

SMALL AGENCY OWNER SURVEY

Quarterly Outlook & Talent Insights

Q4 2024



SMALL AGENCY
GROWTH ALLIANCE

www.smallagencygrowth.com

Executive Summary

The outlook from agency owners

Despite tough times, most agency owners seem generally satisfied with their businesses and have an optimistic outlook for the next 12 months.

The Q4 SAGA Agency Owner Survey found that the average satisfaction score was 6.94 (on a 10-point scale) which is nearly identical to the 6.88 reported in Q3.

Strong majorities expect both revenue and profits for their firms to increase over the next 12 months, with just 1 in 10 taking a more pessimistic view and anticipating those numbers to decline.

Encouragingly, most agency owners do not expect to see reductions in headcount at their firms in the year ahead, an improvement from Q3 when 1 in 10 thought they would see fewer employees in their business.

However, the owners surveyed don't plan to increase headcount either, with nearly two-thirds anticipating that they will hold steady despite expected increases in revenue and profits.

Agency talent

This quarter, in addition to the overall outlook and satisfaction questions, we took a closer look at agency talent, including compensation, recruiting, and retention of team members.

The survey data suggests that most small agencies are not too stingy with compensation, and are paying most of their employees, on average, somewhere between \$60,000 to \$80,000 per year. More than half have at least one non-owner employee earning in excess of \$100,000.

At the same time, owners aren't being all that generous with their own compensation. Less than half are consistently paying themselves more than \$100,000 per year and nearly 1 in 5 don't pay themselves a set amount at all, opting to take what they can out of profits.

Similarly, while most agencies reported increasing salaries and providing bonuses (both of which tended to be as large or larger than last year), just 21% increased their own compensation. A substantial 39% cut their own pay over the past 12 months.

When it comes to benefits, the most common one offered to employees is health insurance, although just 81% do so.

Freelance contractors remain popular for small agencies, with nearly all (95%) saying they use that form of labor. More than half reported having full-time employees and 1 in 4 subcontract work to other agencies.

Consistent with the overall industry outlook trends revealed in this survey, just 1 in 10 agencies said that they increased the total number of employees during the past 12 months. Conversely, 1 in 3 said that they were smaller now than a year ago.

For those who hired employees, personal network referrals and LinkedIn were the most fruitful sources of successful recruits.

Employees who left voluntarily did so for an even mix of agency and non-agency jobs.

As one might expect, small agencies have fully embraced remote and hybrid work, with no agency responding that they had a full-time in-office presence. By and large, owners seem to trust their team members to handle decisions about when and how to work as long as the job gets done.

Regular overtime work by employees remains an issue for about 1 in 3 small agencies who indicated that employees work more than 40 hours a week at least once per month.

Conclusion

Continued overall optimism among small agency owners for the next 12 months is tempered a bit by a hesitation to match revenue increases with headcount growth.

At the same time, agency owners have largely been generous to their teams despite tough times – often at their own expense by decreasing their own compensation in favor of salary increases and bonuses for their employees.

Agency Owner Outlook

Small agency owners continue to seem optimistic about the next 12 months, with a majority expecting to see an increase in both revenue and profits. These numbers largely resemble those from last quarter's survey.

However, the outlook for headcount has improved somewhat over the last three months. While the percentage of owners expecting to have more employees over the next 12 months held steady, there was a significant shift in those expecting to reduce team size (from 11% of respondents to just 1%). This led to a corresponding increase in the number of agencies expecting to hold staffing at current levels.

Agency owner expectations for the next 12 months

	Increase	Remain Same	Decrease
Revenue	71%	22%	7%
Profits	59%	30%	10%
Total Employees	33%	65%	1%

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 6.94, indicating that they were more satisfied than not. This represents virtually no change from Q3 which saw a score of 6.88.

It is notable that once again about 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 overall the agency community may maintain a level of optimism for the future.



6.94

Agency Talent

In addition to questions about the outlook for the agency, this quarter's survey looked at specific questions related to agency talent, including compensation, recruitment, and retention.

Employee Compensation

To understand salary ranges at small agencies, we asked about the pay for the highest and lowest paid individuals in the respondents' firms.

The most common average salary response fell in the \$60-79,000 range, with nearly half of the agencies having at least one employee earning more than \$100,000 per year. A majority of agencies pay their full-time employees at least \$50,000, with just 13% indicating that they have anyone working full-time for less than \$40,000.

Lowest-paid full-time employee (non-owner)

<\$40k	\$40-49k	\$50-59k	\$60-79k
13%	26%	33%	27%

Highest-paid full-time employee (non-owner)

<\$50k	\$50-79k	\$80-99k	\$100-149k	\$150k+
3%	27%	20%	30%	17%

Average salary for full-time employees (non-owner)

<\$50k	\$50-59k	\$60-79k	\$80-99k	\$100-149k
10%	10%	33%	23%	13%

Owner Compensation

When it comes to paying themselves, small agency owners largely seem to be pretty stingy. In fact, only about half of the respondents reported paying themselves in six figure amounts. One in four pay themselves less than \$80,000 per year.

