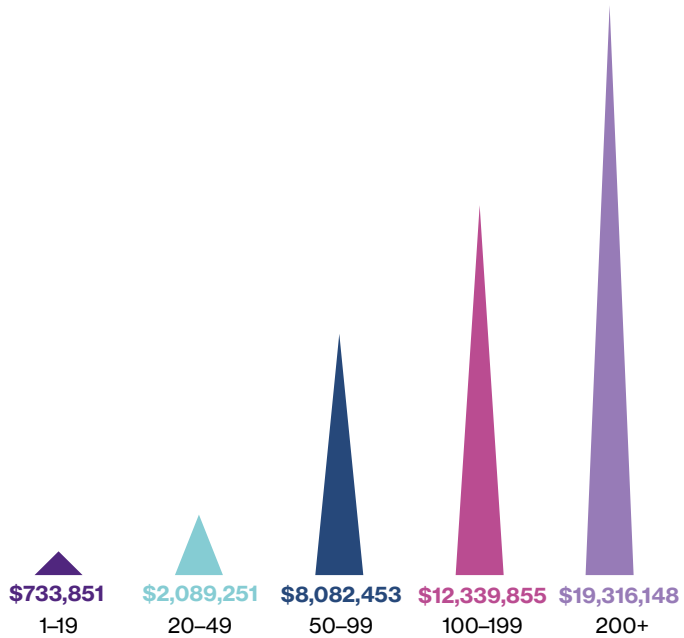


PITCH WIN-RATE AND PITCH REVENUE WIN-RATE BY AVERAGE AGENCY, BY HEADCOUNT (FTE)

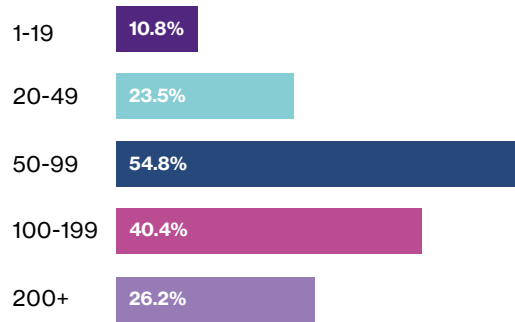


AVERAGE WIN REVENUE PER PITCH BY AVERAGE AGENCY, BY HEADCOUNT (FTE)

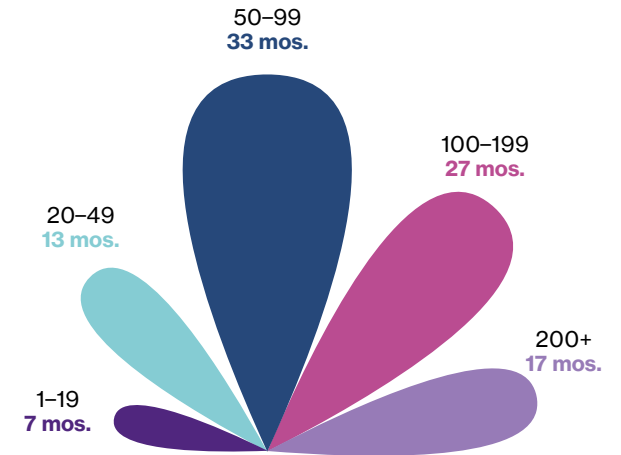
Business impact data by agency size



ANNUAL REVENUE NEEDED TO RECOUP NON-BILLED HOURS SPENT PITCHING BY AVERAGE AGENCY, BY HEADCOUNT (FTE) (based on 17% EBITDA)



% OF REVENUE WON FROM PITCHING TO COVER NON-BILLED HOURS SPENT PITCHING BY AVERAGE AGENCY, BY HEADCOUNT (FTE)



NUMBER OF MONTHS TO RECOVER THE COST OF PITCHING, BY AVERAGE AGENCY, BY HEADCOUNT (FTE) (based on 17% EBITDA)

All respondents data by agency size



Average Agency

TIME

	1-19	20-49	50-99	100-199	200+
Average total hours spent pitching in 2021	578	1,885	7,140	8,265	14,387
Average total hours spent on one pitch	65	123	228	418	238
Average total hours spent to win one pitch	130	273	680	757	450



