Magic Quadrant for Global Digital Marketing Agencies

Published: 5 December 2013

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Competition among digital marketing agencies heats up as CMOs face pressures to transform every dimension of the marketing organization. Providers with business transformation skills lead the market.

Market Definition/Description

This document was revised on 12 December 2013. The document you are viewing is the corrected version. For more information, see the Corrections page on gartner.com.

This Magic Quadrant focuses on digital marketing agencies that are strategically and creatively led. Change is sweeping through this sector as new competitors from the business and technology consulting space come on board. We are also seeing traditional marketing service providers creep into agency turf. Although overall merger and acquisition activity was slower this year, the Omnicom and Publicis merger announcement underscores the continuing consolidation trend.

Players in this space come from a wide range of heritages. Those with "DNA" in advertising and creative services date back as far as the 1950s and 1960s; Web development firms stepped in during the 1990s to help marketers do business online — and as the 21st century took off, a new breed of players entered from business and technology consulting worlds.

The Competitive Landscape Expands

New players from the professional services space, armed with seasoned business consultants and technologists, are finding the digital marketing opportunity too good to pass up. In 2009, both Accenture and IBM launched their Interactive business units, competing with SapientNitro, R/GA and Razorfish. Deloitte Digital came on board, with its new line of digital marketing services in 2012.

Business Strategy Becomes an Even Higher Priority Skill

As chief marketing officers (CMOs) explore growth opportunities through the Internet of Everything (see Note 1) and business becoming software (see Note 2), the demand for strategic services has soared, especially from organizations whose business models are threatened by digital disruption. Business and technology consultants — while temporarily short on creative capabilities — challenge the traditional digital agency with their mature competence in strategy, technology and global resource deployment.
New Players Address Deficits in Creative Services

Eager to fill in their most glaring deficit (that is, creative services and experience design), nontraditional competitors continued to address an obvious gap. Over the past two years, Deloitte Digital bought Ubermind and Banyan Branch, while Accenture Interactive bought avVenta, Fjord and Acquity. IBM Interactive, however, to date, has continued its primary course of building its creative team organically.

Pressure to Transform Moves Beyond "the Obvious"

The demand for digital business transformation has come largely from media, retail and financial services — sectors that face obvious disruption. Now, all sectors are forced to innovate as every marketer rethinks a customer experience that occurs primarily in the digital world. The question is no longer who’ll transform next, but rather, when?

Analytics Increasingly Drive the Digital Experience

As websites, media and digital advertising become personalized, digital marketers are under pressure to apply more science to the art of marketing. In response, user experience (UX) designers and data scientists are collaborating more than ever to deliver experiences that reveal sharper knowledge of consumer identities and behaviors.

Data Giants Invade Agency Turf

Market dynamics are also shifting due to activity from the marketing service provider (MSP) space, particularly the Big Four data giants: Acxiom, Epsilon, Experian and Merkle. While Epsilon's data business was flat year over year, its agency business more than doubled. More evidence of MSPs eating into the agency space came from Merkle, whose digital service revenue grew 78% during the first half of 2013.¹

Consolidation Continues

The planned merger between Publicis and Omnicom will give the new entity 38% more revenue than its next largest competitor, WPP. Publicis Omnicom will likely work toward centralizing its data-driven media operations and become a stronger rival to newer challengers, such as Google and Facebook.
Figure 1. Magic Quadrant for Global Digital Marketing Agencies

Source: Gartner (December 2013)
Vendor Strengths and Cautions

Accenture Interactive

Accenture Interactive (originally Accenture Marketing Sciences until 2009) is a Visionary. Its offering underscores its heritage in the integration of marketing, IT services and outsourcing. Accenture Interactive targets CMOs in the world’s largest organizations; clients include 20 of the 50 largest public and privately held companies in the United States. Gartner estimates Accenture Interactive’s 2012 revenue at $600 million.

Strengths

- **Business strategy and execution:** The company goes to market with services designed to blend organization, marketing and technology. Clients say engagements are staffed with skilled industry strategists familiar with the type of transformative opportunities and threats that are occurring (or looming) within their sector.

- **Skills expansion:** Accenture Interactive acquired Media Audits in 2005, adding advertising ROI analysis to its capabilities. Since then, it has conducted a series of acquisitions in media management, analytics, merchandising and trade marketing, e-commerce, and creative services. This year, Accenture Interactive increased its creative services/UX revenue, developing marketing campaigns for clients such as P&G, American Express and BMW.

- **Global:** Accenture is known for applying its program management skills to brand assignments requiring global presence and feet on the ground in multiple regions (for example, P&G, its founding client, has steadily increased Accenture Interactive’s responsibilities in multiple global marketing activities).

Cautions

- **Integration of creative services:** Recent acquisitions focus on digital production and content services (avVenta), digital marketing, e-commerce, content management (Acquity) and service design (Fjord). While this is a good sign, Accenture Interactive still has work to do to integrate this range of talent into a scalable experience design competency on par with Leaders such as SapientNitro, Razorfish and AKQA.

- **New competition:** Accenture is being challenged by newcomer Deloitte Digital, which is using a similar mature professional services model to approach marketing executives, particularly in engagements that address business models being threatened by digital. IBM Interactive continues to deliver on a similar strategy, giving Accenture Interactive prospects even more choices.

- **Brand perception:** Accenture is widely perceived as a technology company, not a creatively and strategically led digital marketing agency. While Accenture Interactive does not advertise through Accenture’s brand advertising campaign, we’ve seen its activity in other forms of paid, owned and earned media. Hence, we expect brand awareness to sharply improve this year.
AKQA

AKQA (owned by WPP), a Leader, combines creative and technology expertise with a strong culture of innovation. Avoiding industry workhorses such as personas, wireframes and banners, the agency stresses ideas over advertising. High-profile clients, such as Nike, Audi and Delta Air Lines, have been joined by significant new wins, including Anheuser-Busch and Levi’s. Ad Age estimates AKQA’s 2012 global revenue across 11 offices at $250 million.

Strengths

- **Omnichannel thinking:** AKQA’s self-description as "an ideas and innovation company," rather than as an advertising agency, is not far from the mark, according to clients. Its legacy as a smart design and technology shop is rounded out by mobile- and social-driven campaigns, such as Nike’s "The Chance," which gave contestants around the world a second chance to try out for a professional football (soccer) club.

- **Commitment to agile marketing:** AKQA eschews artifacts such as wireframes and personas in favor of a direct-to-prototype model (reminiscent of agile software developers). As it continues to actively hire developers and product designers with firsthand experience in agile development techniques, we see AKQA sustaining its path in creating applications such as Delta Air Lines’ industry-leading mobile apps and the innovative Nike Training Club.

- **Data integration:** The agency has hired 30 data scientists in the past year in support of its goal to provide a continuous brand experience through smart customization. One example: The recent revamp of AudiUSA.com used a big data model to adapt to both user profiles and available inventory in Audi’s supply chain, delivering a real-time car configurator (and a 227% increase in configurations).

Cautions

- **Increased competition:** Since its founding by 21-year old Ajaz Ahmed in the early days of online marketing, AKQA (which takes its name from Ahmed’s initials) has seen its first-mover advantage diminish as more players develop both the skills and vision to compete. The agency will need to retain every bit of its obvious passion to continue to thrive in the future.

- **Startup threats:** AKQA’s leaders admit that, quite often, the threat to their clients’ businesses these days comes from unknown startups rather than traditional rivals, and the same can be said for the agency itself. Given its mobile and application development focus, AKQA may find it increasingly difficult to attract and retain top talent, especially in its San Francisco and New York City offices.

