

SMALL AGENCY BUSINESS REVIEW & OUTLOOK

Quarterly Assessment & Agency Business Development Insights

Q3 2024



SMALL AGENCY
GROWTH ALLIANCE

www.smallagencygrowth.com

Executive Summary

The outlook from agency owners

Agency owners (and anyone who has spent time with them over the past 12 months) know that things have been rough for many firms.

But this quarter's SAGA Small Agency Business Review & Outlook Survey suggests that many small agency owners are optimistic that the worst is behind us and there is growth on the horizon.

A strong 68% of agency owners expect to see revenue growth for their businesses in the next 12 months, with 59% expecting profits to follow suit.

It is important to note, however, that just 35% expect to increase their headcounts. This suggests that agencies are either overstaffed today or they plan to ask more from their existing teams to keep profits rising.

Owners averaged a 6.88 (out of 10) satisfaction score with the overall state of their businesses, suggesting that they largely feel there is a lot of room for improvement but haven't lost hope.

This is the first of an ongoing series of quarterly assessments that will seek to measure the confidence level of the agency industry, while also taking deeper dives into specific topics of interest to agency owners.

Agency business development

This quarter, we take a close look at agency business development, including what's working and what owners expect to implement in the months ahead.

We heard a lot of frustration from owners, and the vast majority aren't very satisfied with the state of business development in their firms (with an average satisfaction score of 4.81 out of 10. More than half (56%) say that sales cycles have gotten longer for them during the past 12 months).

But they do seem prepared to invest more time and energy (and resources) into growth in order to make their revenue predictions a reality.

One in four spend at least 50% of their time on business development, and 56% spend at least one-quarter of their week on the function. These represent increasing amounts for the vast majority of owners.

Looking ahead, 63% of agency owners expect to increase their investment in business development.

When asked which business development tactics have proven most effective for their agencies, typical answers like word of mouth and attending events topped the list. But less widespread ones like podcast hosting and video marketing also ranked well.

This survey indicates that agencies have generally been seeing growth from a mix of both recurring and project revenue, with organic growth from existing clients playing an important role.

More than half of the respondents (52%) use hourly billing as one of their models, indicating that despite all the hoopla that approach isn't dead. At the same time, monthly retainers (not hours-based) and fixed-fee projects represented significantly more prevalent pricing models for most agencies.

In addition to slower sales cycles, some respondents noted that many prospects go through the process of vetting agencies – only to decide against hiring any at all. For many owners, that reflects a greater frustration than losing to a competitor.

Conclusion

Agency owners have optimism for the next 12 months, despite continued uncertainty over the economy and other global issues.

They believe that an increased investment in business development coupled with an improvement in the overall economy will likely lead to revenue and profit growth for their businesses.

Although most remain unsatisfied with the state of their own business development efforts, the owners surveyed have plans to address that, including spending more of their own time and money to drive growth.

Agency Owner Outlook

Small agency owners seem optimistic about the next 12 months, with a majority expecting to see an increase in both revenue and profits. However, they do not expect to see head count growing at the same rate.

Agency owner expectations for the next 12 months

	Increase	Remain Same	Decrease
Revenue	68%	24%	8%
Profits	59%	31%	9%
Total Employees	35%	54%	11%

Agency Owner Satisfaction

The small agency owners who participated in the survey were asked to rate their current level of satisfaction on a scale of 1 to 10, with a higher number indicating greater satisfaction.

The average of all responses received was 6.88, indicating that they were more satisfied than not. However, it is notable that more than 1 in 5 agency owners rated their satisfaction as 5 or less. This suggests that a significant number of owners have serious concerns about the current state of their agencies, even if they may maintain a level of optimism for the future.



6.88

Agency Business Development

In addition to questions about the outlook for the agency, this quarter's survey looked at what small agencies are doing for business development.

Business development resources

Despite the fact that many small agency owners lament the lack of available time to spend on business development, more than half (56%) devote at least one-quarter of their total work time to the activity.