COST

Typical \$value of non-billed hours spent on one pitch	\$14,866	\$26,932	\$51,322	\$112,465	\$57,628
Typical \$value of non-billed hours spent to win one pitch	\$29,836	\$59,533	\$152,989	\$203,466	\$108,653
Typical \$value of non-billed hours spent pitching in 2021	\$132,399	\$411,321	\$1,606,388	\$2,221,174	\$3,476,907



RATE

Average hourly charge-out rate (\$)	\$229	\$218	\$225	\$269	\$242
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IMPACT

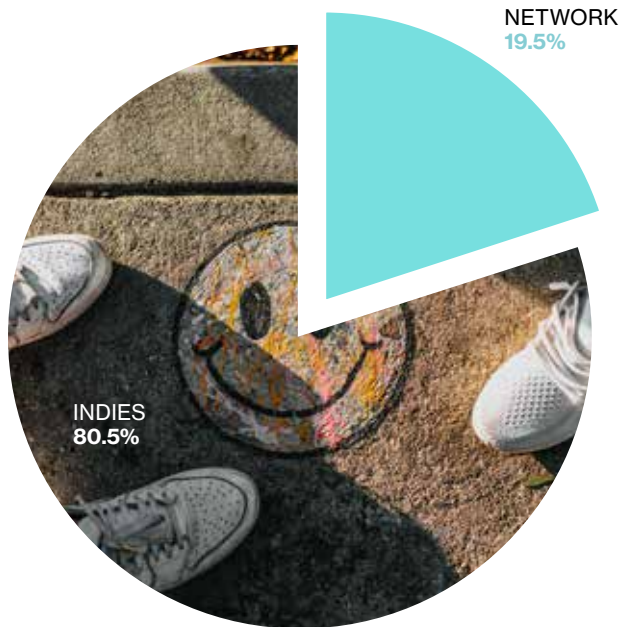
Annual revenue needed to recoup non-billed hours spent pitching by average agency*	\$733,851	\$2,089,251	\$8,082,453	\$12,339,855	\$19,316,148
% of revenue won in a year from pitching needed to cover the non-billed hours spent pitching in a year	10.8%	23.5%	54.8%	40.4%	26.2%
Number of months to recover the costs of pitching*	7	13	33	27	17

*Based on average EBITDA of 17%

The OUCH! Factor
by agency ownership type



Commentary by agency ownership type



We compared single and multi-office independent agencies against the large international brands and network agencies.

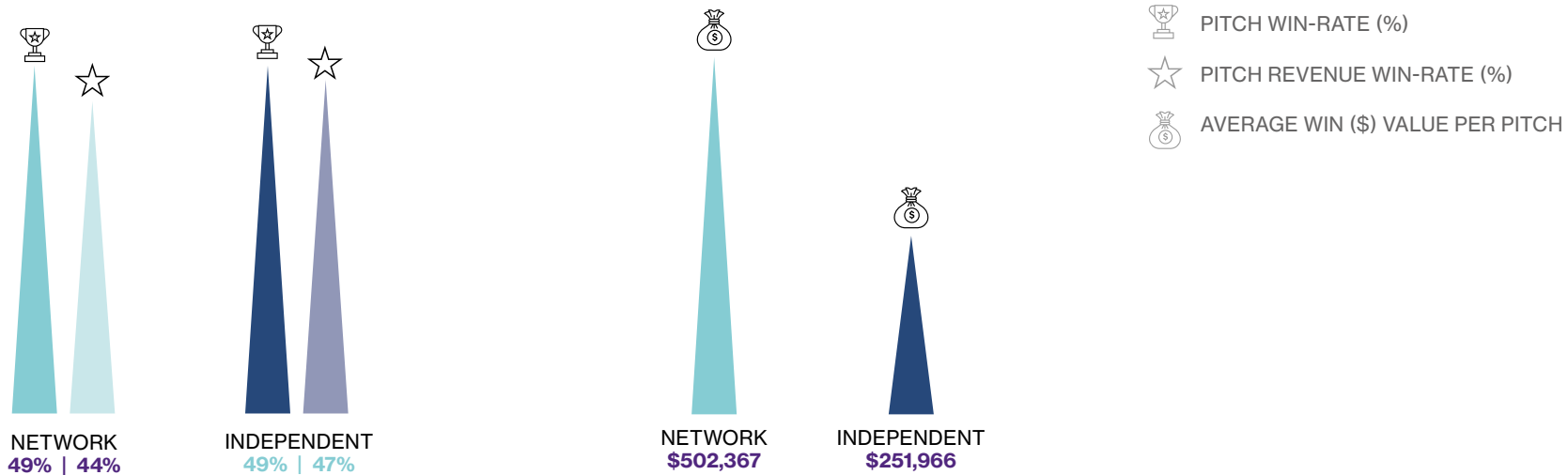
Overall the independents had a similar win rate to the large network agencies. However, the network agencies typically won larger accounts, with an average win revenue of \$500k, double that of the independents.

