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HOW CAN YOU LEAD GROW IN THE PORTUGUESE AGENCY
MARKET?

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1. Abstract

This project was developed in collaboration with a portuguese inbound marketing agency, YouLead, and aims to answer the question “How can YouLead grow in terms of service offering” by defining a strategy that enables the company to grow without losing its positioning as an inbound marketing agency. After analysing the agency industry, YouLead’s resources, capabilities, strengths and weaknesses, as well as the external threats and opportunities, growth hypotheses were discussed. As the market is growing and the agency benefits from a good positioning, the proposed strategy is for YouLead to leverage its strengths and take advantage of market opportunities.

Keywords: Inbound Marketing, Marketing agency growth, Agency market, YouLead

2. Methodology

This project was developed in collaboration with YouLead, an inbound marketing agency based in Lisbon. In order to define a growth strategy for the agency, primary and secondary research was performed. Secondary research was conducted to characterize the agency market and to find the demand trends that will affect agencies in the short and long term. To understand how the industry is evolving in Portugal, primary research was conducted through in-depth interviews (the interview guide can be seen in annex 1) to experts who work in the Portuguese market. In total, 4 interviews to specialists who work on the agency side, 3 interviews to brand marketers and 1 interview with a Digital Marketing professor at Nova SBE. Then, an internal and external analysis of the company was performed, and lastly, the company and industry analysis were combined to develop hypothesis for YouLead’s growth that were analysed to determine in which should the company invest and focus its efforts on.

3. Literature Review

3.1 Marketing Agencies Industry Analysis

3.1.1 Overview of the industry

Agencies started by having a strong focus on media buying, creativity and above-the-line¹ marketing. Groups like WPP started emerging and buying smaller specialized agencies in order to become “one-stop shop” for advertisers, in which they could have access to a full integrated marketing strategy across different channels. However, clients needed to have contracts with small independent agencies who developed below-the-line² marketing strategies, so the big groups had to buy also agencies to provide below-the-line techniques.

This century, as consumers started to search for information online, digital initiatives became the best ones to communicate with them. Besides being the best way to reach consumers, digital marketing allows marketers to better segment the market and measure results, something that is not possible with above-the-line methods. Thus, we have been witnessing a rise in the number of digital agencies appearing in the market, as digital marketing becomes increasingly essential to brand communications and brand marketers are looking for partners, the proof is that the market for agencies is still growing, as in 2017 the total fee income of the Top 100 digital agencies surpass £2.3 billion, with a growth of 20% (*Top 100 Digital Agencies* , 2017).

Nowadays, it’s possible to segment the agency market in three groups, based on the service provided: there’s the full-service agency, characterized by being a “one-stop shop” for marketers, providing all types of marketing service; the specialized agency that strives to be the best in class in providing a specific service; and lastly the in-house agency that results from the effort of brands to move their marketing strategy in-house. The latter is a cyclical trend, as

¹ Above-the-line marketing is a type of marketing that uses mass media to target large non segmented audiences, such as TV, newspapers or outdoors.

² Below-the-line marketing is a micro-level type of marketing, capable of reaching smaller but more targeted audiences with tools such as direct mail, paid search or SEO.

brands try to replicate in-house what they learn with their agencies, but the majority of them fail to do it, and the ones who succeed feel the need to come back to agencies to get fresh ideas. Furthermore, the big consulting firms are expanding to the agency market, for example Accenture Interactive and Deloitte Digital are starting to offer not only consulting services for the implementation of digital strategies, but also the implementation itself and operational services that used to be offered only by agencies. This entry from the consulting giants, forces agencies to no longer just respond to client briefs but to focus on diagnosing client's problems and offer solutions, acting more as a consultant. In a WARC survey, when questioned about who is better prepared to help brands with digital transformation, 38% of brand respondents believed that management consulting companies are able to help them better than agencies and only 31% disagree, proving that consulting firms are a real threat (*Toolkit 2018, 2017*).