- **Media services:** Explicitly positioning itself as an ideas-first agency that proudly proclaims "we don’t do banner ads," AKQA may not be the best choice for digital marketers looking for a shop to handle the more traditional tasks of designing and executing online advertising (display) and search campaigns. The agency’s reference clients rely on other partners for media chores.
Deloitte Digital

Deloitte Digital enters this year’s digital marketing Magic Quadrant as a Challenger, approaching the evolving digital agency space with its mature professional services model. Ad Age estimates Deloitte Digital’s 2012 U.S. revenue at $110 million, but through multiple new acquisitions and client growth, Gartner estimates the company had global revenue of approximately $340 million for 2012.

Strengths

- **Breadth and depth:** Deloitte’s digital marketing solutions offer both industry-focused solutions (particularly retail, consumer packaged goods [CPG] and media) and marketing-based solutions (such as those related to brand, customer engagement, loyalty marketing, pricing and product management strategy). Deloitte uses its well-established program management competency to deliver engagements that are complex, global and cross-discipline. Skilled business strategists help clients explore new digitally informed business models, especially clients with legacy models threatened by digital.

- **Momentum:** Deloitte Digital was launched in May 2012 and has acquired multiple organizations to scale up global delivery. Deloitte Digital counts 3,500 employees in six continents and uses its existing relationships with CEOs across all sectors to open doors to the CMO, where it draws on its heritage in management consulting and technology. It is also implementing an aggressive hire plan to fill talent gaps in various digital marketing disciplines.

- **Client management:** Deloitte Digital’s references consistently report high satisfaction. Many note that their expectations are regularly exceeded, given the firm’s deployment of highly knowledgeable teams that are skilled in navigating multiple project streams under the direction of a seasoned program manager.

Cautions

- **Late to market:** Deloitte Digital’s rapid revenue growth has been built on a legacy of marketing-oriented engagements that predate the formation of its digital service line. However, its late decision to launch a digital practice has given its primary competitors that have used similar strategies (such as IBM and Accenture) a three- to four-year head start to penetrate the market.

- **Project management alignment:** Deloitte Digital’s strength in rigorous methodology can also be a challenge for some clients. References from midsize organizations, for example, describe the company’s methodology as having excessive demands on time frames they can’t always accommodate, given their size and resource constraints.

- **Awareness:** Although Deloitte Digital reports it competes head on with SapientNitro, Razorfish, R/GA and IBM Interactive, it scores weak in competitive mentions (from both providers and clients). We expect this to change over time as Deloitte Digital continues its growth (which it reports as double digit for 2013).
DigitasLBi

DigitasLBi (Publicis) is a Challenger. With roots in direct and database marketing, DigitasLBi continues to invest in its proprietary platforms and tools that improve marketing agility, efficiency and innovation (a primary differentiator from pure talent-focused agencies). The company is also known for its mature relationships with leading Internet companies and its proficiency in data-driven and content marketing. As part of the Publicis (VivaKi) network (along with its partner/rival Razorfish), it benefits from its association with VivaKi Nerve Center, a global center of excellence for digital marketing.

DigitasLBi was formed in 2013 from the acquisition by Publicis of LBi and its merger into the group's existing Digitas unit. Ad Age estimates combined 2012 revenue of Digitas and LBi at $896 million.

Strengths

- **Technology and analytic prowess:** The company committed to data-driven approaches to marketing long before they were in vogue, and it has invested in building a culture of technology and analytics excellence that emphasizes accountability and results. It was also an early adopter of search and social marketing techniques and shares knowledge and expertise more than most agencies.

- **High client retention:** The company tends to have long-term relationships with clients and claims a 97% retention rate. Its bottom-line approach and resulting client loyalty have given it the capacity to invest in tools and technologies that it often co-creates with clients to improve business performance.

- **Emerging transformational skills:** DigitasLBi takes a holistic approach to marketing and technology and is starting to conceive and execute ambitious initiatives that change the way brands interact and engage with customers.

Cautions

- **Functional creative:** Many agencies, especially those rooted in traditional advertising networks, elevate the creative discipline above all others and compensate their creative leaders accordingly. DigitasLBi seems to take a more practical view of the discipline, attracting good designers but not the stars.

- **Process focus:** A strong emphasis on effective program management, necessary to deliver technology-heavy projects, can be a double-edged sword. Clients who are looking for more disruptive, open-ended relationships may find DigitasLBi’s process and attention to scope control constraining.

- **Proprietary tools:** Although DigitasLBi enables and accelerates certain key capabilities, its suite of proprietary tools has a downside: It can create dependencies and switching costs for clients seeking more independence and control over their own digital marketing infrastructure and operations.
Draftfcb

Draftfcb (owned by Interpublic), a Challenger, was created from Interpublic’s merger of advertising network FCB and direct marketer Draft Worldwide. Through the merger, the combined agency has a full-service offering including advertising, direct marketing, digital marketing and shopper/promotions under a single management team. Ad Age estimates Draftfcb’s worldwide revenue at $832 million in 2012.

Strengths

- **Embracing global with strong local presence:** Draftfcb has particularly strong offices in all regions, including North America, Europe, Africa, the Middle East, Latin America and Asia/Pacific. Draftfcb’s brand consultants are particularly good at working with organizations that market globally, with a keen attention to local cultures. With more than 150 offices around the world, Draftfcb has extensive global/local capability, delivering for clients such as Beiersdorf, Mondelez, Boeing, Aramark and Dow Chemical.

- **Consumer-insight-focused:** Draftfcb has elevated its focus on brand and multicultural insights. By embedding UX and customer experience into strategic planning and strategic analytics, it is committed to drive change in consumer behavior to deliver business performance for clients. Moreover, its clients and teams are supported by its Institute of Decision Making, which studies behavioral economics and neuroscience.

- **Strong commitment to digital:** In the past few years, Draftfcb has followed an aggressive hire plan in all digital disciplines, including analytics, mobile, social and search. In 2012, it made significant investments in digital through the integration of Hellocomputer to bolster its South African operations. More digital success emerged from its award-winning work for clients such as Oreo and Kmart.

Cautions

- **Management shifts:** Draftfcb has had more than its fair share of internal politics in the past, but it is stabilizing with the appointment of new CEO, Carter Murray, who started in September 2013. Murray is realigning the priorities of the organization and management, as evidenced by the recent appointment of Lee Garfinkel as CEO of Draftfcb New York and Nigel Jones as global chief strategy officer.

- **Mainstream thinking:** Some clients report that Draftfcb has a fairly conservative approach to ideation and creative, which has served it well in retaining more traditionally oriented accounts. The company says it is starting to change, however, as evidenced by strong creative performance (as seen, for example, in the Oreo Daily Twist, Driving Dogs and Kmart campaigns).

- **Business strategy:** Draftfcb does not compete in the business strategy space as aggressively as others, such as IBM Interactive and SapientNitro.
IBM Interactive

IBM Interactive, part of IBM Global Business Services, is a Leader in this year’s digital marketing agency Magic Quadrant, based on its breadth and depth of digital marketing services to clients. IBM is noted for both technology and business consulting, as well as its ideation, creative services, experience design and business transformation skills. Forbes noted IBM as one of the most influential IT-focused consultancies in marketing. Ad Age reports IBM Interactive’s global revenue in 2012 was $717 million.

Strengths

- **Digital front-office vision:** IBM Interactive is aggressively investing in people, methods, tools and techniques for helping clients transform the "digital front office," which it views as a primary driver of transformation across all its industry sectors. The company is also continuing its steady organic investment in creative services. IBM Interactive also applies its business performance consulting to help clients source funding for digital business transformation projects without adding new budget, one of its chief sales differentiators.