Looking at pitch efficiency, independents took half the time to win, as compared to network agencies. They used similar calibre staff, so each win cost them only 50% of what it cost the network agencies in time value.

However whilst more efficient on a per pitch basis, this can still be unprofitable if the pitch revenues are small. By our calculations, independents would take 27 months to recover the cost of non-billed pitch hours on average, versus 24 months for network agencies, which indicates a very high risk game for independents with an average win revenue of only \$250k.

BREAKDOWN OF RESPONDENTS BY OWNERSHIP

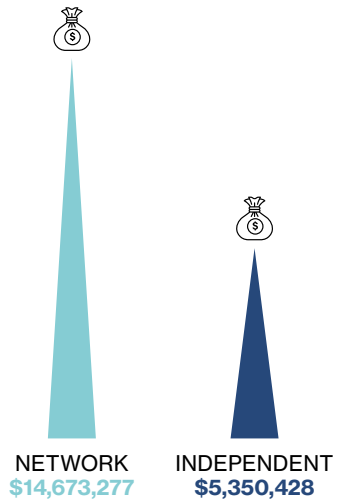
Wins data by agency ownership type



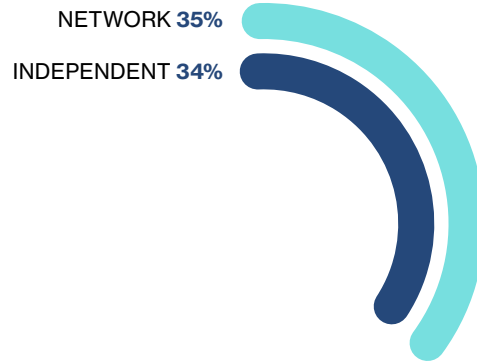
AVERAGE PITCH WIN RATE AND AVERAGE PITCH TO REVENUE WIN RATE BY AVERAGE AGENCY, BY OWNERSHIP

AVERAGE WIN REVENUE PER PITCH BY AVERAGE AGENCY, BY OWNERSHIP

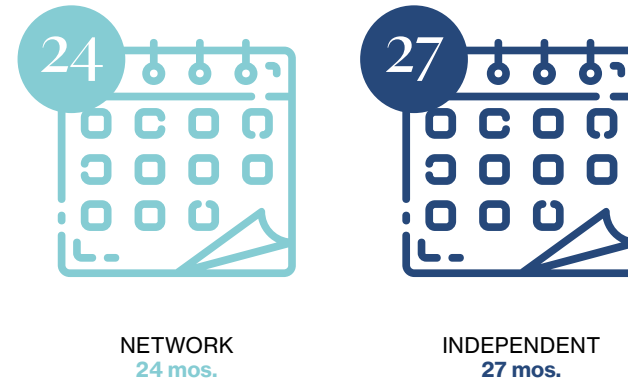
Business impact by agency ownership type



ANNUAL REVENUE NEEDED TO RECOUP NON-BILLED HOURS SPENT PITCHING BY AVERAGE AGENCY, BY OWNERSHIP (based on 17% EBITDA)



% OF REVENUE WON IN A YEAR FROM PITCHING NEEDED TO COVER THE NON-BILLED HOURS SPENT PITCHING IN A YEAR BY AVERAGE AGENCY, BY OWNERSHIP