To get an overview of the market in Portugal, some expert interviews were conducted. According to the interviewed experts, the number of small specialized agencies emerging in Portugal increased last year and they all believe that the market will continue to grow if agencies are able to overcome the threat of big consulting groups entering the market. Moreover, the dominant players are the big advertising and media groups, namely Groupm, Omnicom, Havas, Karate, Group Publicis and Interactive (IPG), being Groupm from WPP the leader in Portugal. Regarding the biggest objections of Portuguese clients, the interviewees point out the price as being the major one alongside with the knowledge gap between agency and client. Both objections are related, because clients are not willing to invest enough money in digital to get good continuous results, mainly because of their lack of expertise to understand the level of investment required to achieve the output they are looking for. Moreover, when questioned about the major challenges for agencies in the Portuguese market, interviewed specialists point out three: the first is related to the changes in technology that forces agencies to adapt their

processes - an example is algorithm changes by Google, that require a change in agencies' SEO³ techniques; the second is regarding online advertising networks which are becoming full, increasing cost-per-click to an extent that only big brands will have money to invest in paid campaigns, forcing small agencies with low budget clients to become better in developing organic traffic, ensuring its clients competitiveness; the third challenge has to do with the changes in customer behaviour, as reaching customers is difficult with brands using all the same channels to communicate and ad blocking browser extensions growing in acceptance among customers. The change in consumer behaviour has caused a profound change in marketing strategy development, contributing to increase the importance of digital marketing and to change the role of agencies in strategy formulation as we will see in more detail.

3.1.2 Change in consumer behaviour

While some years ago, they would search for information about a product in store, now they search online and compare offers. According to CEB report (Choudhury, 2012), consumers go through 60% of the buying process online. So, brands need to be available online in all the stages of the consumer journey and educate consumers about their product.

Internet is reducing information asymmetries, consumers have the power to search and access all the information they need. Hence, they discover and evaluate their options online, which resulted in a new consumer decision journey framework that according to McKinsey has 5 steps, in which the consideration and evaluation phases are compressed into one, followed by the buying phase, the product experience phase, advocate phase and bond phase (Edelman & Singer, 2015). In order to address these changes, some new marketing methodologies have been emerging, such as the Inbound marketing methodology, adopted by YouLead.

³ SEO stands for search engine optimization and it is a marketing discipline focused on growing visibility in organic search engine results by improving rankings and driving traffic through technical and creative elements. (Moz, 2015)

3.2 Inbound Marketing Concept

Inbound marketing is an approach focused on attracting customers through content that is relevant and helpful for them (HubSpot, 2017). The concept is not new, but in Portugal it is just now growing in acceptance among companies. The Inbound marketing methodology is based on five phases: attract, i.e attracting more visitors to the website, organically or through paid methods; convert, i.e convert website visitors into leads⁴ by offering content for them to download or subscribe to; nurture, i.e nurture the lead by giving relevant and tailored content based on its interests and online behaviours; close, i.e turn the lead into a customer; and delight, i.e engage in meaningful conversations with existing customers to keep them connected. There are some tactics to move the prospect throughout these phases, as expressed in the table below:

Attract	Convert	Nurture	Close	Delight
-Take advantage of SEO to improve organic search results with techniques such as blogging; -Use paid search and paid social to drive visits; -Be present in social media organically to interact with consumers in the platforms where they spend time.	-Calls-to-action in the website as a conversion incentive to download; -Use an automation platform to build smart forms that ask for different information in each customer interaction to build the customer profile.	-E-mail marketing to send content that helps the lead know the product; -Lead scoring programs ⁵ ; -Webinars with Q&A sessions to clarify all lead's doubts; -Personalized content based on behaviour.	- Behavioural email marketing based on the lead's previous actions as an incentive to purchase; -Real time notifications to the sales team when the lead is interacting with brand content, so they it can be contacted-	- Customer satisfaction surveys; - Social media conversations; - Cross and Up-selling campaigns based on customer behaviour.

Each prospect moves simultaneously across these five phases and across the stages of the inbound marketing funnel: visitor, lead, MQL (marketing qualified lead), SQL (sales qualified lead), opportunity and customer:

Attract	Convert	Nurture		Close	Delight
Visitor	Lead	MQL	SQL	Opportunity	Customer
The prospect starts as a visitor to the website;	The prospect is converted into a lead by filling out a form, showing interest in the product;	The lead is an MQL if it has the demographic characteristics of the desired buyer persona to be nurtured;	The lead is nurtured to gain points through lead scoring and become an SQL (sales qualified lead), a lead that interacts with branded content and is ready to be contacted by sales people.	The lead becomes an opportunity if it requests a proposal when talking to sales people;	If the opportunity accepts the proposal it becomes a customer that needs to be delighted.