- **Broad scope and reach:** IBM Interactive has been particularly strong in combining its Watson cognitive computing capabilities, predictive analytics and experience design with real-time marketing concepts, strategies and tactics, as evidenced by its work with high-profile retail, banking, consumer products and live-event clients. References cite IBM Interactive’s skill in helping them extend legacy business models to integrate digital and physical, as well as helping launch internal digital startup-style organizations to source new growth.

- **Commitment to business outcomes:** In addition to fixed-price, time and materials (T&M), and retainer models, IBM Interactive offers an outcome-based billing model that goes beyond a mere marketing and sales message. The model has been implemented several times for clients willing to share the upside of a successful project, while asking IBM Interactive to share risk.

Cautions

- **Awareness:** IBM Interactive still suffers from brand awareness challenges; hence, getting the word out that it is a digital marketing agency is a priority. But with its broad array of global marketing resources, we expect this to happen quickly.

- **Orchestrating presales resources:** Although IBM Interactive is skilled at making resources from its various organizations transparent during complex delivery engagements, clients still cite a complex presales model that doesn’t always work as efficiently as they would like.

- **Expensive:** Although IBM Interactive offers a range of pricing alternatives, clients still cite its high price tag and preference for the world’s largest organizations. Hence, IBM Interactive may not be the lowest-cost choice for the small or midsize business (SMB).
iCrossing

iCrossing (Hearst) enters the Leaders quadrant this year, as it continues to round its position as a full-service agency with an integrated global offering. In the two years since its acquisition by Hearst, iCrossing has expanded its client relationships beyond its core search and social marketing clients into digital agency of record (AOR) status for brands such as DirecTV and Toyota Motor, and it has executed above-the-line branding campaigns for clients such as PNC Bank, Hampton Inn and Laophroaig. Ad Age estimates iCrossing’s 2012 revenue was $200 million.

Strengths

- **Media platform:** iCrossing has taken aggressive steps to use its advantage as a media company-owned agency, hiring a new media leader and building out both an in-house “trading desk” and a data management platform (DMP) that integrates both first-party audience data from Hearst properties and third-party partners. The result is a nimble demand-side platform to execute direct response campaigns, in particular.

- **Social execution:** Long known as a top-tier search shop, iCrossing has expanded both its social AOR relationships (with Beam, LG USA, Ally Bank and others) and its creative social executions. Examples include the recent Tweet Race for Toyota, a virtual Nascar “race” fueled by hashtags, and LG’s “Fabshare” baby-photo retouching app.

- **Content marketing:** Using its Hearst talent pool, iCrossing has proved itself adept at rapidly creating and deploying large amounts of custom content at scale. Examples include dozens of localized Google+ pages for TD Bank branches, and 84 global websites in 35 languages for LG Electronics.

Cautions

- **Talent acquisition and retention:** iCrossing’s reshaping as a global digital AOR has not been without fallout, with some office closings (such as in Salt Lake City) and staff departures (most notably, CEO Don Scales and the VP of mobile), even as it beefs up other capabilities (such as mobile and UX). This appears to be part of an organizational reset.

- **Creative depth still playing out:** While campaigns for PNC Bank and Hampton Inn show flair, iCrossing’s ability to develop and execute fresh creative ideas across multiple platforms, both online and offline, is still in a "prove it" phase. Full-service AOR relationships will hinge on its ability to deliver more and more compelling creative.

- **Brand insights:** Most of the agency’s best-known success stories continue to be in the direct-response model (such as DirecTV’s football-driven subscriber drive). Although its connected brands strategy is sound, it is still not widely mentioned as a strong consumer-insight and brand-building contender.

Meredith Xcelerated Marketing

Meredith Xcelerated Marketing, also known as MXM, is a Niche Player that describes itself as the "Content Powered Engagement Agency." MXM is part of Meredith Corp. (known as a leading U.S.
magazine publisher, with titles such as Better Homes and Gardens and Ladies' Home Journal). With its traditional media business under pressure from declining ad revenue (now rising), Meredith launched a separate digital marketing unit as Meredith Xcelerated Marketing. Ad Age estimates MXM’s 2012 revenue at $153 million.

Strengths

- **Increasingly diverse offerings:** The relationship with its parent organization instills the agency with a strong "content first" philosophy, and while the historical model for the business has consisted largely of custom content and CRM, MXM is now building on its heritage by adding capabilities in social, mobile and analytics.

- **Content marketing:** MXM has an advantage in a world demanding a continuous flow of content. This is also one of the firm’s primary sales messages. Investments in this area continue to increase, giving it an ability to create content-fueled, high-velocity marketing programs with data-driven, multichannel support.

- **Migrating to full service:** More than half of MXM’s work is in digital marketing and application development, including the creation of custom content management systems, interface design and development of mobile and tablet applications.

Cautions

- **Integration:** MXM’s movement to a more diverse set of skills has been done primarily through acquisition, including that of New Media Strategies, Hyperfactory, Genex and O’Grady Meyers. In 2011, MXM took a minority shareholding in Iris Worldwide, which expanded its global footprint. In the digital marketing agency space, new skills — particularly creative — take time to integrate into the larger organization from both methodology and cultural perspectives.

- **May not be appropriate for B2B marketers:** MXM tends to focus on consumer and retail accounts. Moreover, its billing approach tends to favor retainer models, a disadvantage when it competes with agencies that offer fixed-price project work.

- **Business strategy:** While MXM offers strategic services, this work tends to focus on enterprise content strategy, digital CRM and road map planning versus business strategy. We expect MXM’s strategic services to evolve, given the recent appointment of Steve Kerho, who was the former head of strategy of Organic and before that head of digital marketing for Nissan.

**MRM Worldwide**

Part of Interpublic’s McCann Worldgroup, MRM Worldwide enters our Magic Quadrant this year as a Challenger, with roots in traditional direct and database marketing services, as well as website creation. MRM’s roster of primarily acquisition- and technology-focused client relationships include General Motors, Verizon and the U.S. Army, and recent wins include new AOR assignments from Verizon and the United States Postal Service. Ad Age estimates MRM’s 2012 revenue at $314 million, of which $221 million came from U.S. markets.
Strengths

- **Technical depth**: MRM is at home with big technology projects, as shown by its interactive IT manager "Duels" campaign for Intel. The game-based promotion posed technical challenges to IT managers in 14 countries, who competed head-to-head in an innovative platform.

- **Analytics and measurement**: Clients speak highly of the depth of MRM’s analytical and measurement capability. The agency has a strong bench in the areas of website analytics and CRM and has used analytical models in its work, such as a Google acquisition campaign in Australia and a CRM segmentation for General Motors.

- **Global footprint**: MRM is a global agency, with presence in 28 countries and employees located in Europe, Asia and the Americas. This presence allows MRM to execute challenges such as building General Motors’ global content management system.

Cautions

- **Operational flexibility**: MRM is known for its strong technical and analytical prowess, but former clients comment that the agency can be rigid as a development partner, adhering to internal processes that resemble an in-house IT department more than a modern developer. Increasingly, MRM’s global engagements will necessitate a more agile model for it to compete with the leaders.

- **Creative and design talent**: MRM suffers from a somewhat lower profile than its rivals and is not often mentioned as a creative or UX contender. Its case studies stress segmentation and lead scoring more often than insight-driven experience design.

- **Management stability**: MRM has undergone its share of internal restructuring, with a number of management departures in its New York headquarters and a similar shakeup in its U.S. West Coast offices. The situation seems to have settled somewhat in recent months.

Ogilvy

Ogilvy, a Visionary, was an early pioneer in interactive marketing, having launched the first interactive marketing department at a major agency in 1984, long before the commercial Internet arrived. It has executed digital campaigns for many of the world’s most well-known brands, and it has a particularly strong global presence. In 2012, Ogilvy & Mather dissolved OgilvyInteractive, a specialist digital unit descended from Ogilvy’s original interactive marketing group that operated within OgilvyOne (itself descended from Ogilvy Direct) and disseminated digital capabilities throughout the agency network under the umbrella label Digital@Ogilvy. Ogilvy reported 2012 revenue of $2.4 billion. Gartner estimates Ogilvy’s digital revenue at $864 million.