AVERAGE NUMBER OF MONTHS TO RECOVER THE COST OF PITCHING, BY AVERAGE AGENCY, BY OWNERSHIP (based on 17% EBITDA)

All respondent data by agency ownership type



Average Agency

TIME

	NETWORK	INDEPENDENT
Average total hours spent pitching in 2021	11,241	3,488
Average total hours spent on one pitch	371	101
Average total hours spent to win one pitch	703	370



COST

Typical \$value of non-billed hours spent on one pitch	\$91,166	\$38,512
Typical \$value of non-billed hours spent to win one pitch	\$172,717	\$88,200
Typical \$value of non-billed hours spent pitching in 2021	\$2,763,467	\$847,786



RATE

Average hourly charge-out rate (\$)	\$246	\$238
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IMPACT

Annual revenue needed to recoup non-billed hours spent pitching by average agency*	\$14,673,277	\$5,350,428
% of revenue won in a year from pitching needed to cover the non-billed hours spent pitching in a year	34%	35%
Number of months to recover the costs of pitching*	27	24

What does best practice look like?



What did we learn about winning?

Who pitched the most and least?

There was a huge variance in the number of pitches per year by agency sector and size. The largest agencies pitched the most, at 60 times per year on average, compared to 9 times for the smallest agencies. This spread is much larger than the previous report due to an increase in the number of large agency respondents, facilitated by the backing of the ACA.

Who invested the most and least?

Larger agencies and network agencies invested more non-billed pitch time than smaller and independents.

What was surprising was how Media agencies and the 'Other' category were significantly more efficient in pitching. Media were 8 times more efficient than Digital/Tech on average.

Did it help to be more discerning or to do the hard yards?

The best win-rates were Media agencies and the best pitch-revenue win rates came from the largest agencies. Media agencies were most restrained in pitching and invested minimum time per pitch but won most often, and the 200+ sized agencies pitched the most often and invested almost double the amount of time per pitch than anyone else. But this was offset by the scale of the pitches they were winning.

Who won most of the prize?

The larger agencies had access to higher value pitches. But it was interesting to note that Digital/Tech agencies had access to pitch for the highest value accounts, worth 4 times that of 'Other' agency projects.