⁴ Lead is a prospect that have shown interest in the company's offer by filling out a form in the website or in a landing page with more than just an email address to have access to a content-based offer. (HubSpot, 2017b)

⁵ Lead scoring programs are a system that attributes points to each interaction that the lead has with the brand and defines a score according to which the lead is ready to be approached by the sales team.

In order to perform an inbound marketing strategy, it's crucial to have a powerful marketing automation platform to store customer data. By using a marketing automation and CRM software such as Hubspot, it's possible to keep track of lead interactions across all touch points and automate marketing actions based on the lead's online behaviour and demographics.

Inbound Marketing and marketing automation software are important trends in the agency industry, however there are also other important trends in the demand for marketing services that YouLead is not addressing and that are important for the agency to evolve and grow.

3.3 Emerging trends in the demand for marketing services

Customer Experience Optimization

At a time in which brands communicate through several different channels and try hard to be present in every place or channel their consumer might use, communications become fragmented. Moreover, products are becoming commoditized and brands need to stand out through customer service and customer experience. Hence, many companies are investing more in customer experience optimization through the analysis of data and the mapping of customer journeys, as an attempt to redefine the touchpoints in which they have to be present and how they should provide the best customer experience. In a survey to discover the priorities of brands performed by WARC, 53% of brand respondents said that Customer experience optimization will be important in delivering digital transformation and 21% are planning to invest in it, however according to the same survey only 37% of brand respondents are currently using marketing technologies for customer experience optimization and only 17% are able to optimize the experience across all channels and touchpoints (*Toolkit 2018, 2017*). Agencies have the opportunity to play the role of an advisor and external consultant to develop the strategy for customer experience optimization and implement it.

Programmatic buying

Programmatic buying is an automated method of buying media where data is leveraged, often in real-time, to make decisions on a per-impression basis (WARC, 2017). Programmatic relies on an ecosystem that allows publishers to sell their space to advertisers. Advertisers use a DSP (Demand side platform) through which they connect to the marketplace and manage campaigns. This platform enables advertisers to bid for the opportunity to show an ad to a specific visitor that comes to the publisher's page. Publishers use an SSP (supply side platform) to feed the space via an Ad Network. When a visitor arrives to a publisher's page, the DSP used by the advertisers will determine whether or not to bid on a particular ad space and how much to bid, based on data about the visitor and the rules set by the advertiser.

The spending in programmatic has been increasing over the years, in Europe in 2016 it was around 8111 million euros, coming from 5685 million euros in 2015 (Statista, 2016). The adoption of programmatic advertising technology in Europe has been also increasing, 92% of agencies (Statista, 2016) are using or starting to use some form of programmatic advertising. In Portugal, four of the interviewed specialists point programmatic buying as one of the areas that will continue expanding in client demand. Moreover, they see it also as a challenge and an opportunity for agencies, because *“programmatic is still very much associated with digital, but TV is important in Portugal and there's a chance to have a smart TV that will allow for programmatic. Nowadays the screen doesn't matter, what matters is to identify the right target and develop an efficient tailored campaign”* (Xaxis Director at Groupm Portugal). This means that programmatic can be done in every type of media, agencies just need to find out how.

Business Intelligence to draw insights from Big Data

One of the areas many companies struggle with is the analysis of data, because they don't have the data scientists that are needed to perform this analysis and to draw customer insights from

it. In an era in which companies use several online channels and collect information from all of them, it is crucial to be able to see the big picture by joining all data and analyzing it. Thus, the expectations that brands have of their agencies are changing, *“I don't want my agency only to implement and manage my campaigns, I need them to analyse results analytically and give me suggestions for improvement, more than that I need them to analyse customer data and use that data to improve my marketing performance”* (Digital Marketing Manager at Leroy Merlin).

According to a WARC study in 2018, 55% of brand marketers will be prioritizing an increased focus on drawing insights from big data (*Toolkit 2018*, 2017). Also in Portugal, data analysis is expected to continue growing, since the interviewed specialists believe that in the Portuguese market, brand marketers are increasingly concerned with showing analytical marketing results and analyze customer data to improve marketing efficiency and make the most out of every online customer touchpoint. Portuguese brand marketers expect their agencies to help them improve marketing results and advise them regarding online strategy, *“for me when I'm choosing an agency, I look for the value they can give to my brand in terms of know-how and marketing analytics that I don't have in my team”* (Becel Brand Manager). Hence, in Portugal there is potential for agencies to not only leverage big data to enhance the performance of their services, but also to start selling big data analysis services.