Strengths

- **Advertising leadership**: Steeped in the culture of its legendary founder, David Ogilvy, Ogilvy benefits from its proximity to top branding and creative talent, with the trophy case to prove it. With relentlessly high standards for out-of-the-box thinking and creative execution, it continues to deliver impactful campaigns that are both strategic and iconic.
- **Global footprint:** Ogilvy’s ability to attract top creative talent across 120 markets worldwide makes it a frequent choice for brands looking to penetrate new markets. Its network of talent also enables it to tap strong ideas hatched in local markets and scale them globally, such as its highly successful Dove "Real Beauty Sketches" campaign.

- **Broad range of skills and expertise:** Ogilvy’s breadth of marketing services, from advertising and PR through in-store activations (Geometry Global) and healthcare marketing, gives Ogilvy access to specialized skills and experience that are beyond the scope of most digital agencies.

**Cautions**

- **Organizational complexity:** Ogilvy is an umbrella organization for a number of specialty groups — Social@Ogilvy, Mobile@Ogilvy, Neo@Ogilvy and Digital@Ogilvy — whose scopes and structures sometimes overlap. Ogilvy units such as OgilvyOne, OgilvyRed and Ogilvy Public Relations add even more complexity to the mix. While Ogilvy is clearly focused on integrating these units for the benefit of clients, the organization can be difficult to navigate.

- **Campaign focus:** Given the company’s strong roots in advertising, direct marketing and PR, it’s not surprising that most of Ogilvy’s digital marketing efforts are manifest in some sort of promotional campaign or branding exercise, rather than business transformation or digital marketing technology operations.

- **Brand premium:** Although Ogilvy makes it a point to diversify its client portfolio among large and small companies and new and well-established brands, its culture is oriented toward big, brand-building ideas, an approach that demands top talent and the fees that go with it.

**Razorfish**

Razorfish (Publicis) is a Leader in our Magic Quadrant evaluation. One of two major digital stand-alone business units within Publicis Groupe (the other being DigitasLBi), it generated $470 million in revenue for 2012 (an Ad Age estimate). Founded in 1995, Razorfish was one of the first agencies dedicated to the online channel, combining Web design and development with digital media and advertising services.

**Strengths**

- **Mature competencies:** Razorfish is one of the world’s most mature digital agencies, with equal competence in business strategy, advanced technology, UX design and program management. Razorfish is consistently recognized for its creative performance (Forbes declared its "Take the Wheel" Mercedes campaign as a "new evolution in earned media"). Clients consistently call out the agency’s sophisticated approach to ideation, UX design, program management, governance and thought leadership.

- **Business strategy and digital transformation:** In the digital transformation consulting space, Razorfish often comes up against well-established business consultancies, given its many former management consultants from firms such as McKinsey & Co. and BCG. Clients of Razorfish strategic services say the firm helped them reimagine products, services and
organization structures to better match the needs and expectations of the evolving digital customer.

- **Strong vertical focus:** Razorfish has one of the most well-balanced business portfolios we’ve seen, with strong representation in technology, financial services, automotive, CPG and retail, media, and travel and hospitality. Revenue from its retail practice increased 50% year over year, with clients such as Uniqlo, Target, Best Buy and Staples hiring Razorfish for brand transformation, retail business strategy, UX, analytics and in-store digital solutions.

**Cautions**

- **Expensive:** Clients speak highly of their Razorfish relationship (many are a decade old) but note that the firm is their highest-priced partner. Clients also note that cost breakdown is kept at a higher level than other agencies, making it difficult to understand the totality of their investment.

- **Management shifts:** Bob Lord resigned as CEO of Razorfish earlier this year to become chief executive of the advertising and technology division of AOL. While management shifts can be positive, some clients will take a wait-and-see approach to see what changes new global CEO Pete Stein has in store.

- **Managing growth:** Razorfish is executing a high-growth strategy, both geographically and through new service offerings, especially in its digital commerce platform. Prospective clients will want to ensure that the Razorfish teams allocated to their business have sufficient experience and tenure to deliver the quality and consistency Razorfish is known for delivering.

R/GA

R/GA, a Leader, was founded in 1977 by brothers Robert and Richard Greenberg, and it quickly established fame in computer-assisted film making. Part of the Interpublic Group, R/GA is now a full-service, global digital marketing consultancy offering expertise in brand, technology, marketing strategy, business strategy, innovation and product development. In recent years, it has bulked up its analytics and business strategy capabilities (in addition to its already strong creative, UX and technology skills) to respond to the demand for transformative opportunities created by emerging technologies and changing customer expectations. Its 2012 revenue was $252 million, making it the largest creative agency at Interpublic (excluding Interpublic’s advertising networks).

**Strengths**

- **Business strategy:** R/GA’s business transformation and product innovation practices have a combined total of 295 consultants (including strategy and execution), who generated approximately 25% of the firm’s total revenue. R/GA added two new executive positions in 2012: Chris Stutzman, who heads the business transformation practice; and Jeff Mancini, who heads innovation and product development. Nick Law, who has been with R/GA since 2001, assumed global chief creative officer for all of R/GA from Chairman and Chief Executive Bob Greenberg.

- **Innovation:** R/GA approaches the market by helping CMOs exploit growth initiatives that are either challenged or enhanced by technology disruption. This work is informed by its consulting
in business transformation, product innovation and brand. To support its delivery model, R/GA has built an integrated model for how a brand’s underlying products, services and capabilities can deliver a broader value proposition through new digital services.

- **Transformation:** R/GA is known for its many awards that point to transformation, most recently for its work with Nike+ FuelBand, which offers a dashboard for athletes wanting to measure and compare performance, regardless of the type of activities they’re engaged in. Other transformation projects include Barnes & Noble, HBO, L’Oreal, McCormick, AARP, Google, O2 (U.K.), Getty Images (U.K.), TIM (Brazil) and Telstra (Australia).

**Cautions**

- **Client collaboration:** While R/GA has clearly been refining the breadth and depth of its formal methodologies, references report that R/GA is still rather independent in its approach to ideation, not drawing on client expertise as aggressively as its competitors. We have seen this attribute of its personality starting to change, however, given its collaboration with Nike’s senior marketers.

- **High price:** References like working with R/GA, but they cite high price tags as a source of discontent. The demand for R/GA’s services has always outpaced the general economy, and continuing high prices could be a signal for overstretched resources. Clients also report that R/GA’s people show lack of interest in projects that aren’t highly strategic, transformative or challenging. Clients shouldn’t go to R/GA for middle-of-the-road site redesigns or brand refresh projects with moderate budgets.

- **Internal transformation:** R/GA is aggressively moving from a traditional agency model, where engagements are driven by executive producers with creative backgrounds, to a professional services model, where program managers coordinate complex initiatives supported by multiple, underlying, cross-discipline project streams. R/GA’s internal transformation is likely the cause of some internal cultural backlash, but thus far, this has not seemed to create any big delivery issues.

**Rosetta**

Rosetta (Publicis), which enters this year’s Magic Quadrant as a Niche Player, was one of the few remaining independents until being acquired by Publicis in 2011. It was founded in 1998 by former Johnson & Johnson marketer Chris Kuenne (who is still its chairman). Ad Age estimates Rosetta had revenue of $225 million in 2012.