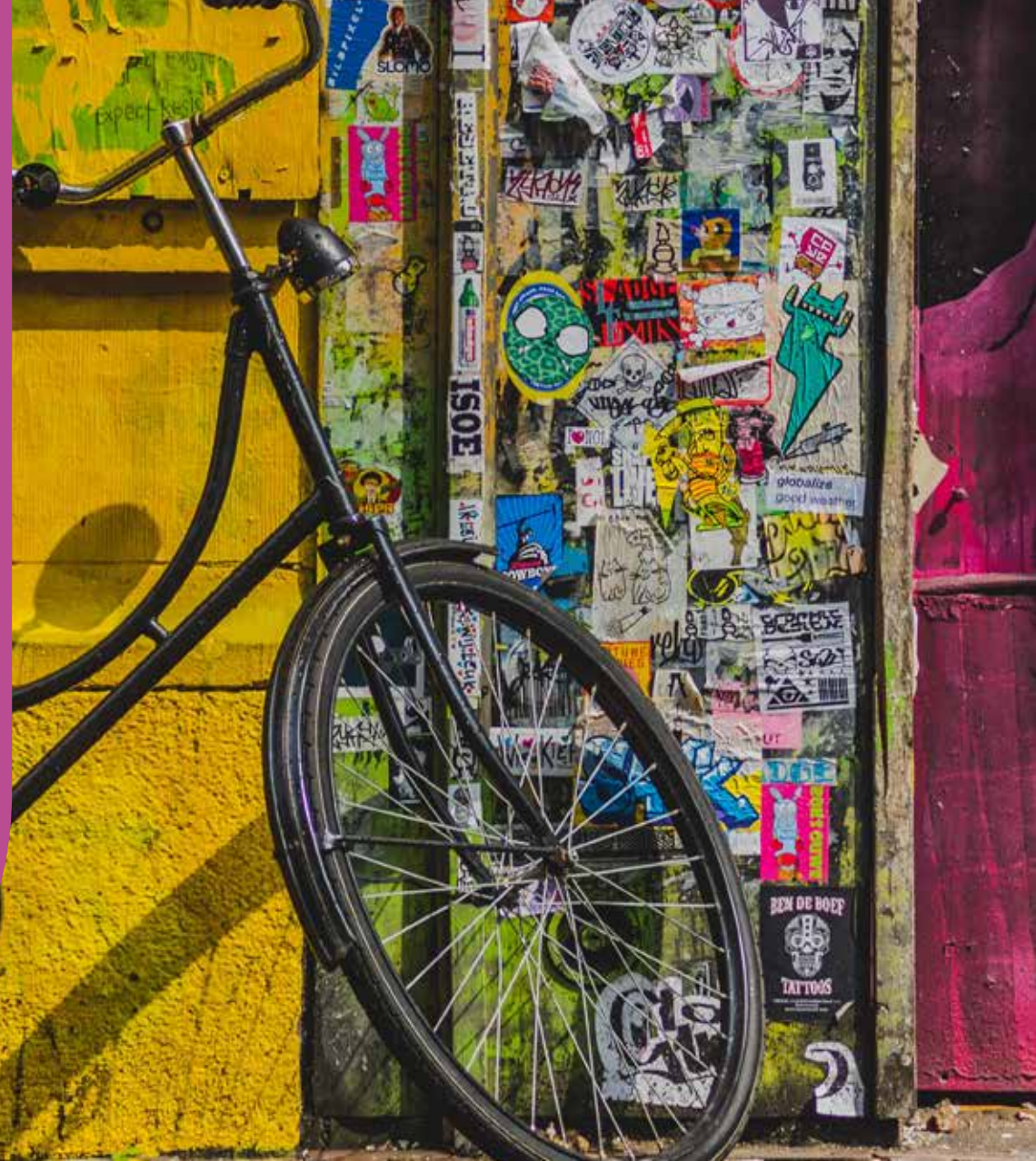
Who recoups their pitch costs and profits the quickest?

Media agencies would recover pitch costs more quickly, at 3 months on average, compared to creative agencies at 32 months. In terms of size, the smallest agencies would recover their cost the quickest, in 7 months. Mid size agencies have the hardest hill to climb as their pitch costs start to lengthen the recovery period to unsustainable levels.

“There’s a pathological optimism that goes with pitching.”