Content Marketing in the form of video

Content marketing is an area that has been growing, as brands understand that customers prefer to search online for information before they decide to buy a product. So, there's the need for brands to produce content in a format that is consumed by their customers and that drives engagement in a time at which consumers are drowned with advertising. According to Xaxis Director at Groupm Portugal, *“video will continue to grow, it drives more engagement, it's a format that customers enjoy and advertisers are more predisposed to pay a higher price for video because they see results”*.

Video content can be used for advertising purposes or for educational purposes, in different formats, considering that video for advertising needs to be engaging and short, whilst a pure content video can be a bit longer, enlightening viewers or connecting with them through a story. Video is important, since *“this generation is looking for stories and authenticity and video is a format that combines the emotional part of storytelling with marketing initiatives that drive results”* (Digital Marketing Professor at Nova SBE). The rise of video forces agencies invest in capabilities to develop video content to optimize it in terms of SEO, so that it contributes to drive traffic results and increase brand reputation. YouTube is the most important video platform, followed by Facebook for advertising, and brands are betting on it, *“some of my clients are starting to switch a lot of investment from television to YouTube and in advertising it’s even bigger the gamble on Facebook”* (Digital Performance Manager at Havas).

Now that we have an overview of the industry and the main trends affecting it, it’s important to establish which are the key success factors to be competitive in this industry.

3.4 Industry Key success factors

The key success factors are those variables that can affect significantly the overall competitive position of the firm in an industry (Hofer&Schendel, 1978). These factors determine the ability of firms to compete in the industry. Although companies do not need to win in all these dimensions, they should not lag far behind in any of them either. In the agency market, there are four factors affecting the competitive position of agencies, which are described bellow:

1. Capacity to attract and retain talent

In a study developed by eConsultancy, agencies referred talent as one of the key success factors and also one of the major challenges, *“Retaining and attracting talent in a market where demand for digital capabilities is ever-increasing will be paramount to agencies’ success”* (Top 100 Digital Agencies, 2017). This implies that agencies need to attract people with a very diversified skill set. However, *“a marketer needs to have skills in marketing, management and*

data analysis at least, so it's difficult to recruit, because that's a profile we don't find in universities. Thus, we have to invest a lot in new hires to train marketers to acquire data skills and train data scientists to acquire a marketing perspective” (Xaxis Director at Groupm Portugal).

2. Multidisciplinary teams

Marketing is an area that needs to be whole-brained and so it is suggested that a more realistic approach to balancing technological skills with creative thinking would be to hire diverse teams in which every member knows a bit of everything but each one is a specialist in one area, encourage collaboration and develop new ways of working (*The Future of Agencies: Systems and Empathy*, 2017). There's a consensus among the interviewed specialists regarding the fact that agencies need to have people with a diversified skill-set to grow, *“agencies need not only creatives and marketers, but also people with strong analytical skills, because data is the most valuable asset for brands”* (Digital Performance Manager at Havas). The skills pointed out by the interviewees as being the most important were webdesign, copywriting, SEO, PPC and programmatic knowledge, data analysis and marketing strategy capabilities.

3. Technology

Technology plays a key role for agencies and advertisers, allowing for data collection to drive client insights that advertisers are willing to pay for. The marketing technology industry is expected to continue growing, driven by the amount of consumer data available, by the need for marketing analytics and results attribution and by the changes in consumer decision-making processes that forces brands to be always available and communicate with consumers in an individual one-to-one basis (*Martech: 2018 and beyond*, 2018). Thus, agencies need to be experts at working with technology to improve marketing results. Moreover, *“agencies need to dominate platforms, but also to create their own technology that can differentiate them from*

others” (Xaxis Director at Groupm Portugal). So, developing its own technology for agencies who have the resources to do it, can be a competitive advantage if they develop a software that improves marketing results in a way the existing software in the market can’t.