**Strengths**

- **Search and customer engagement:** Rosetta has particular strengths in search marketing, site design and customer engagement. While it plays in many verticals, Rosetta has noted strengths in healthcare, telecommunications and technology (and is active in accounts such as Bristol-Myers Squibb, Allergan, Microsoft, Cisco and Sprint). Many clients retain Rosetta year after year.
for paid search, display and search engine optimization, citing high satisfaction for these services.

- **Segmentation**: Rosetta is well-known for using segmentation as a growth strategy, particularly when its clients want to do more business online. Rosetta uses its patented personality-based segmentation process to help clients identify its best customers and then map content, experience design and commerce decisions to maximize conversions.

- **Customer loyalty**: Rosetta continues to invest in its customer engagement model to help its clients improve retention and loyalty. Clients cite that its analytics expertise is particularly valuable in helping them convert data insights (from paid, owned and earned media) into relevant actions that keep customers coming back.

**Cautions**

- **U.S.-centric**: Rosetta has a preference for the U.S. (where it derives more than 80% of its revenue), which could be an issue for clients that require feet on the ground in regions outside the U.S.

- **Flat revenue**: Rosetta grew just 4% from 2011 to 2012; many of its competitors experienced double-digit growth during the same period.

- **Mainstream**: Rosetta references report their market positions as mainstream and conservative, versus references from Leaders who describe their market positions as aggressive. Rosetta may not be appropriate for clients seeking to reinvent their business from competitive pressures outside their home sector.

**SapientNitro**

SapientNitro, a Leader, has a one-stop shop reputation among CMOs requiring strategy-led engagements supported by innovative ideas, engaging user experiences and complex technology underpinnings. SapientNitro had the highest number of competitive mentions (from references and competitors) among the set of players we analyzed. Since its founding, it has established offices in 35 cities around the world and has been refining its offshore development capability for 20 years. SapientNitro reports 2012 revenue at $771.9 million (roughly 69% of Sapient Corp.'s $1.12 billion revenue).

**Strengths**

- **Digital business transformation**: SapientNitro added 65 new clients in 2012, with a pitch success rate of more than 70%. Its steady history of helping clients benefit from business opportunities created by the Internet, social networking, mobile and cloud is focused particularly on engagements with business transformation opportunities, pushing beyond its position as a creative agency into the management consulting space.

- **Smart acquisitions**: SapientNitro has followed a steady organic approach to growing its internal creative services and UX design talent, an approach that has proved more effective than the acquisition strategy of some of its lead competitors. In 2012, it acquired just two firms,
Second Story and Iota Partners, which have been successful in attracting brands that are both creatively and visually led (such as Ralph Lauren, Target, Coca-Cola and Fiat USA).

- **Sophisticated sales model:** SapientNitro’s high sales conversion is led by a business development team that skillfully gets in front of RFPs, using the firm’s thought leadership, proprietary models and client stories (that buyers will never find on the Internet) to advance its consultative sales style. Clients repeatedly cite that SapientNitro's people open their eyes to new business possibilities and new sources of growth during the sales cycle, an attribute that often leads to their decision to go with SapientNitro.

**Cautions**

- **Talent retention:** This sector is heavily dependent on talented individuals who are growing more in-demand every day. To keep its lead, SapientNitro will need to sustain its low 16% employee turnover rate (the industry average is 30%) while continuing to recruit technical architects, solution architects, UX designers and program managers.

- **Price containment:** As firms of scale across the industry combine, we see the potential for pricing pressure. Sapient Corp.’s businesses have historically not competed on price, but this strategy may soon be challenged.

- **Storyscaping needs to play out:** SapientNitro appears to be "betting the farm" on its new Storyscaping methodology and approach to modern digital marketing. While we like the approach and the unity it brings to multiple sets of experiences under a single brand, the market will be the ultimate acceptance test.

**VML**

Founded in 1992, VML is a Niche Player in this year’s Magic Quadrant. Owned by WPP since 2001, VML is known for Web development, campaign/content management, CRM and sales force automation integration. Since its founding, it has grown from 100 people to its current staff of more than 1,700 (adding people across North America, Europe, Latin America, Australia, India, Singapore and, most recently, China). WPP reports VML’s revenue for 2012 was $150 million.

**Strengths**

- **B2B2C:** VML has a well-balanced representation of B2B and business-to-consumer (B2C) accounts. The company has always been strongly committed to online business, and it is continuing to deliver its creative and technology skills to both types of marketers, underscored by its competent program management skills.

- **Cross-industry client acquisition:** VML is strong in CPG, banking, travel and automotive, and it scored wins this year with MasterCard, Kellogg’s, Korean Air and BMW. VML is known for its skills in acquiring and keeping clients.
Collaboration: References consistently cite VML’s people for their integrity and strong focus on client needs. VML is also noted for its strong collaboration with other WPP companies, such as Young & Rubicam and Wunderman.

Cautions

Growth through acquisitions: VML’s global reach is still playing out; most of its non-U.S. offices were opened in the last five years. Its South African presence came with the acquisition of Native, while its office in Poland came from a minority stake in the Heureka Group. VML purchased Studiocom and rebranded it as VML to scale its North American presence.

Approach to new business development: VML has strong sales talent but has not scaled its business development engine to a level of sophistication seen in its competitors (and is still leaning on its senior executives to lead big pursuits).

Mainstream references: References describe themselves as either conservative or mainstream, while references from Leaders consistently describe themselves as aggressive. VML seems to lack the bold tactics of the Leaders in attracting clients willing to take on big bets and large risks. References occasionally note that getting the creative right takes more iterations than they’d anticipated, but that the end product is of high quality.

Wieden+Kennedy

Wieden+Kennedy (W+K), a Visionary, has built a reputation for being one of the world’s strongest creative performers, helping brands change, transform or strengthen their identity. For example, it helped Nike transform from a sneaker brand to a global cultural icon in the 1990s. W+K is also one of the most creatively awarded independent full-service agencies. W+K’s 2012 revenue was $272 million, as estimated by Ad Age.

Strengths

Creativity and ideation: W+K was honored as independent agency of the year at the 2013 Cannes Lions International Festival of Creativity, and in 2012 it won both the top independent agency and top agency overall trophies from the festival, which cited W+K’s creativity and penchant for urging clients to take on more risk and more aggressive marketing goals. In that same year, Dan Wieden took home the special Lion of St. Mark award for lifetime achievements in advertising.

Ability to harness trends early: W+K skillfully puts definition around emerging trends faster than competitors; examples of this include its W+K Entertainment unit and the Portland Incubator Experiment (PIE). Earlier this year, it launched GX (formerly W+K Garage), a multidisciplinary creative agency for the connected age, focused on concepting, creating and investing in innovative experiences, content and technology.

Global expansion: W+K Amsterdam opened in 1992 and was the agency’s first international outpost. It was originally established simply to service Nike, but it has steadily built up a roster of other major accounts, and it now serves as the main hub for continental Europe, alongside its other micronetwork of offices in the U.K., China, Japan, India and Brazil.
Cautions

- **Management shifts and flat revenue:** In 2010, Iain Tait (co-founder of London digital agency Poke) took on a newly created role as global interactive executive creative director but left less than two years later to join Google Creative Labs. The resultant distraction may have contributed to W+K’s somewhat flat revenue picture from 2011 to 2012.

- **Business development discipline:** Although W+K is the last remaining privately owned agency to operate a multinational network, and although it is greatly admired for its creative work, it also has erratic new client pursuits. As a result, W+K has traditionally been dependent on a handful of high-profile clients, especially its most labor-intensive account, Nike (which has served it well over the years).

- **Not as transparent as competitors:** W+K is fiercely proud of its independence and has put measures in place to prevent its acquisition by a larger advertising network (or anyone else, for that matter). However, it occasionally uses its independence as a reason to cast a cloud of secrecy over how it operates.