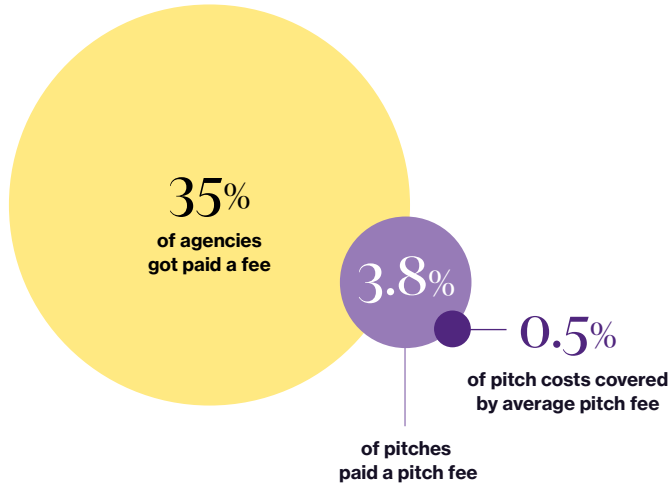
CEO Multinational Agency

Pitch fees

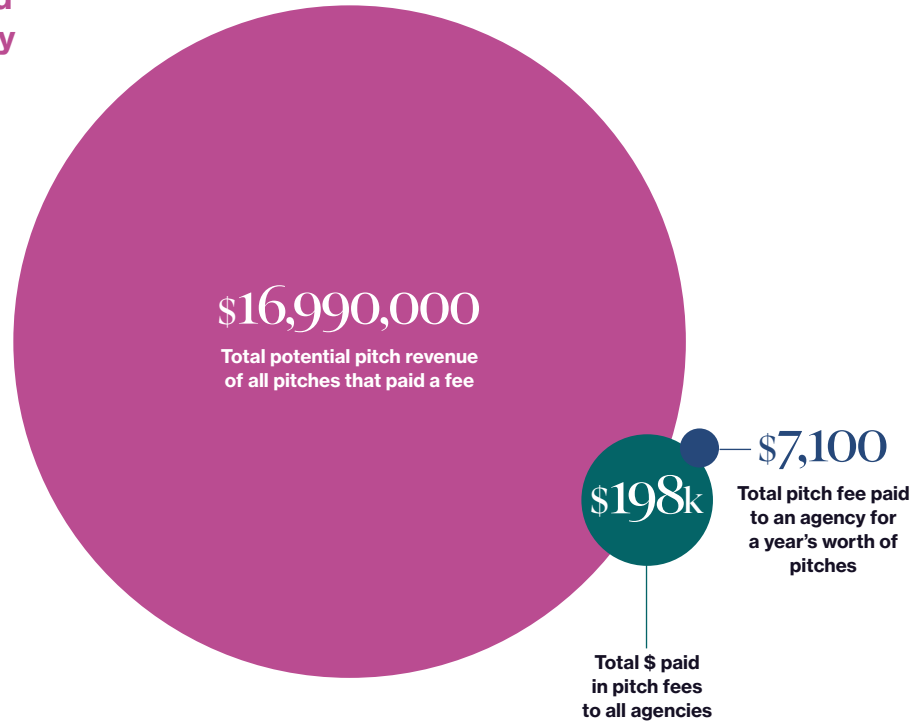


Pitch fees: How many agencies received a pitch fee and how much were they paid?

Pitch fees make little impact on covering agency costs. A third of agency respondents claimed to have received some kind of fee, but very few clients were paying - only 4% of pitches paid a fee - and the amount of fees paid didn't even cover 1% of the average costs of pitching.



PITCH FEES AS A PERCENTAGE %



PITCH FEES AS A \$ VALUE

View from
the marketers



View from the marketers

This year 14 marketers chose to reveal their data and only 5 of them had pitched, so the insights were limited.

We had limited responses from marketers. However, anecdotally there seemed to be a recurring theme. When we asked marketers for the reasons they call a pitch and the reasons they choose an agency, the answers were not entirely consistent. These marketers go to pitch for fresh strategic ideas with proactive and high-quality creativity but choose an agency based on how well their thinking will hit the business KPIs more than the creativity of their ideas.

What the data revealed is that when these clients went to pitch they were thinking less about the demands of achieving their business KPIs, but when they chose an agency this became a priority.

This could be a kernel of insight that explains how agencies who fail to demonstrate how their ideas will drive business metrics can 'win the pitch in the room', but not the client's business, experiencing what we call 'bridesmaid pitch syndrome'.

How many agencies have heard 'We loved you but...'? Clients are saying they want better work so agencies put in many hours to develop creative ideas but to win the business, new thinking must be underpinned by a clear understanding of the client's business metrics. When agencies know how the client's marketing brief supports their business goals, and what their risk tolerance for the investment is, they can make it easier for clients to award them the business.

In conclusion, what's causing a pitch versus what's awarding a win are not necessarily connected. Clients are going to pitch on right brain thinking, but awarding from left brain thinking.

Time for change –
Conclusions and recommendations



Conclusions and recommendations

IN SUMMARY

Pitching has become a more unprofitable use of agencies' time.

The average agency respondent:

- Spent **\$54,000** per pitch, and **\$115,000** to win a pitch (in non-billed hours), more than double the previous year.
- They used **\$1m of non-billed hours** in the year to earn only **\$3m** in pitch revenue.
- This would take **2 years worth of profit** to recoup their pitch costs at the current average EBITDA of 17%.
- They would need over **\$5,850,000 in additional revenue** at that profit margin to cover their year's worth of non-billed pitch hours.
- **14% of pitches were worth less than \$50,000**, 29% were worth less than \$100,000 and 75% were worth less than \$500,000 - too little reward for the work required.