4. Agility

The agency market is constantly evolving at the pace of technological development and agencies need to be agile enough to get skills, knowhow and capabilities that allow them to use and help brands using technology. Moreover, agency value propositions need to evolve, as traditional firms are developing and acquiring digital, creative and design expertise, traditional agencies need to develop their consulting, data and technology competences (*The Future of Agencies: Systems and Empathy*, 2017). Thus, agencies need to be agile to acquire new skills, to constantly build know-how, to adapt its service offer to the changing needs of advertisers and, most important, to change their process, culture and methodology in order to compete with consulting companies who are entering the market, while adapting to the technological changes that influence the way they provide services.

4. YouLead Company Analysis

4.1 Overview of YouLead

YouLead is an Inbound Marketing Agency that belongs to the group Netopolis. The group had as its core business selling software and technology solutions for companies that, with the increase in the pace of technological progress, were becoming slowly out-dated. YouLead was born from the necessity of Netopolis to adapt to the changes in the market. The company’s CEO saw an opportunity to sell marketing automation software, a product that was and is still growing in demand. The CEO understood that marketers who were looking for marketing automation solutions, were very often looking also for marketing services and marketing strategic consulting to complement and enhance the use of the software. Hence, YouLead was

created in 2014 as a marketing agency that sells marketing automation solutions, but also develops digital marketing strategies for its clients.

In order to sell this type of software, YouLead partnered with Hubspot, a marketing automation software developer and seller, and became the first Hubspot agency partner in Portugal. Hubspot aims to sell the software and spread the inbound marketing philosophy by selling directly to customers and by partnering with agencies all over the world to sell their platform and provide inbound marketing services to its clients. Following Hubspot model, YouLead positions itself in the market as an inbound marketing agency certified by Hubspot.

Nowadays, YouLead provides three types of services: website development in which YouLead develops websites in Hubspot and in Wordpress, based on the inbound methodology; marketing services, in which YouLead's consultants evaluate the customer problem and design an inbound marketing strategy that addresses client needs; and finally the agency provides sales enablement services, in which consultants diagnose the problems of the client's sales team and develop a plan to optimize the sales process. Furthermore, YouLead has now made a partnership with RD Station, a marketing automation software that charges a lower price in comparison to Hubspot, in an attempt to overcome the lack of budget problem presented by potential clients. The agency is looking for growth opportunities through an expansion of its service range to new services. As we have already analysed the industry and the trends in marketing services demand, now it's important to perform an internal and external analysis of YouLead to understand the company's competitive positioning and combine it with market opportunities for growth.

4.2 YouLead Internal Analysis

4.2.1 Resources

Amit & Schoemaker (1993) define resources as stocks of available factors that are owned or controlled by the firm, which are converted into final products or services.

Financial resources

As a recent business, YouLead does not have strong financial resources of its own, however the agency has the financial support from its parent company Netopolis, which contributes to sustain YouLead's development, as the agency acquires the resources needed to grow. YouLead has also the support of the program Portugal 2020 to invest in its development and it is growing clients' number and fees, which soon will enable the business to be sustainable.

Technological resources

Besides being a digital marketing agency, YouLead also sells marketing automation and CRM technology to companies and develops the marketing strategy for its clients using several types of technology. YouLead sells now two marketing automation platforms, Hubspot and RD Station, and the team has the knowledge to work with these platforms and train clients on using their marketing automation software themselves.

Human resources

Although YouLead has a small number of employees, 7 in total, the team is diversified, ranging from designers to developers, marketers and sales people. This diversity enables the company to offer a wide range of services, ranging from a complete inbound strategy to a specialized and unique marketing initiative. YouLead's consultants are the ones who have the know-how to provide a service that meets clients' expectations and keeps working with the agency. In a service company, the human resources are crucial and contribute actively to the success of the business by delivering an excellent service to its clients day-by-day.

Reputation as the first inbound marketing player and Hubspot gold partner in Portugal

YouLead was the first mover in inbound marketing and it was the first agency in Portugal partnering with Hubspot, which gives it reputation when comparing with new agencies emerging in the market and positioning themselves as an inbound agency.

4.2.2 Capabilities

Capabilities refer to a firm's capacity to deploy resources, usually in combination, using organizational processes, to produce a desired effect (Amit & Schoemaker, 1993). While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage (Grant, 1991).