Respondent's time spent on business development (last 12 months)

<10%	10-25%	26-50%	> 50%
13%	31%	31%	25%

In addition, more than half (56%) have increased the amount of time that they are spending on business development tasks during the past 12 months.

Change in respondent's time spent on business development (last 12 months)

Increased	Remained Same	Decreased
56%	28%	16%

Most of the respondents had help with the business development function, including co-owners/partners (37%) and non-owner employees (46%).

The clear majority of firms do not have dedicated business development employees, with just 17% reporting that they have one or more employees who devote at least 50% of their time to the function.

Some small agencies do make use of outside help including contractors/freelancers (14%), business development consultants/coaches (12%), PR/marketing agencies (8%), and appointment-setting firms (5%).

What's working for business development

Owners were asked to rank the effectiveness of the activities that they were currently engaged in on a scale of 1 to 5 (with 5 being the most effective).

Not surprisingly, word of mouth topped the list by a clear margin, while cold calling and cold email took the bottom spots.

Effectiveness of business development tactics (last 12 months)

Activity	Effectiveness (1-5)
Word of mouth	4.3
Attending events	3.4
Podcast (host)	3.0
Video	3.0
Responding to RFPs	2.9
Original research	2.9
Earned media	2.8
Webinars	2.8
Email newsletter	2.8
Social media posts	2.7
Social media advertising	2.7
Search ads	2.6
Referral fee program	2.6
Blog posts	2.5
Organization sponsorships	2.5
LinkedIn direct messaging	2.4
Podcast guest	2.3
Guest posts/articles	2.3
Event sponsorships	2.3
Exhibiting at events	2.0
E-books	1.9
Direct mail	1.9
Traditional advertising	1.9
Cold emails	1.8
Cold calls	1.5

The level of effectiveness only tells part of the story, however.

Some of the tactics that are most effective (like hosting a podcast) are not being widely utilized. At the same time, some tactics with comparatively lower effectiveness ratings are pretty widely utilized (like event sponsorships).

Utilization of business development tactics (last 12 months)

Activity	Percent of Agencies Using
Word of mouth	95%
Social media posts	88%
Attending events	84%
Blog posts	81%
LinkedIn direct messaging	66%
Responding to RFPs	64%
Email newsletter	64%
Cold emails	60%
Earned media	48%
Podcast guest	45%
Event sponsorships	42%
Cold calls	42%
Guest posts/articles	39%
Video	34%
Webinars	34%
Organization sponsorships	34%
Search ads	34%
Referral fee program	33%
Original research	33%
Social media advertising	33%
Exhibiting at events	29%
Podcast (host)	28%
Direct mail	27%
E-books	27%
Traditional advertising	15%

Plans for the next 12 months

Looking ahead, agency owners don't seem to have a lot of agreement on what business tactics to try next.

Future business development plans (next 12 months)

Activity	Percent Expecting to Start in Next 12 Months
Attending events	46%
Email newsletter	39%
Social media posts	36%
Blog posts	31%
LinkedIn direct messaging	31%
Video	29%
Cold emails	27%
Guest posts/articles	24%
Original research	24%
Referral fee program	24%
Earned media	22%
Social media advertising	22%
Webinars	20%
Responding to RFPs	20%
Podcast guest	19%
Search ads	19%
E-books	15%
Event sponsorships	14%
Exhibiting at events	14%
Podcast (host)	12%
Cold calls	8%
Organization sponsorships	8%
Direct mail	5%
Traditional advertising	2%

Current platforms for business development content

LinkedIn has the distinction of being named by every individual survey respondent as a platform that they utilize for marketing their agencies.

After that, it becomes much more fragmented.

Platforms being used to market agencies

Platform	Percent Using
LinkedIn	100%
Instagram	40%
X (Twitter)	37%
Facebook	33%
YouTube	14%
TikTok	6%

Agency pricing models

The agency community frequently debates the best pricing models for winning new business (and ensuring profitability).