Time for change

The need for change has never been greater. The way agencies pitch has stayed the same since the 1950s. But pitch costs have increased, salaries have increased, project sizes have shrunk and tenure has shortened. So the scale of the projects and the margins are lower. The significant increase in this year's OUCH! Factor shows that pitch culture has become unsustainable.

Another finding from this year's respondents is that many agencies do not realise or are ignoring the extent of the problem. These agencies are not applying the necessary commercial rigour to their own business, by either not tracking their pitch hours and/or pitching for business where they don't know the value.

The challenge of analysis

To pay for a year of pitching time the average agency must now invest 33% of the revenue won from pitching to cover the costs of pitching. This insight confirms that agencies must make better use of their own data analytics to make significant changes to enable them to pitch more profitably. But often the lack of project information from the client and uncertainty around client tenure makes it hard for agencies to identify the correct level of pitch investment. Instead, agencies continue to give work away for free in the hope of getting paid in future.

Conclusions and recommendations continued

To pitch or not to pitch?

Decide from the head, not the heart.

Some survey respondents identified an emotional aspect to deciding whether or not to pitch. 'Morale building' or 'staff training' are often cited as reasons to pitch, overlooking the negative impacts of losing, which this report shows happens on average 50% of the time – not to mention the reputational damage for the agency from media coverage of the lost pitch.

How to 'Flip the Pitch' and pitch profitably.

There are some more informed decision-making tools agencies can use. As we highlighted in our initial report, agency CEOs and leaders could ask themselves before deciding to pitch, 'If a client paid us for this time, how much profit would we make from the revenue?'. Viewing pitching in this way leads to a more rigorous approach and helps set the criteria to assess the true value of the opportunity, which goes beyond the elation of adding a new client's logo to the agency's site.

Prior to pitching, agencies need to have more honest conversations with clients about the expected financial returns and upfront investment they can make as a result. If agencies talk to procurement fully equipped with data about this value exchange, they can potentially avoid unreasonable expectation and investment.

To gather the missing data and make an informed decision on whether to pitch, agency heads must know the value of the work they are pitching for.

An agency leader can then decide how much to invest in winning a pitch. We recommend an agency sets a maximum investment of 25% of the profits from a project. We can provide agency leaders with a formula that we call 'Flip the pitch' to help them calculate the ideal investment level.

REGISTER TO PARTICIPATE IN NEXT YEAR'S OUCH! FACTOR™ SURVEY:

Get in touch with jvargiu@newbusiness.com.au
to be part of our next **OUCH! Factor™ Survey**

Recommended actions for agency leaders

EMPOWER YOURSELF WITH BETTER INFORMATION

- **Track** your yearly pitch-hours.
- Tally **all** pitch hard costs.
- Track your pitch **win-rate** vs your **pitch-revenue win-rate**.
- Know your **EBITDA** (aim for 20%+).
- Calculate the **revenue to cover** all non-billed pitch hours in a year.
- Decide if you're **pitching profitably**. Is the effort **worth it**?

KNOW WHERE TO DRAW THE LINE

- **“Flip the Pitch”** – negotiate \$ revenue **first**.
- Don't pitch if you don't know the **revenue value** of the win.
- Don't pitch if the pitch hours **erode win value profitability**.
- Don't pitch unless you have a **high confidence of winning**.
- Make sure the tenure is long enough to make it **profitable**.
- Do **not** pitch for **projects**.
- Don't use pitching for **'morale building'** or **'training'**.

INVEST IN A BETTER STRATEGY

- Invest **less time** in unprofitable pitching.
- Invest **more time** in maintaining and expanding existing clients.
- **Build a pipeline** that doesn't rely on pitching for new business.

About New Business Methodology

Get fit for scale



NBM Growth Consultancy Services

PITCH LESS, WIN MORE

Win business without relying on the pitch process. Learn how to be more strategic and focus on pursuing the brands, clients and people you want to work with vs having to grow by where the phone rings.

Grow by Design: 2-day masterclass

PERSONALISED OUCH! FACTOR REPORT

Your agency's own bespoke OUCH! Factor. This complex formula calculates the revenue required to make your pitching efforts profitable. Realise the 1,000s of hours of unbilled staff time, the impact on morale and reputation based on your win rate, and how much revenue you really must make so the cost of pitching is worthwhile. You'll have the evidence to justify your rationale to say 'no' to pitches you can't win and feel good about it - and the data to know when it

is right to pitch. You'll be able to apply the wasted time of losing pitches to proactively prospect for business and transform your growth strategy.