Strategic approach to the overall marketing strategy of clients

With the focus on inbound, the agency delivers to its clients a full marketing strategy comprising all digital channels and taking into account all the stages of the buyer's journey. The majority of competitors provide very specific services, such as pay-per-lead, email marketing or social media marketing independently or together, but based on what is demanded by clients, while YouLead has a strong consulting component in its service offering by designing the online strategy based on client needs and not on client demand.

Diversified Team

YouLead has a team composed by people with a diverse skill-set and academic background, enabling the agency to provide services using several technological platforms, as clients are demanding. It also allows YouLead to be a specialist in all areas inside inbound marketing, such as strategy building, content creation, website development, PPC and SEO optimization.

Constant communication with the client

YouLead consultants are in constant communication with the client to ensure that there's the maximum transparency level and the client knows exactly which channels the agency is using and what are the marketing initiatives, as well as its results. Being in constant communication with clients allows the agency to know everything that's happening on the client side, which enables the team to adjust the planned strategy in real time according to client's feedback and according to the data collected by YouLead and by the client.

4.3 YouLead External Analysis

4.3.1 YouLead Competition Analysis

Direct Competition

In terms of direct competition, YouLead is competing first with other inbound agencies that have the same positioning, mainly with Inbound agencies that also work with Hubspot or RD Station, such as Inboundware, Latigid or Outmarketing. The main competitor is NHO, an inbound agency located in Porto that is also a Hubspot partner and recently achieved the Gold level that, until December 2017, was only detained by YouLead. Moreover, YouLead is also competing with big and small agencies that provide the same type of services, such as agencies who develop websites in Hubspot or Wordpress, agencies that provide services such as email marketing, PPC, content production or SEO that YouLead provides in an inbound strategy.

Indirect Competition

YouLead is indirectly competing with big media and advertising groups that perform and develop digital marketing strategies based on above-the-line marketing techniques that use mass media such as TV, Outdoors or newspapers. YouLead doesn't use any of those techniques, however they can be an option for clients, representing competition. The big groups are not directly competing with YouLead, since they have a high level of client investment in platforms that enables them to have discounts and special access to advertising space. In addition they have their own technology for data analysis and campaign management, being impossible for YouLead to compete with them in terms of PPC, media buying and data analysis. This is the reason why big groups have as target large companies with high marketing budget and YouLead targets generally medium companies, although it has large clients that are attracted by the inbound methodology, in which YouLead is superior.

In order to establish YouLead's competitive positioning regarding its competition, we can evaluate which of YouLead's capabilities and resources represent a source of competitive

advantage in relation to its competitors. To be a source of temporary competitive advantage, a resource or capability needs to be valuable and rare, whilst to be a source of permanent advantage, it needs to be valuable, rare, difficult to imitate and the company needs to have capacity to use it properly. Looking at YouLead, the only resource that provides a permanent competitive advantage is the reputation of being the first inbound marketing player and Hubspot partner in Portugal. Moreover, when it comes to capabilities, comparing with direct competition, YouLead does not have capabilities that represent competitive advantage. However, when compared to indirect competitors, YouLead has the capability of providing a strategic approach to marketing strategy development, something that big agencies are not doing yet as well, but that is not difficult to imitate, conferring only temporary competitive advantage. Hence, YouLead needs to use its resources to build capabilities that can be a source of sustained competitive advantage when comparing to its competitors and that can help the company grow. To evaluate growth options, taking into consideration existing resources and capabilities and potential market opportunities and threats, a SWOT analysis will be performed.

4.4 YouLead SWOT Analysis

4.4.1 Strengths

Team with diversified knowledge

YouLead has a team composed by designers, developers, marketers, copywriters, PPC specialists, sales specialists, all with different backgrounds. This diversity enables the agency to provide a wide range of different services and to build marketing strategies for its clients that include all marketing areas and align the marketing strategy with the sales strategy.

First Mover advantage in Inbound Marketing and Hubspot

First inbound marketing agency partnering with Hubspot in Portugal, which gives the agency the first mover advantage, awareness and reputation, allowing it to be the first choice of customers who are looking for a partner to work with the Hubspot platform.

Well-Known Clients

YouLead has clients with strong and well-known brands, such as Galp, Nova SBE Executive Education and Wicanders, increasing its credibility in the market, which is important for a small agency that is now growing. Proving its value by achieving good results with the work developed for this clients, might be what the agency needs to establish itself in the market.