This survey found that agencies are using a wide variety and combination of pricing models to win new work.

Agency pricing models in use

Pricing Model	Percent Using
Monthly retainers (not hours-based)	80%
Fixed-fee projects	78%
Hourly billing	52%
Value pricing	35%
Pay for performance	3%
Commission-based	2%

Types of new business being won

Agency new business comes in two main flavors: recurring revenue and project-based fees.

Survey respondents report a fairly equal mix between these two across the agency community.

New business as project vs recurring revenue (last 12 months)

Projects	Recurring	Even Mix
38%	42%	20%

New clients vs organic growth

Agencies report that while organic growth from existing clients plays an important role in their revenue generation plans, new clients still account for about half of the new business won during the past year.

Source of new business (last 12 months)

New Clients	Existing Clients	Even Mix
44%	26%	29%

Time to close deals

A common theme from agency owners over the past year or two is that prospects have been taking longer and longer to make decisions. This survey data backs that up.

Length of sales cycle (past 12 months)

Increased	Remained Same	Decreased
56%	30%	14%

Investment in business development

As noted earlier, owners seem bullish on the prospects for revenue growth for the next 12 months.

They seem prepared to put their money where their minds are at, with most expecting to increase their investment in business development.

Virtually none seem prepared to cut back in their investment in growth.

Planned growth in business development investment (next 12 months)

Increase	Remain Same	Decrease
63%	35%	2%

Satisfaction with business development

Small agency owners seem largely dissatisfied with the state of business development in their agencies today.

The average satisfaction with business development reported by small agency owners was 4.81. No respondent rated their satisfaction level as higher than an 8 (out of 10) with 61% assigning a score of 5 or less. In fact, more than 1 out of 5 rated their business development satisfaction as only a 1 or a 2 on the 10-point scale.



4.81

Additional observations from agency owners

In addition to quantitative data, we wanted to collect some more personalized observations from agency owners.

We included an open-ended question where we solicited additional observations on business development at their agency.

And we received quite a lot of unvarnished candor.

Some of the themes were pretty predictable: it has been a rough year or two with slower sales cycles and lower win rates.

In some responses, the anxiety was palpable, with a few expressing real frustration with prospects for their behavior and some even questioning the survival of their own businesses.

However, overall the frustration more often than not seemed balanced with conviction that things would change – in no small part because the owners plan to drive some of that change themselves.

Here is a sampling of some of the comments received:

- It's the same old challenge of not carving out the time to focus on new business vs working on client work. Changing this now!
- It's been a struggle keeping up with business development while I'm also one of the primary people doing the work to deliver the product.
- Getting a prospect to sign and getting started is still one of the hardest things.
- Smaller budget opportunities. Seems harder to make profit. Budgets not keeping pace with inflation. People want more for less. Everything is just harder.
- I own a boutique, highly specialized, tightly positioned agency. That makes it easy to focus and ask for referrals. Over the past 30 years, our most valuable clients have been referrals.
- Wish I could spend more time on it
- 2023 was a really hard year!
- It feels like no one on the other end of our business development efforts wants to work ... The general laziness of new clients started in spring '23 and continues today.
- Business development is an on-going process and requires consistency over time and a LOT of patience before a lead will move from a contact to a conversion. Also it is very important to those who become our clients to not "sell" them but to lead by giving value and demonstrating how we work and think first so they can move forward confidently.
- We struggle to differentiate, and oftentimes spend too much time talking about ourselves and not enough understanding the Buyer's Journey and ensuring the content production is getting to the right audience in the right places.
- We've benefited a lot from building our business on low-cost channels (earned media, guest posting, guest podcasting, speaking/webinars, etc. and SEO) but have found it challenging to make the unit economics work on more capital-intensive channels (Paid ads, Cold Outreach)