Wunderman

Wunderman (a member of Young & Rubicam Group and WPP) is a Challenger, noted for its executive relationships at major brands (many span 40 years). Wunderman takes a brand experience approach to digital engagement, backed by "accountable data management." A series of acquisitions in recent years has expanded its global reach and digital marketing capabilities, such as digital display, digital publishing and mobile. Ad Age estimates Wunderman’s 2012 revenue was more than $1 billion. (Gartner estimates the digital portion at approximately 80% of total revenue.)

Strengths

- **Growing market diversification:** Wunderman has 170 offices in 60 countries offering brand experience, brand management and consumer engagement. It is noted for its growing concentration on the pharmaceutical and healthcare sectors, where it is gaining increased traction. Concentration in these industries could be a bigger differentiation for the company over time and a source of new digitally led growth outside its traditional consumer and banking clients, such as Microsoft-Nokia, Dell, Citibank and Ford.

- **Measurement and analytics:** Wunderman is known for its sophisticated range of measurement and analytic tools to assess brand/campaign performance and sales promotion. In addition, it manages its own DMP — private and public, a differentiation from the competition. Wunderman has a social practice called Ninja, which creates and publishes a steady flow of content for its numerous global clients. The company was also quick to extract value-add from social marketing. For example, it was an early adopter in aggregating and adding nonstructured data from a variety of sources, including social networks and call centers, to social marketing tools.

- **References:** References consistently mentioned the ability of Wunderman to understand their business and capture their organization needs, with superb follow-up and attention to nuances that result in improved campaign performance.
Cautions

- **Emerging marketing trends and technology**: References mentioned a need for more thought leadership and proactivity around more emerging areas. References also indicated a desire to be pushed beyond their traditional thinking.

- **Sales**: Growth has come primarily from an existing client base, which could begin to erode Wunderman’s market share if it doesn’t focus on net new business, particularly among B2B marketers eager to adopt the habits of their leading consumer counterparts.

- **SMBs**: Although smaller firms can benefit from its many talents with flexible pricing, Wunderman actively targets CMOs of large corporations with the budget to orchestrate consumer experiences across all online and offline touchpoints.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor’s appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**

This year, we added:

- Deloitte Digital
- MRM Worldwide
- Rosetta

**Dropped**

We did not drop any vendors this year.

Inclusion and Exclusion Criteria

Global digital marketing agencies need to meet the following criteria to be included in this Magic Quadrant:

- **Revenue**: Providers in this evaluation must have global revenue of at least $150 million.

- **Front office**: Providers in this evaluation focus on delivering customer-facing digital experiences (recognizing they are supported by underlying technology and integration to back-office systems). Providers that focus primarily on back-office or marketing support functions of an operational nature are not analyzed in this report.
Full-service provider: Full-service agencies needed to offer at least four of the five following capabilities: strategic services (business, marketing and/or brand strategy); creative services and experience design; technology implementation, including digital commerce; program management; and measurement and analytics.

Global reach and staffing: Providers in this evaluation have a global reach, in which they’ve helped clients launch solutions that reach out to an audience in at least two global regions. Agencies should practice a global staffing model, in which engagements are not constrained by the talent available in the client’s geography; rather, teams are derived and staffed from a global resource.

Competence in paid, owned and earned media: Providers in this evaluation have competence in helping clients design and deploy digital marketing solutions in all three media types: paid (for example, advertising and search); owned (for example, websites, blogs and communities); and earned media (for example, through public relations or social networks).

Five new clients: Providers in this evaluation acquired at least five new clients in 2012 (including new engagements within a different business unit of an existing client). Client acquisition costs in this sector are high, and the ability to grow business in an existing account is a bellwether of success.

Evaluation Criteria

Ability to Execute

Product/Service: We looked at providers with full-service, integrated offerings supported by cross-discipline competence in strategic and creative services, experience design, application development and system integration skills, analytics, program management, and media planning/buying services.

Overall Viability (Business Unit, Financial, Strategy, Organization): Key aspects of this criterion are the vendor’s financial health (including the health of the parent company, when applicable) and the degree to which the provider is committed to its digital marketing services.

Sales Execution/Pricing: In this area, we assess the provider’s global business development capability, the ability to manage a global brand, and the flexibility of its billing model (for example, fixed price, T&M, retainer, performance-based billing, and fees for equity). We also looked at the provider’s track record in cross-selling its services to garner larger wallet share in its major accounts.

Market Responsiveness and Track Record: A provider must be able to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, client needs evolve and market dynamics change. We looked for evidence of this agility in the history of acquisition, alliances and new hires in digital, social and mobile. We also looked for
offerings that take advantage of the rising demand for business strategy and digital business transformation services.

Marketing Execution: As is the case in mature markets, many providers are difficult to discern because they are deeply similar in their history, point of view, competencies and service life cycle approach. Hence, we looked for evidence of thought leadership and an ability to differentiate on modern marketing techniques of social and mobile, particularly those that are integrating emerging techniques into the larger marketing strategy versus helping clients build one-off applications.

Customer Experience: Client acquisition costs are high in the business, and success comes from the ability to retain business and build wallet share at existing accounts; hence, we looked for evidence of sustained client relationships and any key client losses in the past two to three years. This was supported by feedback from references, Gartner inquiries and other client-facing interactions, informed by our participation at Gartner conferences and other industry events.

Operations: In this business, managing and mobilizing resources across a global landscape is hugely challenging. The challenge comes from creating cross-discipline delivery teams that have the right mix of talent for the client engagement — as well as the right chemistry. It's often said, "The team can be right for the job, but if the chemistry isn't there, you're doomed." Hence, we looked at how projects are staffed from a global pool of resources (versus drawing talent from the client's geography) and how flexible a provider is in managing talent to the client's liking. Talent occupies the biggest chunk of a provider's cost structure, so we looked for signs in which staffing up/staffing down — in response to a single client engagement — exists. Such practices can wreak havoc on morale and the art of running a predictable business, so we looked for how providers approach their business operationally, particularly engagement staffing.

Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability (Business Unit, Financial Strategy, Organization)</td>
<td>High</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>High</td>
</tr>
<tr>
<td>Market Responsiveness and Track Record</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>High</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner (December 2013)
Completeness of Vision

**Market Understanding:** Here we looked at the provider’s strategic understanding of the full marketing mix in driving the client’s business (versus the more limited promotional mix), as evidenced by the depth of its thought leadership and strategic services. We also talked to reference clients about the provider’s ability to contribute to its core business strategies, as evidenced by the provider’s industry knowledge as well as its methodology for helping clients assess strategic business options, particularly when its legacy business model is threatened (or enhanced) by digital techniques.

**Marketing Strategy:** The provider’s go-to-market strategy should align with emerging trends and the overall direction of the market for digital services. We looked particularly at the provider’s ability to integrate its traditional business with emerging trends in social media and mobile marketing. We also looked at how active a role the provider is taking in education of the market in emerging trends and techniques. Competitive mentions also play a role here, because they are an indicator of brand awareness.

**Sales Strategy:** This criterion looks at the provider’s approach and ability to secure new client wins, especially those in recent years. This is not a volume business; profitability depends on the ability to develop long-term relationships that increase wallet share at existing clients with large brands. Hence, we looked at the ability to sell longer-term relationships versus the ability to score one-off wins.

**Offering (Product) Strategy:** In this area, we looked at the provider’s competency mix and how well it has incorporated multidisciplinary services into an integrated offering, from strategic services to the underlying components that drive the engagement: creative services, technology build-outs, measurement and program management. We also asked references about the provider’s skill and ability to transition their engagements from strategy to implementation — and to postimplementation support (when applicable).