4.4.2 Weaknesses

Service is too expensive for the target

The Inbound methodology is based on organic results, so it needs a long-term strategy and continuous work to show good results. Thus, YouLead only sells a complete one-year marketing strategy based on inbound principles that include all platforms and marketing techniques required to drive results. This represents a high investment combined with the cost of subscribing the Hubspot or RD Station platform that is also supported by the client, and a high level of commitment.

YouLead has a small team for the number of clients

YouLead needs to reject smaller clients, because it does not have enough human resources. The agency provides a tailored service that requires being in constant contact with the client, making it difficult to deliver the same quality service with the increasing number of projects that occupy the team with operational tasks, leaving little to no time to contact with clients.

Lack of resources in areas that are growing

Areas such as video or data analysis are growing and clients are asking for it, however YouLead doesn't have the required human and technological resources to provide this type of service. This way, YouLead is not being able to compete in video creation, data analysis or content production, an area in which the agency is good, but doesn't have enough resources to accept clients that only need content production, which results in the loss of potential clients.

4.4.3 Opportunities

Be a technology advisor

Marketing technology has been evolving over the years, there's now several platforms with the objective of helping marketers performing their job. With such a wide range of possibilities, brands need a specialist that can help them choose the best and most suited technology, according to their needs. Agencies can position themselves as a partner to help brands understand the value of technology and possible utilization of emerging technologies such as Artificial intelligence, wearables or virtual reality, in their business. Brand marketers want to use technology, however they either don't know how to use it or they don't know how to incorporate it in their marketing strategy. Specifically, regarding marketing automation technologies, when asked about the biggest challenges in using marketing automation, 45% of respondents said "lack of an effective strategy" and 41% said "complexity of marketing automation" (*Martech: 2018 and beyond*, 2017). Moreover, the majority of respondents intend to increase their budget to invest in marketing automation. This represents an opportunity for YouLead as a Hubspot and an RD Station partner, since in Portugal there's a high number of marketers who don't know how marketing automation can be useful to them, how can it fit in their strategy and how to use it.

Incorporate Consulting in agency's service offering

Consulting firms are entering the agency market and brands are searching for partners that can help them analyse and drive insights from data, develop their marketing strategy, decide which platforms to use and implement the strategy with focus on results and result analysis for improvement. Thus, agencies have the opportunity to shift from being a partner that only helps implementing a marketing strategy, to being the partner that develops the marketing strategy, implements it and improves it based on results achieved. Clients are looking for knowledge transfer, *"I don't need an agency only to execute campaigns, that's just outsourcing, I want my*

agency to update me about the trends in my industry and to help me define my marketing strategy, which channels should I use and how” (Digital Marketing Manager at Leroy Merlin).

4.4.4 Threats

Other players can achieve the same Hubspot partner level

There are other agencies partnering with Hubspot and it's just a matter of time until they start growing and reach YouLead's level, its competitor NHO already has. Moreover, it's easy to become a Hubspot or RD Station partner, so YouLead has to establish itself as the best option.

Competition

The agency market is very competitive, and if a long ago, YouLead was the first mover in this market competing with an inbound value proposition that differentiated it from others, now there are a lot of agencies trying to compete in inbound marketing. Moreover, there are no barriers to entry in the agency market and the number of agencies entering the market continues increasing. All these agencies providing digital marketing services are competition.

Clients are more demanding and less willing to pay

Nowadays the majority of agencies are no longer paid through media commissions, but either through fees that are becoming smaller, as the case of YouLead. Michael Farmer says in its book *Madison Avenue Manslaughter* that “*The enemy is workload growing faster than income*”, which is true as advertisers are trying to reduce agency fees, but are much more demanding. They want their agencies to generate leads, gather customer data, analyse data and be proactive using the insights to drive measurable results. This implies a higher level of effort from agencies, but the majority of brand marketers are not willing to increase the agency fee due to lack of expertise to understand the effort that is involved in what they demand.

5. Analysis and Discussion of Hypotheses for Growth

A TOWS matrix framework was used in order to evaluate some hypotheses for YouLead to continue growing. There are four strategic hypotheses.