It is noteworthy that nearly 1 in 5 (18%) of small agency owners say that they do not pay themselves a regular amount of compensation and only take money from profits.

While these results suggest that some owners may still be well compensated from their profit pool, the fact that they are not regularly and consistently paying themselves a salary above \$100,000 is concerning.

Owner pay (salary, guaranteed payments, or regular draws)

<\$50k	\$50-79k	\$80-99k	\$100-149k	\$150-249k	\$250k+
16%	6%	12%	28%	12%	9%

Change in owner's pay (last 12 months)

Increased	Remained Same	Decreased
21%	33%	39%

Compensation Structure

Just 35% of small agencies have well-defined salary bands for specific job titles and roles. While not surprising, this can present issues to agencies looking to scale and grow. It often leads to inequitable compensation, team tension, and title inflation.

Compensation Trends

Despite tough times, most agencies handed out raises to some employees, with 43% reporting that they increased the salaries of most or all of their full-time employees.

For those who did give raises, 73% of them were as large if not larger than the year before.

Share of employees who received raises (last 12 months)

None	Some	Most	All
31%	18%	9%	34%

Size of raises (compared to previous year)

Smaller	Same	Larger
26%	43%	30%

More agencies reported giving bonuses to employees than provided raises. In fact, 57% of respondents said they provided bonuses to most or all of their team in the past 12 months.

Those bonuses were largely the same or larger than the year before, suggesting that owners were not looking to skimp on bonuses to safeguard cash.

Share of employees who received bonuses (last 12 months)

None	Some	Most	All
33%	9%	9%	48%

Size of bonuses (compared to previous year)

Smaller	Same	Larger
43%	43%	14%

Commissions

A common question from agency owners is whether or not to provide commissions for new business to employees. Although the practice is not the default, a significant 40% of respondents say they pay commissions to non-owner employees for new business.

Employee Benefits

Predictably, health insurance is the most common benefit offered to full-time employees. Just as predictably, pet insurance was the least common in our survey, although 6% of respondents do offer it.

A bit more surprising was that 14% of the small agency owners said that they offer tuition reimbursement, something more commonly associated with larger enterprises.

Employee Benefits for Full-Time Employees

Benefit	Percent Offering
Health insurance	81%
Retirement plan	64%
Dental insurance	53%
Paid parental leave	42%
Paid bereavement leave	39%
Disability insurance	33%
Paid medical leave	33%
Mental health services	25%
Unpaid parental leave	25%
Commuting subsidies	25%
Tuition reimbursement	14%
Employee assistance program	11%
Pet insurance	6%

Labor types

Small agencies have long relied on contractors to help provide services to clients, and this survey bears that out. Almost all (95%) of the respondents said they use freelancers in their agency.

About half of respondents indicated that they had full-time employees and nearly 1 in 3 subcontract work to other agencies.

Types of labor used

Type	Percent
Freelancers/individual contractors	95%
Full-time employees	51%
Part-time employees	37%
Subcontracted agencies	28%
Virtual assistants	12%
Outsourcing firms (domestic)	4%
Outsourcing firms (international)	4%
Temporary employment firms	2%

Recruiting and retention

Most small agencies have been very conservative with their headcount over the past 12 months, with just 11% reporting growth in the total number of employees. The majority (56%) remain at the same staffing level as a year ago.

Change in number of full-time employees (last 12 months)

Increased	Remained Same	Decreased
11%	56%	33%

For agencies who hired employees – largely to replace turnover – the owner's personal network was the strongest source of new hires, followed by LinkedIn.

Sources of new employees (last 12 months)

Type	Percent
Referral from personal network	36%
LinkedIn	24%
Referral from current employee	14%
Indeed	10%
Social networks (other than LinkedIn)	8%
Job listing sites (other than Indeed)	8%
Other	6%

When it comes to letting employees go, 20% of responding agencies terminated an employee for cause in the past 12 months while nearly the same share (19%) laid off one or more employees in that time.

When employees left these small firms voluntarily, they split fairly evenly between agency and non-agency destinations. Just 7% of agencies saw an employee leave to work for a client in the past 12 months.

Destinations of employees who voluntarily departed (last 12 months)

Type	Percent
Another agency	44%
Non-agency/non-client	26%
Other	22%
Current agency client	7%
Former agency client	0%

Work environment

Remote work has clearly taken hold in the world of small agencies. Even prior to 2020, many smaller agencies had adopted a remote work culture, but this survey found that none of the agencies have returned to a fully in-office model.

Barely 1 of 3 responding agencies even has a physical office for employees to go to, with 65% reporting that they are all remote.

Approach to remote/office work

Fully in-office	Hybrid	Fully remote
0%	35%	65%

Of course, hybrid and remote work brings challenges. For those who have adopted a hybrid model, there seems to be no consensus on the best model for managing the office and remote time split.