**Business Model:** This is a service business that hails from creative talent, which is usually intangible and difficult to price. Hence, the early days of this industry were dominated by T&M-style billing, whereby clients were billed for time, not necessarily results. That changed when technology-driven system integrators entered the market (providers that have spent years perfecting scope management and fixed-price engagements). These providers have put pressure on firms with creative roots to be more disciplined in how they scope and price engagements. Hence, we looked at the robustness of a provider’s business model when it comes to how it financially engages with clients — from T&M and fixed-price structures to those that are performance-based. We also asked providers if they substitute fees for equity in the client’s business to gauge the flexibility (and risk propensity) of its business model.

**Vertical/Industry Strategy:** While the decision to pursue select verticals is a strategic choice of the provider, we nevertheless looked for investments in industry applications of digital marketing as a way to differentiate. We also looked at how the provider is approaching a vertical market: with a mere point of view or with an offering that is customized and infused with industry knowledge in its delivery.
**Innovation:** Providers in this industry rarely have an independent R&D budget, opting to fund innovation "on the client’s dollar." Hence, we looked for the provider’s penchant for pushing its clients to take risks, couched by a methodology that can put boundaries on risk through techniques such as pilots or independent R&D efforts. Hence, the best R&D is manifest in client engagements that push the envelope. We also looked at providers that fund a portion of their own R&D with partners, universities or their own research labs.

**Geographic Strategy:** Providers in this market are global players; most have years of experience in the design and implementation of global brand awareness campaigns. However, the global reach of most providers has been heavily focused on North America and Europe. That is changing, of course, as nations such as Brazil, Russia, India and China assume their place in the global economy. Hence, we looked for investments in markets beyond the provider’s corporate address. We live in a virtual world, however, so having people on the ground in various regions isn't more important than delivering a global engagement. Hence, we looked at global capability as much as geographic presence.

**Table 2. Completeness of Vision Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Business Model</td>
<td>High</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Innovation</td>
<td>High</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (December 2013)

**Quadrant Descriptions**

**Leaders**

Leaders in this market have a broad representation of all competencies, most notably their strategic services (whereby they also provide business strategy and digital business transformation skills). Leaders are also strong in technology, creative services and experience design, and marketing effectiveness. Leaders have evolved from the producer model, staffing their program management competency with PMI-certified professionals. While Leaders have attributes of fast followers, they
also invest their own R&D dollars to set market direction. As a result, Leaders are the providers to watch as you try to understand how new offerings might evolve, particularly those related to digital business transformation.

The providers in this segment also have the ability to populate engagements from a global resource versus drawing on talent in the client’s geography or global region. Leaders have also remained viable, despite a challenging global economy. Leaders go beyond the "promotional P" of marketing (see Note 3), and they often show up on competitive bids outside their primary sector (for example, management consulting, production ideation and product development). Hence, Leaders are often referred to as crossover firms. Leaders also help today’s CMO develop digital marketing platforms for the future, versus one-off engagements that are more proof-of-concept-oriented.

**Challengers**

Challengers have a strong ability to execute their current offering but have not yet had the opportunities to execute a vision for digital marketing, particularly true business transformation on a scale of the Leaders. Challengers are poised to become Leaders if their vision develops and they begin to execute on the type of client engagements that will move the market forward. Large end-user clients may fluctuate their engagements between the Challengers and Leaders as their needs shift from management consulting and product ideation to a more narrow need to execute a promotional plan.

Challengers deliver solid work, but many tend not to be as aggressive as the Leaders when it comes to pushing their clients to take business risks (not just promotional risks). In essence, they do as they’re told by their client, versus Leaders, which aren’t afraid to challenge clients and push them out of their comfort zone. Challengers are working hard to master a global staffing model, but they may still need refinement. Challengers’ strategic services are typically embedded in marketing and promotional tactics; they often lack the kind of consulting power that the Leaders have invested in, as evidenced by Leaders’ recruitment of business strategists from top management consulting firms to address digital business transformation.

**Visionaries**

Visionaries align with Gartner’s view of how this market is evolving, but they need more opportunities to execute their vision of marketing through real client engagements. Hence, they are still proving they have the right capabilities to deliver against their vision. Visionaries are often strong in creative services, UX, search, analytics and performance. And while they have a good portfolio of skills, they often choose to apply their resources and talents to brand, identity and the promotional P of marketing (see Note 3), along with their talents in advertising or public relations. Many haven’t kept up with the type of business strategy expertise we find in the Leaders.

For end-user clients, Visionaries fall in the higher-risk/higher-reward category. They often introduce new technology, services or business models, but they need to build financial strength, service and support, or more-sophisticated sales models and partner/alliance programs. Whether Visionaries become Challengers or Leaders depends on how far they want to push the breadth and depth of their service offering beyond marketing’s promotional P. Many Visionaries have been acquired (for
example, by WPP or Interpublic) to augment their parent company’s creative strength or their financial coverage.

Niche Players
Niche Players do well in a segment of a market, or they have limited ability to innovate or outperform other providers. This may be because they focus on a functionality or geographic region, or they are continuing to stick to what they do well, avoiding the risk-taking attributes of Visionaries and/or Leaders. Niche Players are often new market entrants; they can also be organizations that have opted to focus on a core set of offerings. Alternatively, they may be struggling to acquire the type of client that hires providers with leadership or visionary qualities. Niche Players, because of a more limited view of marketing, usually do what they do very well. They have reasonably broad functionality but with limited implementation and support capabilities, and with relatively limited customer bases compared with Leaders, Challengers or Visionaries.

Context
This Magic Quadrant analyzes digital marketing agencies that compete on the global stage. Agencies were evaluated on how well they are executing their vision for digital marketing through client references as well as investments in their people, methodology and R&D.

Market Overview
Growth Drives the Agenda
During the 21st century’s initial decade, CMOs challenged their marketing agencies to help them financially prosper, even while a global economy stumbled. Calling on digital marketing agencies to help them sell more of their existing products was a start — but as a sustaining strategy, it quickly proved inadequate. CMOs were increasingly asked by the CEO and board of directors to lead growth initiatives to tap new customers in new markets, especially those that had been previously unavailable due to the constraints of a physical world or a business model whose cost structure could serve only the high end of the market.

Those agencies that helped clients explore this type of market diversification stepped up by getting business strategists on board to collaborate with marketing leaders to explore new sources of growth, many requiring transformation skills to extend core businesses into the digital world. Those agencies that didn’t make similar moves are now playing catch-up and will continue to chase the marketing agencies that view themselves not just as marketing consultants, but as strategic business advisors.

Leaders Move Beyond the Promotional P
The revenue mix of the digital marketing agencies outside the Leaders quadrant are dominated by marketing communications, website development, PR, advertising and campaigns, including
postcampaign measurement and analytics. These are the same agencies that tend to equate marketing with promotion.

But client expectations are pushing agencies beyond marketing's promotional P. Why? Because more CMOs are taking center stage in initiatives designed for ideation and business model innovation. ZocDoc gets patients into the doctor faster by freeing unused capacity from last-minute appointment cancellations. Zipcar avoids the time-consuming hassles of renting cars, while freeing people who want access, but don't want to own. Nike provides digital services to buyers of its running shoes. As more companies like Nike use "startup chic" to re-energize old business models, marketers recognize that the scope of their job goes beyond selling products. Agencies that recognize this are reaping the rewards by embracing the full marketing mix, not just the promotional mix.

Clients Look to Compete on the UX

Another big shift is evident in the talent mix. The old model teamed copywriters and graphic designers. Now, storytellers, often with backgrounds in screenplay writing, team with developers to create interactive experiences, using gamification concepts to engage customers in more creative ways. With so much happening online, competitors are a screen swipe away, making the linger effect more important than ever. Marketers desperately want more than their share of the buyer's attention, and if gamification concepts can achieve this, they're listening. Hence, the digital experiences of the current decade no longer stem from great creative, but rather from a great convergence of technology, creative and media. Agencies still stuck in creative services will lose business and share to those who joined the UX bandwagon a decade ago, versus a year ago.