Hypothesis I: Use its strengths to maximize opportunities

Starting with the first hypothesis, YouLead can take advantage of the opportunity to become a marketing automation technology advisor to its clients by leveraging the fact that it is the first Hubspot partner in Portugal, it has also a partnership with RD Station and the team has the capability to learn how to use other platforms if necessary. In addition, the market is also demanding for a partner in data analysis, something that YouLead could invest in, since the direct competition is not focused in BI yet and investing in it could also help the agency provide a better service to its existing clients. Investing in a BI software and in a data scientist specialized in analysing data, would contribute to improving the efficiency and quality of data analysis and to spare consultants time that is precious for the agency to accept new clients and grow. Furthermore, YouLead can take advantage of the opportunity to incorporate consulting services in its service offering by leveraging the fact that its team already provides a strategic approach when developing its clients integrated marketing strategy. This would allow the agency to offer consulting services in terms of marketing strategy building or customer experience optimisation, something that YouLead already does, but only if its included in the full inbound strategy. With this strategy, the company can have clients that are ready to pay for a marketing consulting project, but are not ready to pay for implementation yet.

Hypothesis II: Use its strengths to minimize threats

Moving on to the second hypothesis, in order to overcome the threats of growing competition and declining fees, YouLead can leverage its well-known clients by showing the results achieved with them to get reputation and credibility in the market, surpass direct competitors

and charge higher fees. However, this strategy would help YouLead surpass only a part of competition, the most recent inbound agencies, but not the big marketing agencies, such as the ones belonging to the big groups, that already have a strong reputation in the market. YouLead needs a strategy that enables it to have a competitive advantage regarding all types of competitors through a differentiated value proposition.

Hypothesis III: Minimize weaknesses by taking advantage of opportunities

Regarding the third hypothesis some weaknesses such as the lack of resources in areas that are growing and the lack of human resources to accept more clients can be minimized with investment in technology and in human resources, such as BI and data scientists that would help consultants work more efficiently and help the firm becoming a technology advisor. Taking advantage of the opportunity to incorporate consulting in the service offering will allow YouLead to offer more diverse and perhaps less expensive services, depending on the degree of complexity of the client's. This strategy minimizes the problem of the lack of budget from clients to invest in a full inbound project with strategic planning and implementation, since this way clients can invest in a smaller project with a lower level of investment and focused on addressing just one of their challenges and not all at once, as it happens now.

Hypothesis IV: Minimize weaknesses to avoid threats

A defensive strategy such as minimizing weaknesses to avoid threats will not help the company grow and the most concerning threat, the decrease in client fees and the increase in workload, can not be directly avoided by minimizing any of the weaknesses, but rather by taking advantage of the opportunity to become a consulting firm and offer a different set of services, that fit the budget of smaller firms.

6. Conclusion

In this project we have analyzed the marketing agencies industry, in terms of evolution, trends and key success factors in order to understand what agencies need to take into account when considering a growth strategy. Then, we have analysed YouLead's resources and capabilities and compared it to its direct and indirect competition, in order to understand if the agency has a sustained competitive advantage. After this analysis, we understood that the market is extremely competitive and that YouLead has only one resource that can be a source of competitive advantage, it's reputation as the first inbound marketing player and Hubspot partner in Portugal. Hence, YouLead needs to find a growth strategy that gives the agency new capabilities that can be a source of competitive advantage and differentiate the agency from its competitors. To do so, a SWOT analysis was performed, in order to evaluate possible strategies for YouLead based on its strengths and weaknesses and in market opportunities and threats. Through this analysis, it's possible to understand that the best strategy is the first hypothesis, to take advantage of opportunities by leveraging strengths.

The first hypothesis enables YouLead to take advantage of the two market opportunities, at the same time as it is addressing trends that are growing in demand, such as consulting services in customer experience optimization and business intelligence. As Inbound methodology already takes into account the customer experience optimization across touchpoints, YouLead can use its positioning, its reputational resource and combine it with the strength of having well-known clients to position itself as the first choice when looking for customer experience optimization consulting services. The same can be done in terms of technology by investing in data analytics and combining it with the experience with marketing automation platforms, YouLead can provide consulting services as a technology advisor and a customer data analyst for marketing purposes. To conclude, YouLead should follow this growth strategy that will increase its value in the market and differentiate it from competitors without jeopardizing its inbound positioning.

7. References

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