Responding agencies indicated a mix of models, with a fairly even split between the agency setting schedules, the agency setting minimum amounts of in-office time, or simply leaving it all to the employee to decide.

Managing office time for hybrid environments

Employee choice	Minimum requirements	Agency sets schedule
27%	32%	41%

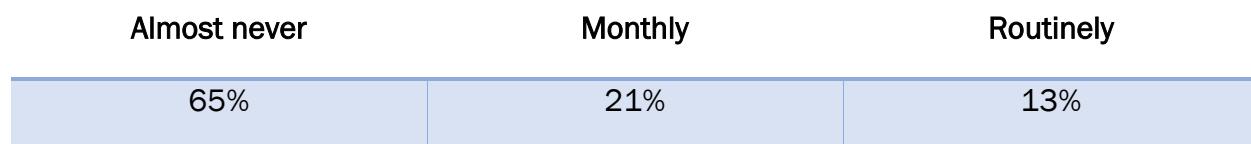
When it comes to handling work hours for remote employees, most small agency owners seem willing to allow the team members to figure out what works best as long as the job gets done. Just 1 in 4 sets the hours for all employees to match.

Managing working hours for remote employees



The agency industry has long had a bad reputation for balancing their books on the backs of employees by making them work endless hours. The good news is that nearly 2/3 of respondents say that their teams almost never work more than 40 hours per week. However, 1 in 5 say it happens at least once a month and an additional 1 in 10 say it is more frequent than that.

Frequency for employees working >40 hours per week



Team transparency

When it comes to what financial information to share with employees, a substantial majority (74%) of agency owners let them know how much clients are paying the agency.

Most also offer a general financial overview, with some providing percentages to add context. Just 1 in 5 are sharing specific revenue and expense data for the business, however.

Since most agencies reported not having salary bands, it isn't surprising that few are sharing that information with their teams. Perhaps a bit surprising is that 7% of owners indicate that they share actual salary information with the team. Almost none share their own compensation figures, however.

Types of financial information shared with employees

Type	Percent
Client/project fees	74%
General financial overview	60%
Performance in percentage terms	38%
Specific revenue/expense information	19%
Salary bands	12%
Individual salaries	7%
Owner compensation	2%

HR assistance

When it comes to dealing with human resources issues, a substantial number of agency owners turn to professionals to help them. That assistance comes in a variety of forms and there is no clear consensus from the agencies surveyed as to the preferred option.

Sources of HR help

Type	Percent
HR service provider	41%
Internal HR director (full- or part-time)	17%
Employment attorney	17%
HR consultant	14%
Other	28%

Additional observations from agency owners

- “In terms of talent I have noticed team members are less 'hungry' to seek out and secure results for clients post pandemic. Our team has not changed much and so it is the same group mainly but there is much less desire to just want to jump through hoops to make a client happy. My view is that with much less face to face and more home life responsibilities, they are just less focused on work which I get. They are still great but there is a lot more 'lets do what we have always done for clients' and I have to really get them to think outside of those boxes which I find a bit tiring to do on an ongoing basis.”
- “very pleased with the talent we are finding through internal recruiting”

- “We were in recovery mode for the past year. In the last few months we were able to hit revenue goals again and we will be able to give raises if it continues, but this year I had to take a salary hit to keep everyone employed. I started paying myself again when we added new clients.”
- “We rely on contractors to fill out our team. There are two company owners. We are uncertain about the next year but are approaching business development as we always do so we hope to add clients and increase profit.”
- “It is hard to find sub contractors who can drive results in media relations.”
- “I have been successful with a flexible model using subcontractors and outsourcing for specific skills on projects.”
- “Possible change in min. salary to be non exempt could impact hiring of entry level people, or at least their job activities. Policies around travel or trade shows would have to be evaluated.”
- “Finding it harder to train younger staff and to bring junior to mid-level staff along to fill middle-management and leadership roles.”
- “We had great employees who would have grown with the agency, but we had to let them go due to agency financial issues only.”
- “I had a team of 5+ contractors as of November 2023 and one PT employee who ended up going over to a client FT in June (we were billing them for the work she was doing on their behalf). I'm currently going solo but looking at bringing on a very PT person again so I can start building up my billable hours again.”

Methodology & Demographics

SAGA's Q4 2024 Small Agency Business Review & Outlook Survey was conducted online from October 31 to November 22, 2024. A total of 72 small agency owners participated.

Total Owners of Agency

1	2	3-5	6-10	11+
67%	30%	4%	0%	0%

Number of Agency Employees

1	2-5	6-10	11-25	26-50	51+
33%	33%	18%	12%	4%	0%

Agency Fee-Based Revenue

< \$250k	\$250k-\$499k	\$500k-\$999k	\$1-3 million	\$3-5 million	\$5 million+
33%	22%	22%	16%	5%	2%

Agency Type

PR/ Public Affairs	Marketing	Digital	Advertising	Other
53%	28%	11%	2%	6%

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.