The OUCH! Factor: Bespoke report

WHY ARE YOU REALLY LOSING PITCHES

The Lost Pitch Audit – A 'close 2nd' again? Solve the mystery and learn what lost clients aren't telling you. Our uniquely skilled interview techniques with all the CMOs that didn't award your agency their business in the last two years expose the hidden reasons why you keep losing pitches.

Lost Pitch Audit: Discovery + report

ACHIEVING A 75% WIN-RATE

What's an acceptable pitch win-rate? What's the highest you've achieved? Evaluate your growth strategy and pitch process and compare your methods and results to competitors

who win 3 out of 4 pitches. Understand what they do differently. Co-create a unique roadmap to navigate the required changes so you consistently beat the odds and decide your own pitch criteria.

New Business Roadmap: 1-day intensive

THINK LIKE YOUR CLIENTS' CEO

Truly understand the value you bring to your clients and the impact you make - pinpoint the business metrics you move, as seen from the client's C-suite. NBM's Think Like Your Client's CEO masterclass enables agency leaders and their teams to take a bird's eye view of the commonality of business problems and pressures the agency resolves for their clients.

Think Like Your Clients' CEO: 1-day masterclass

NBM Growth Consultancy Services continued

GET FIT TO SCALE; GET FIT FOR SALE

Ensure your growth strategy is underpinned by a rigorous, step-by-step methodology that gives you the best chance to achieve the 20/20/20 rule – 20% YoY Gross Profit growth, as well as 20% EBITDA, without any one client reaching over 20% of GP.

New Biz Mastery: Bespoke scalable programme

NEW BUSINESS HEALTH CHECK

Completely review your go-to-market strategy with the NBM Health Check for Agencies. This extensive audit puts your new business skills, strategies and ROI under expert analysis. The result is a comprehensive and deeply insightful report containing specific recommendations and action plans that will help improve your approach, your appeal and your new business success rate. More than an analytical exercise – you'll get a specific Action Plan that will address your weaknesses, build on your strengths and get your agency new business fit for this year and beyond. Gain a unique perspective into what separates the agencies who win consistently from the rest.

NBM Health Check: Audit + action plan report

OUTLAST THE TENURE OF YOUR CMO CLIENTS

The average agency tenure is 2-4 years - it matches the typical CMO's tenure. Ensure your agency has widespread support across your client's organisation and deep relationships from the C-suite to daily contacts so you aren't swept out by a new CMO looking to make a mark and a fresh start. This NBM workshop co-creates the plan to embed you in your clients' organisations and engineers it into the heart of your agency. The results will be reducing the need to have to pitch to remain an incumbent agency on a client's roster.

Staying Power: ½ day masterclass

About New Business Methodology

Get fit for scale

NBM is a growth consultancy that helps agencies to master their approach to new business. Using our proven methodology, we show agency businesses how to drive top line growth and bottom line margins, delivering transformational growth.

Over our 25 year history we have advised thousands of agency CEOs around the world on how to win more business from current and future clients without relying on pitching. Our holistic, commercial approach to new business enables ambitious agency CEOs to fast track their agency's growth.

Agencies who've mastered new business with NBM:

the hallway



Hill+Knowlton
Strategies

HOWATSON
+COMPANY

NOW



PAPER MOOSE

Royals

think/hq

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What's your OUCH! Factor?

Book your OUCH! Factor Q&A with NBM today.

Your agency's opportunity to have a private boardroom viewing of the OUCH! Factor survey results, specific to your sector, and Q&A discussion of the potential implications for your agency.

Learn how your agency type and size compares to your peers in a complimentary 45 minute 1:1 session with New Business Methodology Founder, Julia Vargiu.

Understand what the hidden cost of pitching could be to your business and discuss the new business strategies that could unlock your full growth potential.

CONTACT:

jvargiu@newbusiness.com.au quoting: **'OUCH! FACTOR Q&A'**

 New Business
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