All Sectors Are Under Pressure to Market in Real Time

For the global brand, somewhere in the world there's always an active buyer, ready to engage, compare offers, purchase a product — or not. These moments of truth, where a consumer decides to continue a relationship with a brand or not, occur much faster in the digital age. Consumer expectations have skyrocketed. When buyers' needs aren't fulfilled on their own timetable, they move on. Although real-time marketing is far more imagined than executed, digital marketing agencies will need to develop offerings around real-time concepts, whether in communications, product innovation, pricing or digital distribution models that disrupt industries.

Demand Increases for Creative and UX Design Talent

With buyers spending so much time online, the demand for sophisticated creative services and experience design is soaring. Leading agencies continue to engage in talent wars as marketers look to their agency partners to create seamless experiences that are easy to use — informed by ever-increasing reservoirs of big data. Clients looking to agencies for help in transforming their digital experience may have to wait while empty benches of scarce UX talent are addressed.
Agencies to Watch

The following are companies that aren't included in this Magic Quadrant due to a lack of alignment with our definition of a full-service digital marketing agency, limited global reach or revenue. None of these firms that follow were listed in the competitive mentions of the leading players (with the exception of Edelman) covered in this Magic Quadrant, but nevertheless, they are digital agencies worth considering if needs align.

360i (Dentsu). With three offices in the U.S. (and three international offices) and 625 employees (a year-over-year growth rate of 25%), 360i (Dentsu) landed more than 15 new clients this year. 360i established an outpost in London in 2013, in partnership with local agency Steak. It also opened offices in Canada and Sao Paulo this year. Known for its early pioneering in social marketing, 360i has roots in search marketing, but it increasingly offers other creative and consultancy services (for example, it created the Oreo Super Bowl campaign, and it replaced Razorfish and Digitas at Capital One and Equifax, respectively). Sarah Hofstetter, one of Ad Age’s "40 under 40," was promoted to CEO (360i U.S.) in October of this year. Bryan Wiener is chairman and global CEO. Gartner estimates its 2012 U.S. revenue at $115 million to $120 million.

72andSunny. We have watched this agency steadily establish a reputation for strategic thinking and out-of-the-box creative services. 72andSunny has catapulted to fame very quickly, just behind its sister agency CP+B. (Both shops were independent before being acquired by MDC Partners in 2010.) This year, 72andSunny garnered fame from its work with Samsung and Activision’s most popular gaming franchise, Call of Duty. Ad Age named 72andSunny its Agency of the Year for 2012. Gartner estimates 72andSunny’s 2012 revenue at $115 million.

Deutsch. Highly regarded for its creative performance, Deutsch was founded in 1969 by David Deutsch, who passed the reins to son Donny (who later sold to Interpublic in 2000). Deutsch gained attention for a cable television show and numerous media appearances by Donny Deutsch. When Donny’s departure coincided with declining billings, it appeared the commanding presence of its previous owner was tied to agency success. However, since 2005, CEO Linda Sawyer has navigated the agency back to its reputation for creative excellence, landing major accounts such as Volkswagen, Sony PlayStation, Target (displacing W+K) and Anthem Blue Cross Blue Shield. Ad Age estimated Deutsch’s revenue at $199 million in 2012 (90% from the U.S.).

Edelman. Well-known for its roots in consumer marketing, corporate PR and public affairs (it publishes the Edelman Trust Barometer), Edelman is strong in brand management and creative services that rival firms such as W+K and Ogilvy. Although it is headquartered in the U.S., Edelman also has a strong foothold in Europe, Asia/Pacific, Africa and the Middle East. Edelman Digital, which doubled its staff over the past two years, has sustained its position as a continuing leader in integrating social media into the larger marketing plans of its leading brand clients, including eBay, Unilever, Activision, Starz, Adobe, HP and Diageo. Founder Daniel J. Edelman was chairman until his death at age 92 (in January 2013). His son Richard Edelman, current president and CEO of Edelman, now serves as chairman. Edelman reported results for the year (to June 2013) at $707 million. Gartner estimates that at least 20% of total revenue is from Edelman Digital.

Organic. A stand-alone brand within the Omnicom suite of firms, Organic garnered a 2012 Comeback Agency of the Year award from Ad Age. Organic remains one of the U.S.’s most admired
digital marketing service firms, providing a full range of services — from digital commerce to digital media planning/buying. While there have been management shakeups, we’re confident CEO David Shulman is bringing stability to the organization. Recent client wins include Toyota, PulteGroup and Kohler.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"How Gartner Evaluates Vendors and Markets in Magic Quadrants and MarketScopes"

Evidence

This Magic Quadrant followed Gartner methodology for vendor evaluation, including a vendor survey, vendor briefs and vendor-provided references. It was also supported by our secondary research organization and conversations with Gartner end-user clients.

1 "Data Firms Buy, Build Their Way Into Agency Space in Bid to Boost Revenue," Advertising Age, 19 August 2013.


Note 1 The Internet of Everything

Nonhuman things, connected to the Internet, outnumber the world’s people. These things, from automobiles to the clothing we wear, now have an IP address, which gives them a voice, a context, and a role in both consumer and business processes. When things transmit data and context, it allows digital marketers, in particular, to build valuable services tailored to the individual’s context — where the customer is or is going; what the customer does, likes or needs; and who the customer knows. Benefits of the Internet of Everything are as follows:

- **Financial model:**
  - New revenue stream — Remote monitoring services for a connected house
  - Revenue uplift — Context-aware promotions
  - Reduced costs — Connected facilities optimized to reduce energy use

- **Operating model:**
  - Faster response — Rapid mobilization in medical emergencies
  - Downtime avoidance — Through better asset monitoring
  - Autoreplenish — Assets can self-order
Customer model:
- Better experience — Parking availability made public
- Better experience — Easier to pair components of home system
- More interaction — Products update status to customers

Value proposition:
- New bundled services — Connected car services make driving simpler and safer
- New revenue model — Pay-as-you-drive insurance
- New products — Wireless light networks save money and improve effectiveness

Note 2 Business Becoming Software
In a digital world, many physical business models take on attributes of software companies, a trend that began in the music and home entertainment industry. But business becoming software goes far beyond sheer digital distribution. The ease and sheer pleasure of music’s new digital purchase process are paving the way for other industries. Publishing is turning into software, along with advertising, news, television, travel/hospitality — and even real estate — due to creative digital workflow implementations that old-world processes can’t match. While marketers that supplant their current distribution methods with software will benefit from an inherently less expensive production process, many will even eliminate traditional factories. In fact, many of you reading this document will eventually replace your physical products and services with software equivalents.

Note 3 Promotional P of Marketing
In marketing, the Four P’s (product, price, promotion and place) describe the scope and range of four marketing disciplines. Marketing professionals overwhelmingly focus on the postsales promotional discipline, since this is the area that generates revenue and share. However, this disproportional focus can lead to marketing myopia, a syndrome where more time is spent promoting the product than thinking about its next-generation functionality and its role in digital transformation, as well as opportunities to price and distribute the product more effectively in a digital world. Leaders in this Magic Quadrant demonstrate greater understanding of marketing’s full range of skills, as opposed to non-Leaders, which tend to focus on the promotional P.

Evaluation Criteria Definitions

Ability to Execute

**Product/Service**: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.
Overall Viability: Viability includes an assessment of the overall organization’s financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization’s portfolio of products.

Sales Execution/Pricing: The vendor’s capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor’s history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend
the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor’s underlying business proposition.

**Vertical/Industry Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.