

Too many agencies go over budget

A recent Magnetic Agency Survey indicates that 45% of agencies cite lack of process as the most common reason for exceeding job budgets. Other reasons include over-servicing clients and having insufficient briefs in place. This means that almost half of the agencies surveyed feel they could have stayed within budget had there been better processes and project scope boundaries.



Daniel Marcus

Daniel Marcus, CEO of [Magnetic Software](#) warns local agencies against letting these bad budgeting habits trickle into their business operations and eat into profit margins. “In the harsh economic climate in which South African businesses currently operate, agencies cannot afford to let their costs overrun their budget. While exceeding set budgets on projects used to be somewhat common practice for advertising and marketing agencies, shrinking profit margins no longer allow it. As agencies continue to find their margins being squeezed, they have less room for error when it comes to the expenditure on their projects.”

While staying within budget can be a challenge for agencies, given the number of factors that contribute to cost, Marcus says that it ultimately comes down to the level of control an agency has over a project.

“A major issue that stood out in the survey results was that 25% of agencies said they only get notified of going over budget once the project is completed, while another 28% said they only get notified once the budget has been exceeded. This means that more than half of the agencies surveyed only find out that they’ve gone over budget when it’s too late to actually rectify the issue.”

“It is not uncommon for a client to request additional features for a project that may not have been specified in the original scope. This is known as scope creep and, if an agency does not accurately track and charge for these additional changes, it is eating into its profit, as it is more than likely to go over budget. In order to prevent this from happening, agencies need to receive job profitability warnings before the budget has been exceeded.

Marcus says that with the right project management software in place, budgets can be kept under control and overspending to a minimum. In the case of Magnetic Software, an agency is notified before a project runs over time or budget and will receive key metrics in order to stay up to date with project-critical information.

“While the national budget and spending habits of fellow South Africans may be out of your control, the expenditure of a project undertaken by your agency shouldn’t be,” he concludes.

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