- It's really tough keeping up with all of the AI tools.
- Word of mouth is key
- We find speaking at events hugely valuable
- Prospects are VERY slow to make decisions, and the vetting process (references, etc.) are more stringent. There is a great emphasis on "test" or "small project" before a more ambitious project
- Word of mouth and serial project clients are the engine of my business.
- It's been a rough, unpredictable year. Of the last several (2020, 21, 22, 23, 24), the last two have been the toughest.
- We're digging into a new approach (for us) as we niche down. This approach is a cold email/cold call plan as opposed to more typical advertising and direct mail marketing. Our goal is for more MRR, more "templated" work and projects as opposed to resource-heavy original, one-off campaigns.
- We also are concerned about the election cycle and how the outcome of the national/state/local elections will affect our business.
- It's HARD right now. Significantly longer sales cycle, which also has a lower close/win rate, and prospects are looking for significant support but with lower budgets.
- Been a crappy few months. Deals taking forever to close. I'm not doing a good job of marketing either.
- Increased competition, calling for...
 - Increase in # of proposals that have to be sent in order to compensate
 - More client pushback on budgets
 - Fewer direct enquiries and WOM/referrals compared to the past
- Speaking has been a mixed-bag as far as business development, some events where I've spoken have generated a lot of leads/clients and others notsomuch.
- The business model is shifting. We are going to have to pivot the agency's focus away from retainer work and more on project work to survive.

- Referrals are my number one source of business development, most often from people I have worked with before when I was employed at other organizations with them, or when they moved to a new client and reached out after working with me for a previous client. I have also gotten excellent referrals from other small agency colleagues.
- It's about building trust and that means it takes a different playbook than the typical SaaS or ecom brand.
- Over the last year, we've seen a decrease in budgets and the amounts clients are willing to pay for our typical offerings (branding, websites, etc.)
- Outreach and lead generation has garnered enough prospects, but closing them has been problematic. My 2023 new biz record: 20% win, 10% lost, 50% chose to not hire an agency, 20% postponed decision to 2024. I've never seen that many companies no-hire / postpone their decisions.

Methodology & Demographics

SAGA's Q3 2024 Small Agency Business Review & Outlook Survey was conducted online from July 15 to August 2, 2024. A total of 80 small agency owners participated.

Respondent's Ownership Status

Sole Owner	Co-Owner/Partner
54%	46%

Total Owners of Agency

1	2	3-5	6-10	11+
54%	35%	9%	2%	0%

Number of Agency Employees

1	2-5	6-10	11-25	26-50	51+
18%	32%	22%	17%	9%	2%

Agency Fee-Based Revenue

< \$250k	\$250k-\$499k	\$500k-\$999k	\$1-3 million	\$3-5 million	\$5 million+
23%	15%	25%	26%	5%	6%

Agency Type

PR/ Public Affairs	Marketing	Digital	Advertising	Other
32%	20%	22%	2%	24%

About the AIM-GET Framework

The AIM-GET Framework for Agency Success was developed by Chip Griffin to help agency owners make key business decisions needed to generate meaningful results as part of the Build to Own mindset.

It establishes a planning and implementation process that ties personal and business objectives together.

The six pillars of the Framework are:

- Ambition
- Identity
- Management
- Growth
- Execution
- Talent



The first three pillars (AIM) act as a compass, pointing the agency in the right direction by establishing the vision and taking a 30,000-foot view of the business.

The second set of pillars (GET) transitions into the day-to-day work it takes to build a sustainable agency that continues to deliver results.

More information can be found at <https://www.smallagencygrowth.com/aim-get>

About SAGA

The Small Agency Growth Alliance works with public relations and marketing agency owners to build better businesses. Through hands-on consulting, training, and advice, Chip Griffin uses his decades of experience to help agency owners achieve their goals.

To learn more about SAGA and how it serves the agency community, please visit www.smallagencygrowth.com.